

Annual Report

2007



Rabo Bouwfonds

Bouwfonds Property Development | FGH Bank | Bouwfonds Asset Management

Annual Report 2007

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Chairman's Statement

Our company achieved a good result in 2007 – the first full year in which Bouwfonds was part of the Rabobank Group. There were many challenges, both internal and external, during a year characterised by the integration of several business units and cooperation with other divisions of the Rabobank Group in various areas. The first benefits of this cooperation have already materialised, so it has been good start.

Overall market developments remained favourable for Rabo Bouwfonds in 2007, despite the continuing high level of vacancies in parts of the office market and insufficient housing construction in the Netherlands. A positive development in the latter regard is that politicians have begun to pay more attention to this problem and seem more willing to remove existing barriers in order to increase the number of affordable homes. Market developments in the other countries in which we operate were generally positive, both for the commercial and residential real estate sectors.

During the second half of 2007, problems in the American mortgage market caused a crisis in the financial markets. However, the consequences for Rabo Bouwfonds were limited.



IJ-banks, Amsterdam

During this turbulent period we saw once again that quality always pays. Due to the lack of trust between financial institutions, many banks saw their access to the financial markets



Leidsche Rijn, Utrecht

restricted or even barred. At the same time, however, this created additional opportunities for market parties with a good reputation. FGH Bank, for example, was able to increase its production substantially in 2007 while maintaining good margins.

Because of the crisis, the money and capital markets have again, sensibly, put a price on risk, a practice that had to some extent been ignored in recent years by many parties. Awareness of risks can contribute towards a healthier market and is, moreover, good for margins.

Unfortunately, in 2007 Rabo Bouwfonds was not only in the news for positive reasons. The authorities conducted an investigation into certain suspicious real estate transactions by third parties, in the course of which several of our offices were also asked to provide information. The investigators made clear that neither Rabo Bouwfonds, nor its current employees, are among the suspects. We had already commissioned a forensic investigation into the matter and, it goes without saying, are cooperating fully with the authorities.

We are very pleased with the result achieved in 2007. While profit was influenced by non-recurring income, even without this income we delivered a strong performance. We wish to express our appreciation for the efforts and expertise of our employees, without whom this result could not have been achieved. Although the integration made considerable demands on all our people, we succeeded in continuing to put the customer first.

We face the future with confidence. Rabo Bouwfonds is a financially powerful organisation with highly professional employees. The markets in which we operate, both in the Netherlands and abroad, offer numerous opportunities and our company is ideally positioned to meet the challenges, grasp the opportunities and achieve further growth and expansion. ■

Hoewelaken, 27 March 2008

Tjalling Halbertsma
Chairman, Board of Directors Rabo Bouwfonds



Tjalling Halbertsma

Rabo Bouwfonds in 2007

- Net profit up by 28 %

- Return on equity: 18.8 %

- All the divisions contributed towards profit growth

- Number of homes sold down in the Netherlands, up abroad; total number sold: 13,173

- New loans reached a record high of € 6.3 billion

- Assets under management of Bouwfonds Asset Management up by 21 %

- The € 3 billion secured Skyline 2007 transaction was the largest commercial mortgage-backed security (CMBS) transaction ever concluded in the Netherlands and also one of the largest in Europe

- The Eigen Steen (Own Stone) project was implemented. The first purchase of a Rabobank branch office was completed at the end of 2007

Key figures			
		2007	2006*
Result			
Net profit	€ mln	243	190
Financial position			
Shareholders' equity	€ mln	1,561	1,293
Subordinated debt	€ mln	41	52
Group capital	€ mln	1,623	1,378
Ratio			
Return on shareholders' equity	%	18.8	17.2
Tier 1 ratio	%	10.8	9.9
BIS ratio	%	11.1	10.3
Production			
Homes sold (incl. third party projects)	number	13,173	14,073
Commercial property completed	m ²	223,782	188,585
Commercial property under construction	m ²	570,970	714,565
New loans	€ mln	6,243	4,265
Portfolio (gross)			
Portfolio loans (gross)	€ mln	13,480	10,262
Assets under management	€ mln	5,069	4,183
Community real estate under management	€ mln	2,397	2,000
Development portfolio			
Homes	number	125,000	115,000
Commercial property	m ²	3,256,000	3,010,000
Employees			
FTEs	number	1,918	1,783
– The Netherlands		1,389	1,308
– Abroad		529	475
Head count	number	2,044	1,904
– The Netherlands		1,497	1,415
– Abroad		547	489

* Unaudited pro forma figures

Management

Situation as at 31 December 2007

Board of Directors

Chairman

T.B. Halbertsma (Tjalling)

Chief Financial & Risk Officer

J.H.P.M. van Lange (Jos)

Chairman of the Management Board FGH Bank

P.C. Keur (Peter)

Chairman of the Management Board Bouwfonds Asset Management

J.L.M.J. Klijnen (Jean)

*Chairman of the Management Board Bouwfonds Property
Development (until 01-04-2008)*

H.J.M. van Zandvoort (Henk)

Supervisory Board

Chairman

J.C. ten Cate

Member of the Executive Board of Rabobank

L.C. Brinkman*

President of Bouwend Nederland

S.N. Schat

Member of the Executive Board of Rabobank

S.B. de Witte*

Chairman of the Supervisory Board of Rabobank Zaanstreek and
Chairman of the Group of local Rabobanks in the province of
North Holland

C. van Zadelhoff*

Founder of real estate company DTZ Zadelhoff

* Appointed as of 1 July 2007



From left to right: Jean Klijnen, Henk van Zandvoort, Tjalling Halbertsma, Jos van Lange, Peter Keur.

About Rabo Bouwfonds

Vision, profile, activities

Vision

Rabo Bouwfonds believes that real estate should serve the end user and contribute towards the quality of the community as a whole. Our real estate market leadership is based on local knowledge and local presence, combined with in-depth knowledge of the end user's housing needs.

End users should be able to live stress-free and work, shop and recreate in a pleasant environment. That is the basis for a sustainable return on real estate investments. Our changing world continuously calls for new concepts and solutions, which can only be provided through cooperation. An optimum response to the needs of current and future end users requires effective and efficient collaboration of market parties and the authorities.

Profile

Rabo Bouwfonds, a division of the Rabobank Group since 2006, is an international real estate company with three real estate-oriented core activities: development, finance and investment management. Rabo Bouwfonds operates in both the private and business markets and is one of the largest real estate companies in Europe.

In 2007 Rabo Bouwfonds generated a net profit of € 243 million. The company has over 2,000 employees, of whom around 550 work outside the Netherlands.

Activities

Development

In 2007 Rabo Vastgoed and Bouwfonds Property Development were integrated into the Development division of Rabo Bouwfonds. Currently the Development division operates, under various labels, as an *all-round* developer of residential areas, commercial real estate and mixed-use projects, both in urban and greenfield locations. Thanks to the combination of expertise, a strong financial basis and a well-filled development portfolio, the organisation is the market leader in the Netherlands and one of the largest area developers in Europe. Our company is committed to sustainable development of areas that provide a pleasant working and living environment, and is highly focused on cooperation with – often local – partners.

The Development division employs over 1,200 people who work from 47 offices in 11 European countries. Its extensive local presence generates in-depth knowledge of the local markets, while at the same time the organisation is able to draw on the expertise available at corporate level with regard to concept and area development. In the Netherlands the Development division works closely together with local Rabobank branches.

Bouwfonds Property Development is not only leading in the Netherlands, but also in its other 'home' countries – France and Germany. It is also active in Belgium, Luxembourg, Denmark, Sweden, Spain, Czech Republic and Slovakia, where it works in close cooperation with local partners.

Finance

Commercial real estate finance activities are conducted by FGH Bank, both under its own name and through its label RNHB Hypotheekbank. FGH Bank specialises in commercial property finance, including project finance, and focuses on the large corporate and professional markets.

RNHB Hypotheekbank serves small business customers that operate in the mid-sized segment of the real estate market. Although it generally works with intermediaries, it also operates via the direct channel.

In addition to providing finance, FGH Bank also offers services related to valuation, portfolio analysis, market research and legal support via its subsidiary FGH Vastgoed Expertise.

Investment Management

Bouwfonds Asset Management is active in the field of real estate investment, focusing on structuring and management of real estate portfolios. The funds are non-listed funds for private and institutional investors in the Netherlands and abroad, primarily in Germany, France, the UK and the United States. Bouwfonds Asset Management ranks among the ten largest players in the field of real estate investment in the Netherlands, and is one of the three largest Dutch providers of private real estate funds.

Bouwfonds Asset Management serves investors with both traditional and innovative real estate investment products in selected (international) markets. Besides international growth of the managed assets, developing into Rabobank's centre of expertise for real estate investment products is a major spearhead for the future.

Rabobank profile

Rabobank Group is a full-service provider of financial services that operates on cooperative principles. The Rabobank Group comprises 174 independent local cooperative Rabobanks in the Netherlands, the central organisation Rabobank Nederland and its subsidiaries at home and abroad. Rabobank serves more than nine million private individuals and corporate clients in the Netherlands and a growing number abroad. It employs over 60,000 staff and is represented in over 40 countries. Rabobank has particularly strong positions in the agricultural sector and in the SME segment.

The Rabobank Group has the highest credit rating (AAA), awarded by the well-known international rating agencies Moody's and Standard & Poor's. In terms of Tier 1 capital, the organisation ranks among the world's twenty largest financial institutions. ■

Report of the Supervisory Board

We are pleased to present the 2007 Annual Report of Rabo Bouwfonds N.V. The financial statements have been prepared by the Board of Directors of Rabo Bouwfonds and audited by Ernst & Young Accountants. We recommend, also on the basis of the auditor's report, that the shareholder approves the financial statements and appropriate the profit in accordance with our recommendation.

In 2007 the Supervisory Board met six times in the presence of the Board of Directors. As of 1 July 2007 Mr. Van Schijndel resigned from the Supervisory Board and Messrs. Brinkman, De Witte and Van Zadelhoff were appointed to the Supervisory Board. The Supervisory Board laid down its duties and responsibilities in regulations that were approved by the shareholder.

The Supervisory Board paid considerable attention to recurring topics, such as the development of the results of the various business units and the related financial reports and associated risk aspects and the progress of the integration within Rabo Bouwfonds. The Supervisory Board also followed the progress of the investigation by the authorities very closely. In addition, it engaged in a comprehensive exchange of views regarding the desired activities of Rabo Bouwfonds abroad, the scope of activities of the Investment Management division, the setting-up of an internal audit department, the new brand policy and the 2008 budget.

In 2008, in addition to the regular topics, the Supervisory Board will pay considerable attention to management development and Rabo Bouwfonds' corporate sustainability policy.

In December 2007 Mr. Van Zandvoort announced his resignation from the Board of Directors of Rabo Bouwfonds and as Chairman of the Management Board of the Development division as of 1 April 2008.

Now that the integration of Bouwfonds Property Development and Rabo Vastgoed has been completed successfully, Mr. Van Zandvoort feels the time has come to leave the further growth of the organisation and the implementation of the new policy to others.

Mr. Van Zandvoort has held various executive positions within Bouwfonds. In recent years the organisation has, under his leadership, grown into the largest full-service developer in the Netherlands and one of the largest developers in Europe. The Supervisory Board is extremely grateful to Mr. Van Zandvoort for his contribution towards this growth.

The Supervisory Board would like to express its appreciation for the manner in which, in a year characterised by numerous integration efforts, Rabo Bouwfonds' Board of Directors and employees have demonstrated their commitment to our company and for the commercial and financial results they have achieved. ■

Hoevelaken, 27 March 2008

Supervisory Board

J.C. ten Cate, Chairman

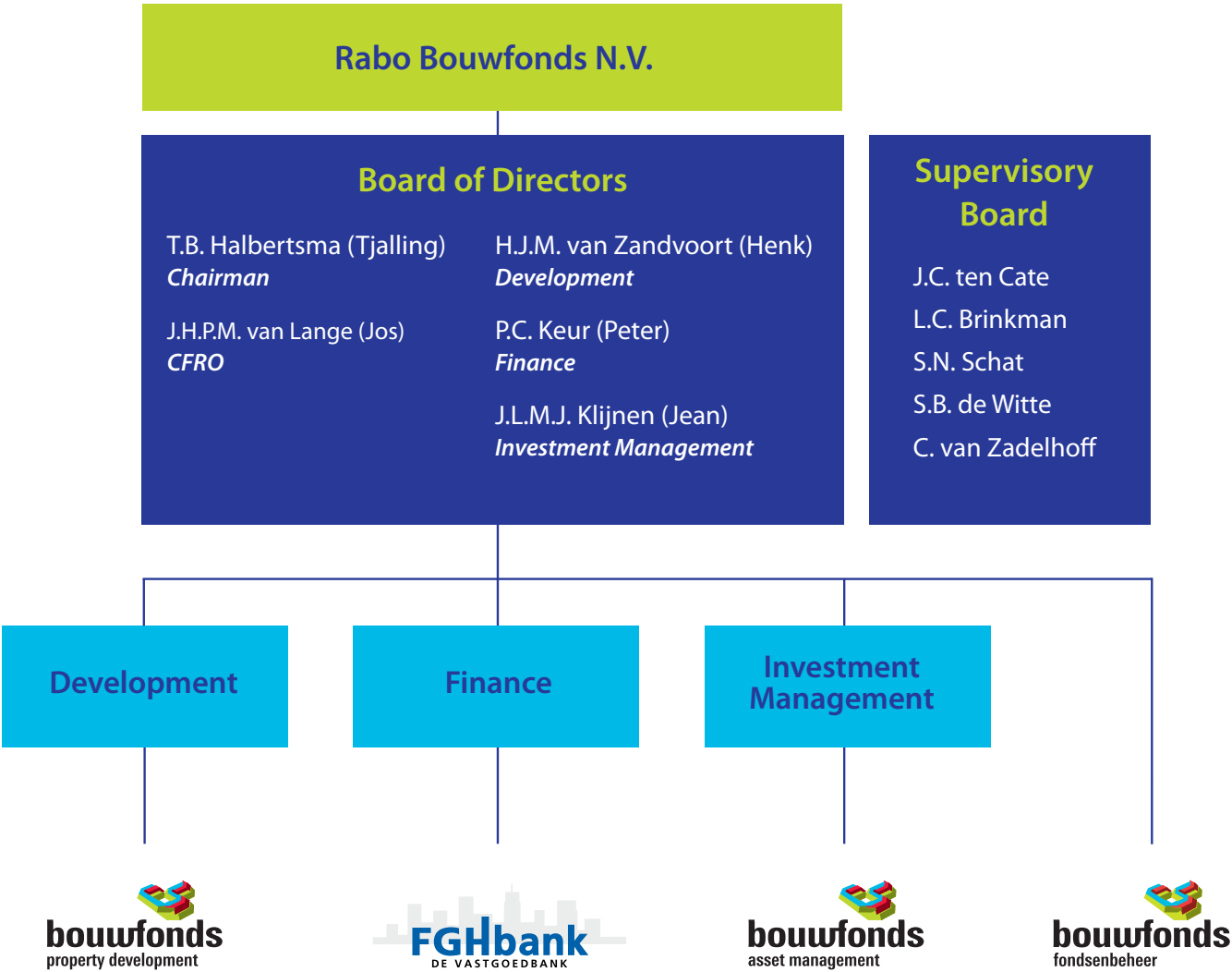
L.C. Brinkman

S.N. Schat

S.B. de Witte

C. van Zadelhoff

Organisational chart Rabo Bouwfonds



Report of the Board of Directors

Rabo Bouwfonds in 2007

2007 was a good year for Rabo Bouwfonds. Profit amounted to € 243 million – an increase of 28 % compared with € 190 million in 2006 based on the same group composition. Growth was achieved company-wide, led by the Finance and Investment Management divisions. The results were even more satisfactory because they were achieved in the midst of considerable turbulence in the international financial markets on the back of the crisis in the American residential mortgage market.

The results achieved in 2007 and the growth in the various business segments are in line with Rabo Bouwfonds' ambitions and objectives.

In 2007 the integration of Bouwfonds, Rabo Vastgoed and FGH Bank, as well as the cooperation with several other units of Rabobank, already resulted in synergy advantages.

Ambitions and strategy

General

Rabo Bouwfonds' ambition is to achieve a leading position, or strengthen its leading positions in the Netherlands and several other European countries, such as Germany and France, with all its activities. Rabo Bouwfonds wants to operate in every phase of the real estate market's 'life-cycle'. Our company wants to offer comfortable housing, combined with a good return for property investors with an eye for a sustainable society.

Translated into specific objectives this means we wish to maintain and strengthen our leading position in the Dutch residential and commercial real estate markets, selectively expand the development activities in other European countries, retain our trend-setting position in commercial real estate finance in the Netherlands, exploit Rabobank's distribution capabilities to the fullest extent possible, further grow the assets under management and achieve a 10 – 15 % annual increase of net profit.

The prominent position in the Dutch market already held by Rabo Bouwfonds means that we are gradually moving towards the limits of growth for our various divisions. Our longer-term objectives can only be achieved by means of further internationalisation. This process is also driven by the wishes of our customers that are also increasingly expanding their activities outside the Netherlands. The additional benefits of internationalisation are risk diversification and better opportunities to recruit talented and ambitious staff.

When entering a new foreign market, we will take into consideration not only the financial objectives but also the possibilities for synergy between the various divisions and with Rabobank. Other criteria are stringent risk management and the possibility of, in principle, financing the growth with our own capital.

Our aim is that by 2012, half of the residential units we develop each year, and a significant part of the assets under management should be located outside the Netherlands, while the foreign loan portfolio should represent a major portion of the total. The relative share of the net profit generated abroad will have increased by then.

Recently it was decided to concentrate the foreign activities in a limited number of countries. The selected countries are Germany, France, Belgium, Luxembourg, Sweden, Denmark, Spain, Central Europe and the United States. We expect that our results will be enhanced by an optimum focus of the available management capacity on the selected countries.

Development

The Development division regards the Netherlands, France and Germany as its 'home' markets. Additionally, it will target growth of the activities in a select number of European countries. Its ambition is to develop into a trend-leading, diversified area developer with the prospect of – at least – a top-5 position in the sectors in which it operates. Acquiring land for future projects is a cornerstone of this policy.

In light of economic and demographic developments, the Development division is increasingly gearing its product development at specific target groups, such as students/ first-time buyers, middle-income earners in the cities and senior citizens. The division is looking to gain greater market share in small and large scale inner-city projects (city centre redevelopment and residential area restructuring). It is also striving for a position in the market for the integrated approach to hospitals and in the so-called red-for-green-and-blue projects.

Finance

FGH Bank wants to retain its strong position in the Dutch market while further improving its profitability. The plans also include building up positions in Germany, France and Belgium in the near future, one reason being that more and more customers are operating internationally. In the Netherlands, RNHB Hypotheekbank is striving to become the largest provider in the middle segment of the real estate market.

Investment management

Bouwfonds Asset Management wants to develop into the centre of expertise for real estate products within the Rabobank Group. It has a global focus and also aims for national and international growth through further roll-outs of existing product lines, product renewal and by setting up offices in new countries. In addition, Bouwfonds Asset Management is looking to establish strategic alliances and make acquisitions.

Business policy

Governance model

Rabo Bouwfonds is managed by a Board of Directors that operates at arm's length from the shareholder. The Board of Directors comprises a Chairman, a Chief Financial & Risk Officer (CFRO) and the chairmen of the Management Boards of each of the three divisions. The members of the Board of Directors are jointly responsible for the management of Rabo Bouwfonds, the general affairs of the company and the divisions. The members of the Board of Directors and the Supervisory Board are appointed by the shareholder. The Supervisory Board supervises the Board of Directors.

Corporate sustainability

Historically Rabo Bouwfonds has always paid a great deal of attention to the social context within which its business activities are carried out. This is one of the reasons why we want to integrate sustainability as much as possible into our core activities and internal business operations. This also dovetails well with Rabobank's ambition to rank amongst the world's most sustainable organisations.

Rabo Bouwfonds' social role is given a contemporary form through the activities of Bouwfonds Cultural Fund and Bouwfonds Public Fund Management.

Via Bouwfonds Public Fund Management, Rabo Bouwfonds provides the management for a number of public-private funds dedicated to spatial quality in the Netherlands. These are funds in the fields of nature and landscape (Dutch National Fund for Nature Development), monuments (National Restoration Fund), housing and urban renewal (Dutch Housing Stimulation Fund) and industrial heritage in the Netherlands (National Trust for the Maintenance, Development and Exploitation of Industrial Heritage). Rabo Bouwfonds makes its expertise, capacity and facilities available to these funds on a non-profit basis. The Bouwfonds Cultural Fund sponsors municipal cultural projects that bring a wide public into contact with diverse artistic and cultural manifestations.

Financial policy

Rabo Bouwfonds' financial policy is aimed at achieving profitable growth while maintaining a balanced risk profile. To this end the Company works with performance contracts in which, for both Rabo Bouwfonds as a whole and the divisions, a strategic analysis is linked with, and underpinned by, detailed figures leading to multi-year, strategic, operational and financial agreements aimed at value creation. Strategic investment decisions, including acquisitions, are subject to clear demands regarding the strategic and financial rationale, the starting point being that the investment contributes to value creation.

One factor that must be taken into account when it comes to achieving profitable growth is the costs of the invested capital. Value has been created if the return on the invested capital is higher than the average level of the capital cost. For Rabo Bouwfonds this translates into a targeted net return on shareholders' equity of 15 %. The allocation of capital to each division is based on an analysis of the operational business risks. The resulting return per division is seen as a risk-adjusted return on economic capital (RAROC). This is becoming an increasingly important management variable for both the measurement of performance and the allocation of capital to activities.

Risk management and compliance

Rabo Bouwfonds has implemented extensive measures to ensure optimum management of operational business risks. In a nutshell these measures involve assessing the risks prior to a project start, closely monitoring the risks related to on-going projects and financing and, where necessary, making sure that undesirable developments are corrected quickly and effectively.

The market and credit risks of new projects and financing are managed through a layered authorisation structure and a system of limits. The Management Board of the relevant division approves the smaller development projects and financing. Larger projects are evaluated and approved by committees on which the Management Board of the relevant division, the Board of Directors of Rabo Bouwfonds and, sometimes, Rabobank are represented. Very large projects must be approved by Rabobank.

Periodic reports provide information regarding the development of risk exposure and the quality of the portfolios. We manage the risks related to activities with standards for market, credit, operational and balance sheet risks. Sophisticated models are used to assess the Company's exposure to fluctuating interest rates and any possible discrepancy between the inflow and outflow of cash flows is estimated.

Currently Rabo Bouwfonds is implementing an advanced model for operational risk management (ORM) that takes a variety of risk factors into account, such as fraud, product liability, loss, process faults, information security and business continuity.

Despite our close attention to risk management, incidents cannot be ruled out, often as a result of non-compliance by individuals with rules and regulations. That is why compliance is closely monitored. Rabo Bouwfonds operates on the basic assumption that its employees carry out their activities professionally and with integrity. Their activities should comply with socially accepted standards and values, the specific standards and values of Rabo Bouwfonds and, of course, legislation and regulations. Indications or suspicions of irregular dealings are treated seriously and, where necessary, appropriate action is taken.

We believe that the aforementioned risks are properly covered by the control measures we have in place. Nevertheless, because companies, and therefore also Rabo Bouwfonds, have in general become more vulnerable to risks related to compliance and integrity, we are extremely alert to any desirable or necessary honing of the rules. In this context we will, in the first half of 2008, introduce a standardised code of conduct that has been tailored specifically to our real estate company but also fits within the framework of Rabobank's principles. As far as compliance and integrity are concerned, the continued promotion of integrity awareness is a spearhead for 2008. Further attention will also be paid to the system for monitoring compliance with the integrity rules.

Cooperation, integration and synergy

In 2006 what was then called Bouwfonds was acquired by Rabobank, with the exception of commercial property finance activity. One major consideration related to the acquisition was the fact that a number of Rabobank's and Bouwfonds' business units complemented each other. Cooperation with other business units, such as the local Rabobank branches and affiliated companies was encouraged. The first benefits became apparent in 2007 and are expected to increase in the coming years.

The integration process was started in 2007 and is now virtually complete. The process has involved every division and, in particular, the Development division, which incorporated Bouwfonds Property Development and Rabo Vastgoed, which also focuses on real estate development.

In 2006 Rijnlandse Bank became part of FGH Bank. In the year under review Rijnlandse Bank was integrated with Nederlandse Hypotheekbank, a subsidiary of FGH Bank. In future the new company will trade under the name RNHB Hypotheekbank.

In the Investment Management division, FGH Asset Management was integrated into Bouwfonds Asset Management as of 1 July 2007.

Cross-pollination between the various business units that are all active in the real estate market is a key component of our company's business policy. The combination of Rabo Bouwfonds' real estate expertise and Rabobank's strong distribution capabilities provides added value to our customers. The partnership with Rabobank means, for example, that the Investment Management division's investment products are now also available to Rabobank's private banking customers. With respect to new-build projects, the collaboration has led to improved sales of homes. This has enabled Rabobank to strengthen its leading position in the mortgage segment.

In 2007 we launched the Eigen Steen project. This organisation, which is managed by the Investment Management division, offers the local Rabobanks to take care of the management and exploitation of the real estate in which they are located, allowing them to focus more on their core activities. Local banks can transfer the properties they own to Eigen Steen and then lease them back. By involving Eigen Steen, new buildings can also be constructed, or existing premises re-developed. Ownership of the first local bank premises was transferred to Eigen Steen at the end of 2007.

Market developments

General

The developments in the financial markets during 2007 have increased the uncertainty about the economy. As a result of the problems in the American residential mortgage market, a number of banks, both in the United States and elsewhere, have had to make substantial provisions. Some banks are now in serious trouble. The pressure this has brought to bear on bank-to-bank credit facilities has, in turn, affected loans to individuals and businesses. Risk premiums have increased. The impact is most obvious in the financial markets. Due to the credit crisis, the securitisation market for real estate transactions has dried up almost entirely. As a direct consequence, large private real estate investors and other banks have found it more difficult to pass on financing. This has also affected the margins at which market parties can finance real estate.

So far the credit crisis has had only a limited effect on the real economy. Economic growth remained robust in 2007 and the forecasts are still positive, although growth forecasts have been revised downwards. The reduced lending capabilities, the fall of the dollar compared to the euro and the substantially higher oil price are major drivers in this respect.

Despite the increased uncertainty, in 2007 the European real estate market remained strong. The investment volume was also high last year, as was production in the building sector, making it a good year for both property investors and property developers. However, the finance limitations that have meanwhile arisen are expected to impact on the prospects of real estate investors that will, once again, focus more on the quality of the properties and less on cash flows. The market position of investors with a long-term strategy is likely to benefit. The construction industry is increasingly confronted with the effects of rising costs of raw materials and labour. That puts pressure on the margins of new-build projects, which in turn may lead to lower construction volumes in 2008.

The prospects for property investments remain positive. Because of the turbulence in the financial markets investors are continuing to seek stable, income-generating investments. Real estate can provide the answer. Various surveys have shown that institutional investors are looking to increase their exposure to real estate. One additional factor is that in various countries the further roll-out of tax-friendly Real Estate Investment Trust (REIT) structures is stimulating interest. At the same time, however, in 2007 the financial terms and conditions under which real estate can be acquired changed quite sharply.

Real estate investors are increasingly seeking alternative investment sectors, such as parking garages, infrastructure and fixed-yield products. Investors are also showing increasing interest in the markets for care sector property, hotels and leisure products and invest in new countries and regions. This trend is expected to continue in 2008.

Commercial real estate in the Netherlands

In 2007 the demand for *offices* remained high. A total of 2.3 million m² was taken up, virtually unchanged compared to the record year of 2006. As demand is predominantly for up-to-date buildings, the construction of new buildings also increased substantially last year. As a result, in the Netherlands the average rental price rose by 1.5 % to € 143 per square metre in 2007. The enormous offering of 5.5 million m² remains cause for concern. The strong market in recent years has hardly reduced supply, which has made the divide between good quality and lesser-quality objects even clearer. In the office market we foresee an increasing demand for high-value locations. Nevertheless some pressure on rental prices is possible due to the high vacancy rate, even though most of the vacant properties are not in the top-quality bracket.

In the *retail* market the position of the prime locations in the city centres remained strong. Thanks to the continuing trend towards internationalisation in the retail sector, demand for retail space in these locations remained higher than the available supply. The take-up of retail space dropped by nearly 20 % because the offering did not meet the requirements. This led to a further increase in rental prices in 2007. The competition between city centre and city outskirts locations did increase; retailer demand shifted gradually from city centre locations to city outskirts locations. The vacancy rate for other locations increased and amounted to over 2 million m².

In 2007 consumer spending increased on the back of continuing economic growth, although consumer confidence did drop during the second half of 2007. If consumer confidence remains at moderate levels, this could have a negative effect on spending in 2008 which, in turn, could affect retail income development. The increasing internationalisation of large retail concerns is beneficial for the market.



Residential development in Den Bosch

In the *industrial real estate* sector the greatest increase in demand is for logistics property. Last year 3.4 million m² of industrial real estate was taken up, nearly 1.4 million m² of which related to large-scale logistics warehouses. Due to the high demand for modern premises, rents have risen. In 2007 the average price per square metre was € 51, while the top rental price reached € 90 per square metre. Due to the increased uptake the offering of industrial real estate fell slightly, to 7.8 million m².

Residential property

After a period of continuous growth, in 2007 the *Dutch* residential market showed the first signs of stagnation. The number of sale transactions in existing buildings fell while the supply rose. Around 75,000 new homes were built. A major cause of these signs of stagnation was that higher interest rates and the continuing increase in house prices made homes less affordable. As a result, at the lower end of the market opportunities to enter the homeowner market became increasingly scarce, especially for first-time buyers.

At the end of 2007 the average price of a house in the Netherlands was 3.3 % higher than at the end of 2006. Mortgage provision fell not only because there were fewer transactions but, also due primarily to higher interest rates in the capital market during the first-time half of 2007, fewer contract transfers as well.

Despite the changed market conditions, demand for homes in the Netherlands remained high due to the structural shortage. In connection with the continuing increase in the number of households and the rising average age of the population, production will have to increase substantially. However, the production objectives are not achieved, which means the scarcity in the market and the upward pressure on prices will continue through the coming years. Prices are expected to rise by around 3 % in 2008. On the positive side, the desire to buy a home is being stimulated by the relatively favourable economic developments and falling unemployment. On the negative side, capital market interest rates are expected to rise. The market continues to be insufficiently dynamic, partly because homes are becoming less affordable.

The *German* residential market is characterised by historically low prices, which limits the potential downside. The increasing demand and limited new construction boost the chances of a modest price rise if economic growth accelerates. The first signs of an upturn in the rental market are already apparent and the immediate return that can be achieved on German homes is attractive. Prices in the house purchase market are rising only gradually and mainly in certain urban areas such as Munich, Hamburg, Dusseldorf and Stuttgart. Consumer confidence is still very low.

In 2007 the residential market in *France* stabilised and the steep rise in the price of existing properties levelled off to just above the rate of inflation. In the third quarter of the year prices even fell. The number of transactions involving existing houses remained virtually the same.

In the new-build market, sales began to fall in the second quarter of the year. Total sales of newly built houses in 2007 were approximately the same as in 2006. During 2007 both the average time for a sale and the stock of unsold houses increased. The investment market, which forms a major part of house sales in France, became less attractive due to higher interest rates.

In *Denmark* sales of new-build houses dropped in 2007 on the back of the enormous production in 2005 and 2006. Many housing projects were purchased by speculative investors who, once the homes were finished, sold them on for a substantial profit. This led to a surplus, especially of apartments. However, as the economic outlook is excellent, a moderate recovery of the housing market is expected by the end of 2008.

In *Sweden* housing construction fell slightly in 2007 after two years of robust growth. In the large cities, apartment prices came down a little, but an improvement is expected for 2009.

In 2007 the *Spanish* housing market took a hard knock. Building production dropped from 700,000 – 800,000 in previous years to 500,000. There was a real collapse in the market for second homes on the coast due to a steep decline in demand from foreign buyers (the UK and Ireland) and Spanish families.

The huge price increases in the large cities came to a halt, partly due to higher mortgage interest rates. The Spanish housing market is set to recover and become sounder in 2008 and 2009.

Financial result

2007 was a good year for Rabo Bouwfonds. In the first full year since the acquisition by Rabobank, net profit rose by € 53 million – or 28 % – to € 243 million. The pro forma net profit for 2006, based on the same group composition as in 2007, was € 190 million. In 2007 all divisions posted a higher operating result before tax. The Finance division's operating result before tax rose by € 36 million to € 138 million while the Investment Management division showed an increase of € 12 million to € 30 million. The Development division's operating result before tax was also higher – by € 5 million to € 143 million. The return on Rabo Bouwfonds' shareholders' equity for 2007 amounted to 18.8 % – an improvement on the 17.2 % pro forma return achieved in 2006.

Some of the increase of the net profit was driven by several substantial non-recurring items, such as the proceeds from the sale of several participations and investments and the sale of a number of office buildings. There were also a number of non-recurring expenses in 2007, mostly related to the acquisition of Bouwfonds and the integration of various companies businesses into Rabo Bouwfonds. The balance of all non-recurring items in 2007 was almost € 35 million.

The balance of the income and expenses amounted to an operating result of € 315 million: € 57 million, or 22 %, higher than the pro forma figure for 2006. The tax rate was 22 % compared with 26 % for 2006.

The developments in Central Europe went according to expectations. New market approaches are being considered.

Development

During the year under review both the residential and commercial real estate development activities made good progress in the Netherlands as well as abroad.

A total of 13,173 homes were sold. In 2006 Bouwfonds Property Development and Rabo Vastgoed jointly sold 13,443 homes (excluding Hopman Interheem Group). The Netherlands accounted for most of this decrease as a result of the general decline in sales of new-build homes in the Netherlands (-13 %), rising construction costs and delays resulting from municipal procedures.

In Germany the number of homes sold rose. 2007 was also a successful year for Bouwfonds Marignan in France, which saw completions increase to around 3,000 homes. In Sweden the first project with our local partner Veidekke – 130 homes – was completely sold out in a very short time, after which construction commenced. In Spain a third joint-venture was established with Construcciones Flores, focusing on the development of housing projects in northern Spain.

In the large-scale, mixed-use Oosterdokseiland (ODE) project in Amsterdam, the largest library in the Netherlands was opened, and a contract for building the largest hotel in the Netherlands was signed with City Inn. Another deal signed for ODE was for the construction of premises for Saturn. TomTom and Vodafone Nederland have also decided to move their head offices here.

Steady progress was made on the construction of the Frankfurt HochVier project, which comprises offices, shops and a hotel. Tenants and investors are very interested in this project, which will be completed in 2009. Over half of the available retail space has already been let. In France, shopping centres were opened in Aix-en-Provence and Metz.

In the office sector a lease agreement was signed with the Rotterdam City Council for the rental of 25,000 m² in the 'De Rotterdam' building. The apartments in the building were sold to an investor. Construction will commence in 2008. In France, Bouwfonds Marignan started the construction work for the Eureka office project in Nanterre. This 36,000 m² project was sold to an investor.

In 2007 a number of prestigious awards were won both in the Netherlands and abroad. These related to sustainability, urban development and architecture, and were won for housing projects and mixed-use projects in the cities of Almere, Bergen op Zoom, Aix-en-Provence, Lyon, Dijon and Toulouse.

At a regional level, cooperation with local banks was enhanced, which resulted in improved sales of homes in new-build projects while it also enables Rabobank to strengthen its leading position as a mortgage provider.

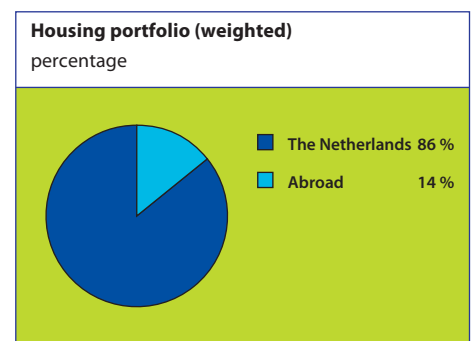
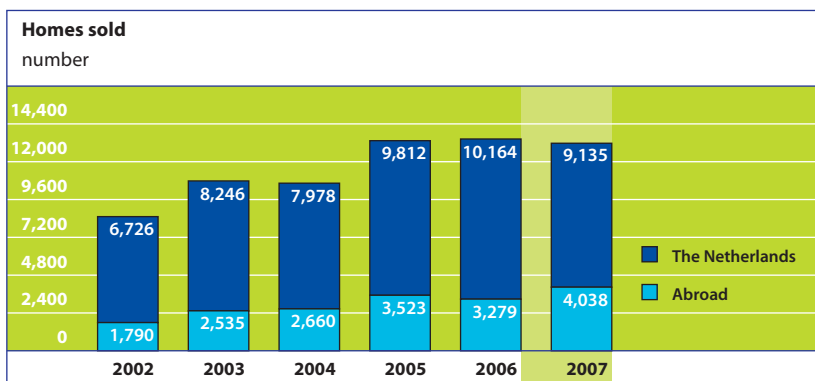
The continued growth of the number of households will result in a high demand for quality houses and apartments in the Netherlands in 2008. To meet this demand, market-oriented concepts and residential areas are being developed. Single households and first-time buyers experience increasing difficulty to find affordable housing. Despite the financial obstacles, we will

continue our efforts in 2008 to provide the best possible service to these target groups as well.

Regional developments in the housing markets in the selected European countries are monitored very closely. In these countries we see opportunities in economically strong regions. If necessary, we will further strengthen our position in attractive areas by acquiring local market parties or establishing strategic partnerships.

In 2008 we will continue to invest in the home-care solutions made necessary by the ageing population in Europe. CO₂ reduction and sustainable area development are other major spearheads.

In all our activities we will be focussing more on urban projects, such as the redevelopment of industrial areas and city centres and the redevelopment of residential areas. Our acquisition policy in 2008 will also include small-scale commercial properties in small urban centres. Overall, the focus will be more on small-scale projects in city and village centres.



With respect to commercial real estate, in 2008 we will continue to build on the partnerships with international retailers and investors across country borders so as to open up new opportunities. In the context of chain extension and synergy, where possible the Development division will seek cooperation with the Investment Management and Finance divisions.

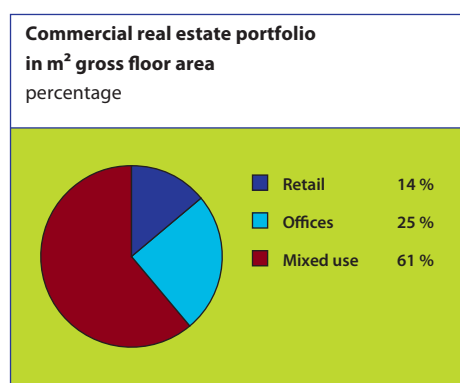
The successful roll-out of commercial property concepts in Europe will likewise remain a spearhead in 2008. We will keep a sharp look-out for retail opportunities in selected European countries, primarily in emerging European economic regions.

In the office market the emphasis will be on high-value office locations in economically strong regions. We will involve the users as a catalyst for new, tailor-made developments. It is anticipated that in 2008 the contract for the lease of Coolsingel tower will be signed, which will be built on the 'old Luxor' site in Rotterdam.

Finance

2007 was an excellent year for FGH Bank. The nationwide office network enables the bank's employees to operate close to the customer. This, combined with expertise across the full market and real estate spectrum and a solid internal organisation, has reinforced FGH Bank's leading position in the Dutch property finance market. The record amount of new loans of € 6.3 billion and a portfolio growth of 31 % to € 13.5 billion confirm the value customers attach to this market approach. Thanks to its very balanced profile, in 2007 as in previous years, credit losses in the loans portfolio were very limited.

Its in-house expertise and the solid internal organisation helped FGH Bank to securitize € 3 billion of the loans portfolio. This transaction, named Skyline 2007, was very well received by the professional market and is the largest commercial mortgage backed security transaction ever arranged in the Netherlands, as well as being one of the largest of its kind in Europe.





In 2007 considerable attention was paid to further streamlining the internal and sales organisations. The guiding principle was optimum customer service. In addition, the continuous growth of FGH Bank's activities in recent years was cause to broaden the bank's management. To this end, a management team was formed alongside the Management Board, which is responsible for the day-to-day management.

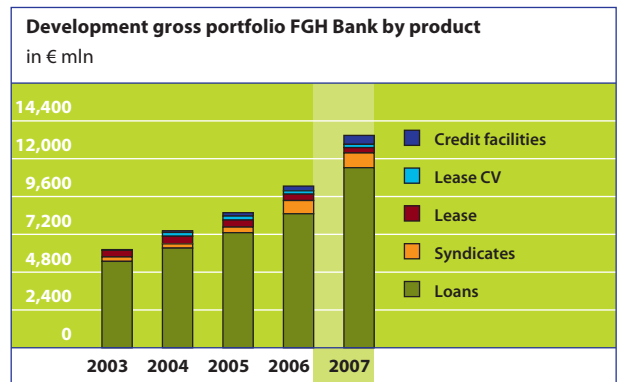
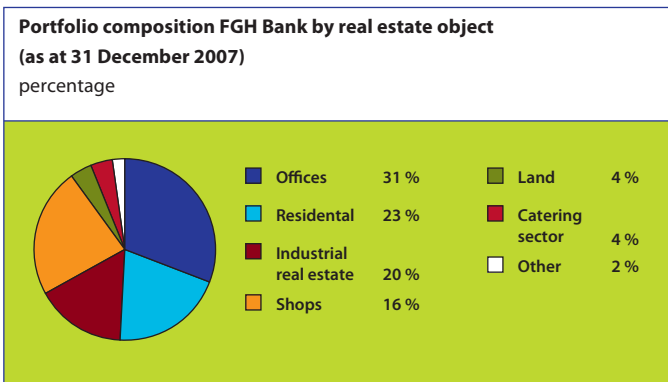
New and amended legislation and regulations, including the Wft (Financial Supervision Act) and the Markets in Financial Instruments Directive (MiFID) led us to implement some changes in the internal procedures. Existing legislation and regulations, for example with regard to Customer Due Diligence (CDD) also received attention in 2007 and was specifically brought to the notice of the employees.

Looking ahead to 2008 we anticipate that the real estate market and market parties will feel the effects of the changing financial and economic climate. Economic growth forecasts have been revised downwards, the development of the interest rates is uncertain and there is unrest between the banks and financial institutions. According to FGH Bank this will lead to a different perception of risk and a dampening effect on some market

segments. In the coming period the quality and marketability of a building or location will become more important, especially in the office and business unit segments. Looking at the market as a whole, good-quality real estate will still offer plenty of opportunities.

FGH Bank works closely together with several Rabobank business units in various ways, including the provision of services to housing associations and the care sector.

FGH Bank expects that, also thanks to its customer-driven approach, it will be able to weather any deepening of the credit crisis and any less favourable development of the real estate market. In fact, for a bank with property in its genes, this situation creates opportunities to offer customers even better service through customisation and new property concepts. In part due to customers' growing interest in also buying real estate in Germany and France, FGH Bank has decided to open offices in Frankfurt (January 2008) and Paris (mid 2008).



Investment Management

For Bouwfonds Asset Management, 2007 was a year of further growth – in terms of activities, countries, employees, result and assets under management. The amount of assets under management rose from € 4.2 billion to € 5.1 billion.

Growth was also achieved in the market for institutional investors, where for example, in 2007 the portfolio of the Bouwfonds European Parking Fund – launched in 2005 – was expanded substantially. New parking garages were purchased in Belgium, Germany and the UK, for a total amount of € 80 million.

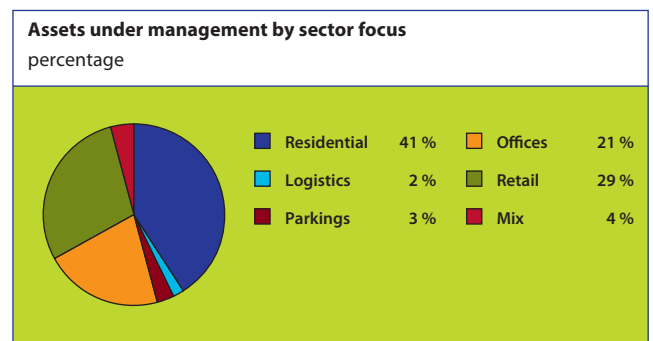
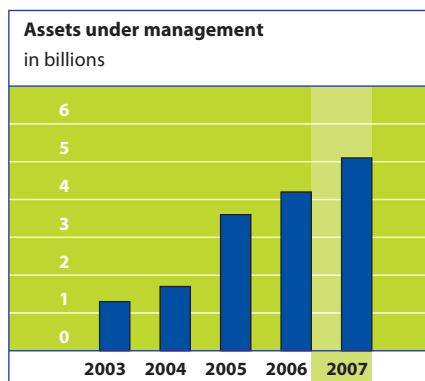
Another fund for institutional investors is the US Residential Fund. In 2007 this fund profited from the unrest in the house purchase market in the United States, which fuelled interest in rented accommodations. The US Residential Fund's fourteen complexes with rented accommodation, eight of which were acquired in 2007, have an occupancy rate of over 95 % and a rising rental level. The fund has meanwhile sold a residential portfolio at an attractive book profit.

In 2007 two German residential funds were launched for institutional investors. Both funds have a substantial initial portfolio that reflects the fund's strategy and enables investors to generate profit right from the beginning.

Bouwfonds Asset Management also achieved growth in the market for private investors. For example, the purchase of a portfolio of nearly 4,000 residential units from Stienstra helped to place the first Residential Disposition Fund with private investors.

In addition, in 2007 the fourth and fifth real estate funds for private investors were introduced: Bouwfonds Germany Residential Fund IV and V, both of which invest in German rental apartments.

In 2007 Bouwfonds Asset Management's services in the fields of acquisition and management also grew. We work together with Triodos in the Triodos Real Estate Fund, which invests in sustainable buildings. Bouwfonds Asset Management is responsible for the acquisition and management of the buildings. Both the portfolio and the number of investors rose sharply, the latter also thanks to the company's flotation at the end of June. In addition, Bouwfonds Asset Management participated, as procurer and asset manager, in a new Dutch real estate fund for Irish investors to be set up by ACC Bank in 2008.



During the year under review there was also a keen focus on internationalisation. The office in Germany experienced robust growth, while preparations for the establishment of the French office of Bouwfonds Asset Management France in Paris are in full swing.

New and amended legislation and regulations, including the Financial Supervision Act (Wft) and the MiFID were cause to introduce some changes to internal procedures.

In 2008 Bouwfonds Asset Management expects assets under management to continue their growth, with a greater share for foreign capital. The growth is being stimulated by the development of new real estate (niche) products. One such product is a new fund initiative aimed at real estate loans; another is an Infrastructure Fund, for which the first purchases are currently being prepared. Yet another example is a Land Fund concept for residential developers, for which a pilot project is being prepared.

Corporate sustainability

In 2007 Rabo Bouwfonds focused on corporate sustainability in various ways. In the context of the integration, an integrated policy plan was produced, in which each division formulated its long-term sustainable ambitions. These ambitions will be translated into specific objectives each year.

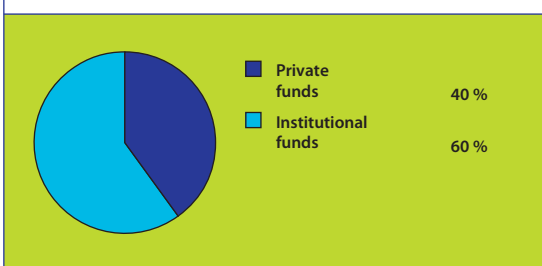
Bouwfonds Public Fund Management

'If all is well with the funds, all is well with Fund Management.' That, in a nutshell, is the guiding principle for Fund Management's policy. In 2007 every social-interest fund achieved major successes. The results of the funds were good and the boards and stakeholders behind them (ministries, provinces, municipalities and shareholders) were positive about the results achieved. 2007 was a year of expansion and growth for all the funds – a year in which all the new developments initiated in 2006 were implemented.

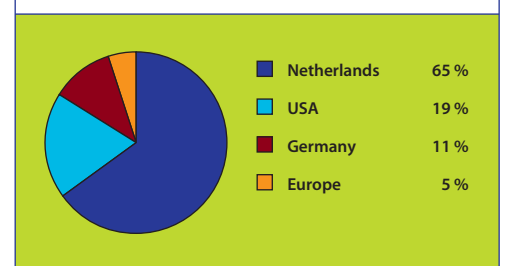
The new subsidy scheme for national monuments that was introduced in 2006 was used abundantly in 2007, when its funding included 331 restorations.

The Dutch National Fund for Nature Development implemented the Rural Area Zoning Act (WILG) that entered into force on 1 January 2007. Via the Dutch National Fund for Nature Development € 439 million in WILG subsidy money was made available.

Assets under management private versus institutional percentage



Assets under management by geography percentage



The provision of Starter Loans by the Dutch Housing Stimulation Fund got off to a good start in 2007, when over 1,100 Starter loans were provided.

At the end of 2007 the National Trust for the Maintenance, Development and Exploitation of Industrial Heritage owned 20 monumental buildings. The transformation from a beginner and pioneer into a strongly positioned organisation is nearing completion.

In 2007 the balance sheet totals rose from € 2.0 billion to € 2.4 billion. Together the funds achieved a positive financial result of € 17 million. This financial result will be added to the funds' capitals and re-invested for the benefit of their objectives.

Several eye-catching projects in which Bouwfonds Public Fund Management, Rabo Bouwfonds and Rabobank partnered in 2007 were:

- Closer collaboration between Rabobank and the Dutch National Fund for Nature Development through the joint financing of the relocation of close herding out of vulnerable areas. A partnership agreement has been signed. During 2007 the relocation of three farms away from natural or reconstruction areas was financed.
- The Fund for Nature Development and Rabo Financial Logistics introduced an internet payment system for 'WILG' payments, which will be implemented early in 2008.
- Two partnerships between the Dutch Housing Stimulation Fund and Rabobank are in the pipeline: one involves Starter loans, and the other, neighbourhood improvements in Rotterdam.
- In 2007 the National Trust for the Maintenance, Development and Exploitation of Industrial Heritage and Bouwfonds Property Development already worked together on a number of projects, such as a large former industrial estate in Oisterwijk and a military base in Vught. Both parties intend to collaborate in new projects as well.

Sustainability in the core activities

During 2007 the Development division developed a number of sustainable and socially-relevant concepts and principles. In all its large-scale projects, for example, the Development division developed sustainable energy provisions, while the development and construction of community property (such as the Central Library in Amsterdam) was one of the spearheads. Sustainable forms of energy supply are increasingly used when building new homes. New housing projects are fed to the GPR software program, allowing them to be managed during the development phase in terms of sustainability, residential comfort and quality.

With the City Campus MAX concept, construction of the first 1,000 student apartments in Utrecht was started in 2007. Also, research was carried out into senior citizens' housing and the possibilities for developing attractive housing specifically for this target group. The research showed that older people (between the ages of 55 and 75) rarely relocate, even though their housing needs do change. With the development of concepts that specifically cater to these housing needs, the Development division wants to contribute towards the through flow in the housing market. The development and construction of affordable housing is also a major component of the larger new-build projects. Discounting any construction by housing corporations, the share of affordable homes within a project ranges between 10 % and 20 %.

Bouwfonds Marignan was awarded a 'Pyramide d'Or 2007' for sustainable construction for the 'Les Mélodies de Pech David' project in Toulouse.

In both the 'FGH Real Estate Report' and publicity around the 'FGH Real Estate Award' FGH Bank has stated that its choice is for sustainability. With the future in mind, FGH Bank has been actively interweaving sustainability further and further into its services for a number of years. For example, in 2007 it conducted market research in order to determine both the qualifications for the valuation of sustainable properties and the conditions for financing such properties. FGH Bank is aiming to introduce 'sustainability finance' in 2008.

Additional sustainability measures were taken for company cars, on top of those for paper reduction, green electricity, the ABC-scheme for company cars and biological products in catering – all aimed at corporate sustainability.

The Investment Management division has investigated the possibilities of making a number of funds energy-friendly; these include the senior citizen housing fund and the European residential fund.

Personnel

In an increasingly tighter labour market, Rabo Bouwfonds wants to be a modern employer. The continuous development and optimum deployment of our own 'human capital' are key to achieving our ambitious objectives. Accordingly, our efforts in this respect are dedicated to enhancing the quality of our employees, using the right people for the right jobs, and finding well-trained employees with the right competencies.

At the end of 2007 Rabo Bouwfonds employed 2,044 people (year-end 2006: 1,904). In terms of full-time equivalents (ftes) the number of employees rose to 1,918 (year-end 2006: 1,783). The number of employees working in Rabo Bouwfonds outside the Netherlands rose by 58 from 489 in 2006 to 547 in 2007.

We believe an optimum organisational structure, along with a flexible, transparent and competitive Collective Labour Agreement, will inspire our employees. During 2007 Rabo Bouwfonds put considerable emphasis on both these elements.

In 2007 we worked on the integration of the business units within the divisions and the reorganisation of the holding company. Our employees were asked to go the extra mile, and they did. We greatly appreciate the flexibility and loyalty they showed during this change process. While we haven't reached the finish line yet, the results of their efforts will become more visible in the course of 2008.

During the year under review, the harmonisation of the employment conditions of FGH Bank, Bouwfonds and Rabo Vastgoed was at the top of the agenda. The harmonised employment conditions will be laid down in Rabo Bouwfonds' new Collective Labour Agreement. At the end of December 2007 an agreement in principle was signed with the trade unions. It states the intention to implement the Collective Labour Agreement for all employees in the Netherlands in July 2008, provided that agreement regarding the harmonisation of employment conditions has been reached before 1 April 2008. From that moment on we will have a set of employment conditions in place to fit our ambition to be the best real estate employer in the Netherlands.

In 2007 every business unit, in its own way, fleshed out performance and competence management for employee development. Under the new Collective Labour Agreement, a single system will apply for all business units in the Netherlands. In addition, a management development program will be developed in 2008.

Outlook for 2008

Trends in the Dutch market

For the time being the credit crisis will continue to affect the 2008 agenda. Having said that, the economic outlook for Europe and the euro zone is more positive than for the United States. Even so, Rabo Bouwfonds expects that the credit crisis will influence the Dutch and European real estate markets this year. Firstly, uncertainty has increased, for example between financial institutions, but also among consumers. A continuing negative news flow may, eventually, impact the retail trade and the demand for real estate. The credit crisis could also result in lower corporate investments, which would slow down economic growth. This in turn would mean that corporate demand for industrial real estate would decrease. Last but not least, the credit crisis means that it will become more expensive for both companies and investors to obtain funding by means of loan capital and to sell on risks in the market. Investors will also be more critical when buying real estate.

The higher construction costs also affect the development of the property market. The margins for builders are under pressure and that may slow down building volumes. Despite the increased construction costs, the ambitions of the Dutch Balkenende-4 cabinet – which came to power in 2007 – are high: at least 80,000 new-build homes should be completed each year until 2011. Another prominent item on the agenda for the coming years is the redevelopment of existing neighbourhoods and urban areas. Currently, much attention is being paid to the 40 'showpiece neighbourhoods' designated as such by the government. However, the redevelopment of existing areas will lead to new market opportunities in many more places throughout the Netherlands. The greatest threats to the achievement of these objectives form affordability of new homes, as well as the availability of suitable locations on which construction may commence, taking into account the various procedures. The real estate sector has assured the government that it supports these

objectives, but has also urged the government to invest billions of euros in infrastructure and public spaces.

The freedom of choice is making end users increasingly critical, resulting in a clearer demand for high-quality property and locations. This is mainly why, despite the vacancies in the Netherlands, many new buildings are still completed every year. While this renewal is needed to keep the quality of the building stock up to standard, it does have two major consequences. Firstly, the lower-quality segment of the market is ageing rapidly. Secondly, it reduces the average life-span of buildings. This development affects every market segment and, from the property developer's point of view, requires an even sharper focus on end-users' demands.

The ageing population, growing prosperity, individualisation and internationalisation are social trends that will have a major impact on the real estate market in the near future. New sectors are emerging, such as care-related housing and luxury apartments in urban areas. Increased investment is also expected in sectors related to high, stable cash flows, inflation-adjusted investments, leisure and entertainment.

This does not mean that traditional sectors, such as offices, shops and industrial real estate will become weaker and less important. It does mean, however, that the market for offices and industrial real estate will mainly be characterised by relocation. The primary requirement with regard to retail outlets will be for space with added value over the currently available premises. Such value might be added by adding new concepts, but also by redeveloping obsolete shopping centres. The development of a mega-mall in the Netherlands is also becoming increasingly likely. Rabo Bouwfonds has put this design on the map because it dovetails with consumers' shopping motives and adds considerable value to already existing shopping areas. The development demands not only an integrated view of concept development but also, in particular in view of the spatial planning processes in the Netherlands, a long-term view.

In future demand, quality will be the deciding factor. This will apply for both the marketability of the building and its location. Because the lifetime of real estate is becoming shorter across the breadth of supply, it will be extremely important to invest in projects and areas that also offer good prospects in the long term. This applies to developers, investors and property financiers alike. The development of multifunctional locations in urban areas and at transport hubs fits in with this picture. Through various disciplines, Rabo Bouwfonds is capable of contributing to, as well as steering this process.

Against this background, internationalisation is also very important. Within Europe the border barriers are increasingly being removed, making it easier for both end-users and investors to look across the boundaries of their own country. As a result, the playing field is shifting more and more from countries to continents.

Rabo Bouwfonds in 2008

Rabo Bouwfonds is well-placed to respond to the market trends and to face external challenges. Not only do we have an excellent financial and market position, but in 2008 we will also be able to take even more advantage of the partnership with Rabobank than was already the case in 2007.

In 2008 the integration of the various real estate activities will be completed, which will translate into further synergy gains. As a result of the continuous growth of our activities, we expect the number of employees to increase slightly in 2008. No extraordinary investments are anticipated for the year ahead.

In 2007 profit was favourably influenced by substantial extraordinary income, which probably will not recur to the same extent in 2008. Adjusted for these extraordinary items, we expect a continued increase of the result in 2008. In line with our strengthening position in Europe, we anticipate a larger share of revenues to be generated abroad in 2008. ■

Hoewelaken, 27 March 2008

Board of Directors Rabo Bouwfonds

T.B. Halbertsma, Chairman

J.H.P.M. van Lange

P.C. Keur

J.L.J.M. Klijnen

H.J.M. van Zandvoort

People & Business

Interview with **Anneke Bochem**
senior Project Manager Rabo Bouwfonds



What is City Campus MAX in Utrecht?

'City Campus MAX comprises nearly one thousand one and two room student apartments. Every apartment has its own front door, bathroom and kitchen. So, the students have their own homes, at an attractive price of around € 300 a month. Three-quarters of the apartments will be for hire, the rest will be sold. This is pretty unique for students. And we want to end up with monthly expenses of around € 300. Rabobank Utrecht is developing a special product for this. Purchasers can also use Rabobank's Generation-mortgage, under which the student's parents act as co-guarantors.'

What makes this project so special?

'It answers students' needs for good-quality accommodation. The student housing shortage is lessening, but the quality of the available housing is often abominable. In one go, City Campus MAX brings a thousand beautiful student apartments less than a ten-minute bike ride from the city centre. And it includes various commercial units to boot, because City Campus MAX will be a genuine campus.'

There's a launderette underneath the apartments?

'Yes indeed. We asked students what kind of business they would like in the commercial units. What they would really like is a small supermarket, a café-restaurant, a video shop, a gym, a launderette and an employment agency. We're working on it.'

How did you get involved with MAX?

'The initiative for student housing on this location originally came from a small developer. The Utrecht city council thought it was a good idea, but considered the project developer too small to take on a project of this size. We knew this developer from earlier dealings. My immediate reaction was: what a great project, mainly because I have first-hand knowledge of the student housing problem - it was already a problem back when I was a student. I was lucky because in Eindhoven I was able to have a unit of my own. That was great, and it should happen far more often. So, when this project landed on my desk I really promoted it within the company to get it off the ground.'



'In one go, City Campus MAX will bring a thousand beautiful student apartments less than a ten-minute bike ride from the city centre.'

Did you have to do a lot of convincing?

'No, not really. Most of the people I talked to about the project were immediately enthusiastic. Especially because they'd been through it themselves. I see the same enthusiasm among the people we're working with, such as the architect, the builder, housing associations and the Utrecht city council. The city council, for example, changed the zoning plan relatively quickly to make MAX possible - because the campus will be on a site that was originally intended for businesses. And it will be 70 metres high – initially that wasn't the possible either.'

How is the project coming along?

'It's going well. Construction started at the end of 2006 and the first apartments will be handed over at the end of 2008. If all goes well all the apartments will be occupied by mid 2009. The SSH Utrecht and Bo-EX housing associations will be renting out the apartments and we will be handling the sales, together with Rabobank Utrecht. Our business relations can already view the model apartments on campus. Two apartments are finished and have been fully furnished – one of them by Jan des Bouvrie. He shows how you can make a small space both stylish and efficient.'

Are you proud of MAX?

'Definitely. It's a fantastic project that takes on a social need – student housing. Whether it's as good as we think ... that's something we'll find out soon enough when we actually start renting and selling the apartments and students live in them. But, I'm very confident. We've also shown the concept to other municipalities. Without exception they are interested. In Tilburg and Amsterdam it looks like a done deal already. Other cities are still looking for suitable sites.' ■

People & Business

Interview with **Hans Slappendel**
Director Bouwfonds Fortis



You are Director of Bouwfonds Fortis?

'Yes. It's a partnership of Bouwfonds and Fortis Vastgoed, set up especially for Leidsche Rijn. At the start of the project, now more than ten years ago, both we and Fortis purchased land. Because Fortis had no development capacity, we looked for a partnership. The result was Bouwfonds Fortis, Real Estate Development Leidsche Rijn, a general partnership, in which we are both 50 % shareholders.'

Does this sort of collaboration occur often?

'It's fairly common. Developing construction projects means cooperation. Because such projects often take years to complete, organisations that have something extra to offer to each other regularly set up a new, temporary company. The partnership in Leidsche Rijn is working extremely well, also with the other stakeholders, like the city council. Obviously you come across conflicting interests from time to time, for example when determining the price of the land, but what I find striking is that everyone involved in the project is very quality-conscious.'

Leidsche Rijn is the largest new-build project in the Benelux?

'That's right. By 2025 around 30,000 homes will have been built here for some 80,000 people. On top of which around 40,000 people will eventually come here to work. So, it's not so much a single project, but a multitude of projects. Bouwfonds Fortis is developing 8,350 residential units. That makes us the largest project developer in Leidsche Rijn. Most of the homes we build are for sale, but some will be let. To date, 6,500 of the homes have been sold and 6,000 completed.'

What sort of housing are you developing in Leidsche Rijn?

'What's nice about Leidsche Rijn is that it's a full-fledged borough with several neighbourhoods. This is very clearly expressed in the style of the buildings. Every neighbourhood has its own character. Some are austere and modern, some have historical features, and others have buildings reminiscent of the 1930s or with a Mediterranean or Scandinavian look. Some neighbourhoods have an urban feel while others are very rural. This combination of styles and its fantastic size make Leidsche Rijn unique. Variety is



'The combination of styles and its fantastic size make Leidsche Rijn unique.'

also required in order to make the houses interesting for a great variety of target groups. Because, obviously, we need those 30,000 dwellings to be occupied.'

You are only building homes in Leidsche Rijn?

'We are not building any industrial real estate in Leidsche Rijn, but we are building two shopping centres. Apart from that it's all residential. We are, of course, using sustainable materials, such as FSC timber, and a good energy-performance coefficient. And in one sub-project, De Woerd, we are doing everything ourselves: we designed the urban spatial plan, were responsible for laying the streets, the squares, the courts, you name it. It involves 475 homes with an enormous variety in style and price, including low-cost houses and houses especially designed for senior citizens.'

Is De Woerd your most attractive project?

'I think so. It is very different, it looks as if it's been there for years and has grown naturally within its environment. The kerbstones are Belgian bluestone, the trees have trunks with a circumference of 70 centimetre. Totally different styles of houses have been built

next to each other. This is why De Woerd fits in so perfectly with the old heart of the adjacent village, De Meern. What is also rather appealing is that we have included many references to the exceptional Roman archaeological remains that have been found in the area. Archways with Roman murals for example.'

Would you live there?

'Absolutely. But I'm the proud owner of one of the one thousand houses we are building with Bouwfonds Fortis in Utrecht. So, I'm already provided for.' ■

People & Business

Interview with **Pieter Baars**

Head of Communication & Strategy Public Fund Management



How did Public Fund Management come about at Rabo Bouwfonds?

'In 1985, when the government set up the National Restoration Fund to support the restoration of monuments, it wanted to hand over responsibility for the day-to-day management to a partner that understands finance and real estate. It chose Bouwfonds. Over the years Public Fund Management has evolved into a full-fledged subsidiary of Bouwfonds, albeit with Chinese walls, to ensure that the funds can operate totally independent of Rabo Bouwfonds.'

Do you manage only the National Restoration fund?

'We now manage another three funds as well: the Dutch National Fund for Nature Development, the Dutch Housing Stimulation Fund and the National Trust for the Maintenance, Development and Exploitation of Industrial Heritage. In the case of the Fund for Nature Development, the Housing Stimulation Fund and the National Restoration Fund, the primary focus is on finance. With the Trust for the Maintenance, Development and Exploitation of Industrial Heritage, our support is aimed at development. It concentrates on the maintenance and re-zoning

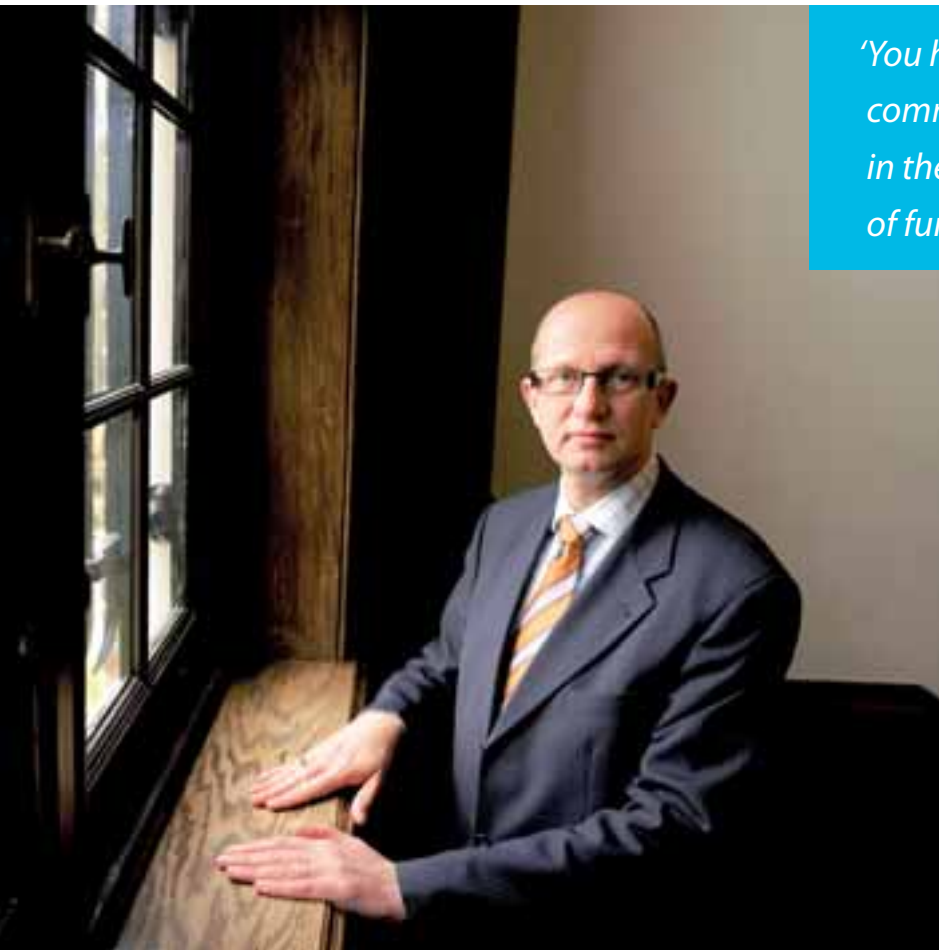
of our industrial legacy. In total some seventy people work for Bouwfonds Public Fund Management.'

What exactly do you do?

'The funds only have a board – they don't have an operating organisation. We supply the board members, the staff, housing and the entire organisation: control, treasury, administration, back-office, computer systems, you name it. Where possible we achieve synergy advantages from the fact that we do similar work for four funds. But some tasks are specific to each individual fund. Communications and marketing for example.'

Do you make a profit?

'No, Public Fund Management itself doesn't. Our objective is to cover our costs. We only charge the various funds our actual costs. That does entail some risk: what if the funds went elsewhere – what do you do with your staff? Then again, the funds themselves also want as much certainty as possible. So, when ABN AMRO sold Bouwfonds, for a while there things were a bit tense – who would be the new owner? Rabobank was at the top of our list of favourite partners. Rabobank is a reliable company to



'You have one foot in a purely commercial company and one foot in the world of the social involvement of funds.'

which corporate sustainability is a priority. Public Fund Management is a perfect match.'

What is Rabo Bouwfonds' added value for the four funds?

'Expertise and competence where both finance and real estate are concerned. In various ways the four funds don't have to reinvent the wheel: administration, control, treasury, IT, housing, personnel policy, the list goes on. At Rabo Bouwfonds all that is simply organised very well. In addition, we can draw on their specialist know-how. For example, we share a lawyer with FGH Bank and work with Rabobank on internet banking for the Dutch National Fund for Nature Development. These are things that the funds would not be able to easily manage by themselves.'

Have you been with Public Fund Management long?

'I joined Bouwfonds in 1986, in a department that advised municipalities on whether or not to provide a municipal mortgage guarantee to house buyers. At the time I didn't know that Public Fund Management was also part of Bouwfonds. Yet within a year that was where I was working. I had studied history and social geography, so I had a keen interest in the past. I've now

worked for Public Fund Management for more than twenty years. I've seen it grow from two to seventy employees and I've held various posts. I'm very happy here.'

What makes your job so enjoyable?

'You have one foot in a purely commercial company and one foot in the world of the social involvement of funds. And I'm also constantly switching between the public and the private sector. This is why I have learned to look at the government's social issues from a business angle. I see that things can be done more efficiently, and I can make that contribution. That's what makes my work fascinating.' ■

People & Business

Interview with **Pieter Zwart**
Office Manager FGH Bank The Hague



FGH Bank is financing Spakenburg Centre Plan East. An interesting project?

'It's about revitalising the village centre. Some seventy houses in different styles will be built around the village square and within walking distance of the historic fishing harbour. There will be a large supermarket with a parking garage. It's a project that really stands out: the houses look like grand canal houses and we use a lot of colour. That look fits in well with the harbour, but in terms of architecture it doesn't have much in common with the rest of Spakenburg. I find it appealing, and it will definitely give a boost to local trades people.'

Is that why you financed it?

'My personal preferences don't count. We are financing the project because we see a good future for it. It's in a fine location, the houses are well-made and spacious, and the supermarket will draw people. After all, people want to live close to shops, so supermarkets create a residential demand. That's reflected by the interest in the houses – most of them have been sold already.'

Were you approached for this project?

'Spakenburg Centre Plan East is a project of Van Hoogevest Group – a good business relation of ours. FGH Bank is one of their dedicated financiers and is on the shortlist. We are, for example, also financing the redevelopment of the old Holec industrial complex in Hengelo, which will bring together housing, employment, art, culture and restaurants. And we're financing a new construction project in Renswoude, which includes the relocation of several farms that have to make way for the houses. But the fact that we have a good relationship doesn't mean deals just fall into our laps. Other companies were also approached for offers. However, it seems we're doing well compared to the competition.'

Why is that?

'We aim to stand out from the competition by acting fast and pro-actively, and of course, with our in-depth knowledge of real estate. Applications are always evaluated very carefully, often by a deal team comprising an account manager, a construction expert, a valuer, a credit analyst and a lawyer. As account man-



'We're not only about finance – we want to be a sparring partner for the developer.'

ager I direct the team. We assess whether it is a good proposition, using an extensive database of benchmark projects. And if the project looks attractive we can make a very competitive offer.'

And what if the project involves snags and catches?

'Then we talk to the developer. We're not only about finance – we want to be a sparring partner for the developer. We look at the market demand in a particular area and assess whether the project would cater to that demand. If we think certain changes to the building would enhance its multi-functionality, and those changes are a sound long-term investment, we will say so. Our customers appreciate that.'

Did you have any advice to offer regarding the Spakenburg Centrum Oost project?

'No. That was a trend-setting plan right from the start. We do monitor the construction. We always do - that's the way we work, and it's a unique approach. Our construction engineers visit the site regularly to see how things are going. Is everything on schedule, are the proper materials being used, is the building contractor still within budget? If we observe any deviations, we will talk to the developer.'

Do you involve Rabobank in your projects as well?

'If we see opportunities and if the customer agrees, then we arrange an introduction. Thanks to our good relationship with Van Hoogevest we were able to introduce Rabobank Amersfoort. They have meanwhile provided various facilities to Van Hoogevest. But for us, cross-selling is definitely not a goal as such. We aim for enduring and strategic relationships, and to achieve that you have to be able to create customer value on the basis of the banking disciplines.' ■

People & Business

Interview with **René Smeehuijzen**

Director Private Funds Benelux Bouwfonds Asset Management



What exactly do you do?

'We structure, place and manage real estate funds for private investors. In all, there are nine people in our department: three structuring specialists – they set up the funds – three salespersons, who sell the funds, and three fund managers. Their job includes investor communications, which means they also write the annual reports.'

What is it you like about this job so much?

'Its wide-ranging scope. You have to understand real estate itself, the bricks and mortar I mean, and the fiscal and legal aspects, and marketing and sales. My background is technical, but I've created real estate funds for fifteen years now, the last two years for Bouwfonds. So I have meanwhile come to understand the other components of this profession as well. I'm not an expert in all areas, but I can certainly communicate with the specialists.'

How many funds do you manage?

'Bouwfonds manages twelve funds, FGH Asset Management manages eight. When FGH Asset Management was acquired by Bouwfonds Asset Management, the management of those eight funds was also placed with us. This means we now manage

twenty funds with a total value of € 2 billion. This makes us one of the three largest providers of real estate funds for private investors in the Netherlands. In total, Bouwfonds Asset Management manages real estate investments with a value in excess of € 5 billion for both private and institutional investors.'

Do you also operate abroad?

'We have funds in the Netherlands, the United States, Germany and, recently, France opened up for us as well. We are only allowed to operate in countries where we have our own organisation and/or a joint venture with a partner. In Germany, for example, Bouwfonds has had an office in Berlin since 2004. We placed our first German fund, the Germany Residential Fund, at the end of 2005. It was so successful that we have carried on. By the end of 2007 we placed Germany Residential Fund number V.'

What does that fund look like?

'The fund comprises German rental housing. In Germany, houses are relatively cheap – in fact it's the cheapest housing market in Europe. So the risk of prices dropping is very small. In addition, there are hardly any new completions, while demand



'We placed our first German fund, the Germany Residential Fund, at the end of 2005. It was so successful that we have carried on.'

for housing is increasing. And the expected return is relatively high, with an annual dividend payment of 6.4 percent and a total return, including value increase, of 9.1 percent.'

So, you're already working on Germany Residential Fund VI?

'Yes, but it's getting harder for our acquisition managers to find good investment properties because the apartment buildings in Germany are becoming more expensive. And our customers are telling us that they think the current expected return is minimal because the term is ten years. The participations are not tradeable. If they were, investors would be content with the lower return because they could walk away at any moment. So we are now working on a semi open-end fund with German residential buildings.'

Do you sell the funds via Rabobank?

'We have our own customer base and we sell via banks. We tested the last Germany Residential Fund with a limited number of Rabobanks. That clearly took a bit of getting used to. For us and for Rabobank. But it's a matter of time. Rabobank's customers want to invest in real estate, but until now have had

little opportunity to do so. And, of course, we have gained an enormous sales channel. So, for Bouwfonds, 2008 will be a year highlighted by the funds. We're going to make sure of that. With the new, semi open-end German Residential Fund, a new real estate fund that invests in European shopping centres and with a large office fund.' ■

People & Business

Interview with **Anne-Lize Hoftijzer**
 Director Projects Rabo Bouwfonds



What exactly is ODE?

'ODE is short for Oosterdokseiland, one of the largest and most exciting inner-city projects in Western Europe. It's an island in the heart of Amsterdam, right next to Central Station, with unique views of the historic city centre and the IJ river. ODE will bring Amsterdam over 200,000 square metres of additional metropolitan facilities in one go. Mainly these are facilities that are synonymous with a major city but for which there was no space heart of the city: modern, spacious offices, shops and apartments, parking spaces. But there is also space for cafes, restaurants and culture: the Amsterdam Central Public Library has found a home there and the Conservatory of Music will be opening its doors there.'

How did you come by this project?

'The land was owned by TPG Post, now TNT Post. They wanted to sell. In 1998 they and the municipality organised a competition: three developers were given the opportunity to design a master plan – a global urban development plan – and make an offer for the land. We won.'

What exactly is your vision for the island?

'ODE must be a lively district, where something's going on every hour of the day. This is why there will be a functional mix: housing, employment, shopping and culture. As far as the construction is concerned, the choice was for mixing and stacking functions in one building – the same as in the old town. Although each building will have its own characteristic architecture, together all the buildings will still form a whole, because each building is a variation on the same themes.'

How complex a project is ODE?

'It is extremely complex due to its size, its compact nature, its location on the waterside and next to and over Central Station, and the complicated ground structure. Stacking the functions and the huge number of stakeholders also make it a difficult project. Everything must be scheduled to fit in with everything else. And now that part of the project has been completed, there is a constant flow of visitors. You have to take that into account in your planning. This complexity does make it fascinating though.'



'ODE must be a lively district, where something's going on every hour of the day.'

How is the construction progressing?

'Good. We hope to be finished in 2013. Four or five years ago we found it difficult to attract shops and tenants for the offices because the economic situation wasn't so good. Now there is enough interest and our priority is to attract suitable contractors.'

What milestones have been reached?

'2007 was a very important year – we completed a 10,000 square metre office. It's the head office of TomTom, the navigation products manufacturer, and houses 800 employees. The first part of the parking garage was finished and, on top of that, the Amsterdam Public Library was completed and opened its doors. The island's energy supply is now operational. We are using heat and cold from the soil to warm the buildings in winter and cool them in the summer. What makes the system unique is that it is a collective system for the entire ODE, in which all the property owners are shareholders. The result is a CO₂ reduction of 65 percent.'

When is the next completion date scheduled?

'In 2010 – 270 apartments, a 550-room hotel, a 30,000 square metre parking garage and 100,000 square metres of offices and shops. Once again several large companies will be moving in. In 2007 contracts were signed with Vodafone and Saturn. Vodafone will be opening a new head office in ODE and Saturn will open its largest store in the Netherlands here.' ■

People & Business

Interview with **Pierre-Marie le Gloanec**
General Manager Bouwfonds Marignan Immobilier



You are developing in Lyon?

'Bouwfonds Marignan Immobilier and Bouwfonds MAB Development are both involved in the large-scale redevelopment of the old Lyon Confluence industrial district in the centre of Lyon. There was a time when it was the thriving heart of the city. But as time went on, businesses moved in that had little idea of the value of the land they were occupying. Moreover, a prison was built there; while the local residents were living in houses that were well past their 'sell by date'. In a nutshell, a neighbourhood ripe for demolition.'

Many people only know Lyon because of its summer traffic jams.

'A great pity. Lyon is a fascinating city with an buoyant artistic and cultural life and a successful blend of historical buildings and modern architecture. The historical city centre is on UNESCO's World Heritage list. It's also France's third-largest city and one of the few cities in the world crossed by two rivers. The Rhone and the Saone merge in the middle of the city. And on the southern tip of the "Presqu'île" – the peninsular that forms the city centre – lies Confluence.'

What are you going to do there?

'Bouwfonds MAB Development, as a concept developer in Confluence, has signed for 11,000 square metres of retail space, 2,000 parking spaces and 8,500 square metres of leisure space: a movie theatre with 16 screens, a climbing wall, a bowling centre, a roller skating rink, a children's playground and an adventure park. Together with Bouwfonds Marignan Immobilier we are constructing 300 apartments and 1,800 square metres of retail space divided into approximately 10 shops.'

Entertainment is playing a major role?

'The municipality did not want a 'dead' residential and office area. Leisure activities are also gaining in importance in France and Confluence is an extension of the existing city centre. It must be a place you want to go both during the day and in the evenings. Alone, with friends, or with the whole family. There is ample space between the pavilions for all sorts of cultural activities.'



'Confluence must be a place you want to go both during the day and in the evenings.'

It will be beautiful?

'The homes and shops have been designed by four renowned architects who set great store by sustainability, which means the quality level is high. The leisure and shopping centre were designed by the French architect Jean-Paul Viguier, who has done more work on large projects in a complicated urban environment. One special feature is that the outside areas are partly covered by a sort of fabric construction that continuously creates changing light effects.'

Has it been well received?

'Yes. In the past, various mayors presented plans some of which were more successful than others. But the current Mayor, Gérard Collomb has really made a job of it. The time was right. Lyon is a city with a growing population where an increasing number of companies want to establish themselves. Confluence is one of the very few neighbourhoods in a French city where construction can take place on such a large scale. Everybody is all for Confluence, everybody is convinced that this is an opportunity to build something beautiful for the future.'

When is completion scheduled?

'The first stage must be completed in phases from next year on. After that there will still be various major infrastructure works to be completed. For example, the A6 which runs along the bank of the Rhône must, in due course, be moved out of the city. The intention is to construct a motorway to the west of the city. But that's a project that won't be started overnight.' ■

People & Business

Interview with **Lisette Sala**
Project Leader Skyline 2007



What do you do at FGH Bank?

'FGH Bank finances commercial real estate. As a credit analyst, I research and describe the risks associated with loans. In addition, last year I was project leader of Skyline 2007, a commercial mortgage-backed security transaction, or CMBS transaction. It was the first time that FGH Bank was involved in such a transaction and, at € 3 billion, it was in fact the largest CMBS transaction ever carried out in the Netherlands, as well as being one of the largest in Europe.'

What does such a transaction involve?

'“De Nederlandsche Bank” (Dutch Central Bank) stipulates that we, as a real estate bank, must retain at least 8 percent shareholders' equity. Because FGH Bank has grown substantially we have issued many loans on the asset side of the balance sheet, but debts have also risen substantially on the liabilities side. Our shareholders' equity had not kept pace and we foresaw it would drop below the 8 percent level. As we wanted our autonomous growth to continue, we sold € 3 billion of our loans.'

And who bought the loan portfolio?

'Investors did. We issued bonds covered by the underlying real estate. We worked with Rabobank International. They have a team specialised in CMBS transactions, and an international network of customers interested in such transactions. We used a road-show to present our product to the largest investors in Europe.'

What sort of reactions did you get?

'Very good. The majority of the bonds were bought by Rabobank Nederland. They bought € 2.6 billion of so-called AAA bonds, which have the lowest risk. Rabobank bought those bonds because, thanks to their Triple A status, they were able to raise money cheaper than would have been the case if they had to compensate investors. The remaining € 400 million was over-subscribed more than twice over within a week, so we closed the registration after a week.'



'The transaction was over-subscribed more than twice over within a week.'

Why were investors so interested?

'Because Dutch loans are rarely offered in this way and investors want a good spread of country risks. On top of that it was a highly diversified portfolio of 1,700 property loans secured by more than 4,500 Dutch retail, office and industrial premises. In that respect as well, the risks were well spread.'

So you look back on the transaction with pride?

'Definitely. The transaction took place in June 2007. We really wanted it completed in the first half of the year because the effects would then be apparent on the half-year balance sheet. So there was a lot of pressure. One week after the transaction the bottom fell out of the financial markets because of the problems in the American mortgage market. We were just in time. What I am also proud of is the vast amount of positive news flow this transaction generated for FGH Bank.'

Will FGH now be able to expand further under its own steam?

'Yes, because the solvency ratio has once again risen to around 10 percent. We are growing robustly once again – after all, that's what it was all about in the first place.'

Has this success wetted your appetite?

'Very soon we will be holding the first discussions about a new structure. What this will look like, how big it will be, is still unclear. That will, of course, also depend on developments in the capital market.' ■

People & Business

Interview with **Anthony Gijsbers**

Director Asset Management & Acquisition Benelux, Bouwfonds Asset Management



What exactly do you do?

'Bouwfonds Asset Management is active in the fields of structuring and placement of the real estate funds, as well as in the 'bricks and mortar' business that looks after the sale, exploitation and management of buildings. We do this for around 20 funds. That includes a number of funds owned by external parties.'

Can you give an example?

'The ACC Bank in Ireland, part of Rabobank Group, has recently set up a fund with Dutch buildings. We handle the acquisitions and management for this fund. We also manage the Dutch-based properties for one of the pan-European funds of Invesco, of Munich. And together with Triodos Bank we have set up a real estate fund that invests exclusively in sustainable buildings and/or sustainably managed buildings and monuments.'

When is a building sustainable?

'When it has been constructed using sustainable, low-maintenance materials and is energy-efficient, for example. But it could also be a property built of residue materials. That's still in its infancy. The important criterion is that the burden on the local

environment is as low as possible. The fund is particularly interested in monuments where nature and cultural preservation can be combined with a solid return.'

How many buildings are in the fund?

'At the moment, thirteen. One of them is a new office building in Wageningen that was completed at the end of 2005. On National DuBo (Sustainable Building) Day, the Dutch government awarded this building the first 'green certificate' for this kind of office building because its construction is extremely sustainable. Another example is a building in Baarn, a national monument. It is old and, as such, sustainable. But it's not energy-efficient and it is very maintenance sensitive. It has been agreed with the new tenant that the fund will invest heavily in, among other things, more energy-efficient solutions and that the tenant will help pay towards the improvements via the savings on the energy costs. This means the investment will be recouped within an acceptable period. That is good for the environment and also for the tenant and the real estate fund.'



'Our ambitions know no bounds – literally and figuratively.'

How is the Triodos Real Estate Fund doing?

'After its launch in 2004, growth was slow, mainly because very few properties met the criteria. In 2007 the fund grew very rapidly indeed. That was, firstly, because of the increasing interest in sustainability, which means the number of sustainable buildings is increasing as well. And, secondly, in June 2007 Triodos acquired a listing for the fund on the stock exchange. That raised a lot of new money, which means we can purchase more buildings.'

Are there plans to work with more external parties?

'Certainly. Our ambition knows no bounds. We are continuing to innovate by combining our real estate expertise with financial expertise. A partnership with a new, large customer is one of our objectives for this year. More external cooperation means better risk diversification and increased name awareness. This will enable us to show others what we can do, and how we are different from our competitors.'

What makes you different?

'We have an entrepreneurial approach, we know what's going on in the market, and we are very thorough. We are part of Rabobank Group, a large, solid and reliable company. That underpins our image, and it's good for business. In addition, we have a huge network of business relations, through which we are consistently able to close attractive deals.' ■

Divisional Management

Development

Bouwfonds Property Development

H.J.M. van Zandvoort (1950)
(until 01-04-2008)

Chairman of the Board

J.J.M. Franck (1949)

Member of the Board

I.M. Kalisvaart (1955)

Member of the Board

P. Wetselaar (1949)

(until 01-05-2008)

Member of the Board

H.W.J. Doornink (1961)

Director Operations

J.C. Kreikamp (1968)

Financial Director

W.C.T.F. de Zeeuw (1952)

Director New Markets

HOUSING

The Netherlands

Bouwfonds MAB Development and Rabo Vastgoed

R.A. Willems (1951)

Director BU North-West

A.J. Bouwhuis (1953)

Director BU North-West

P. Jansen (1948)

Director BU North-East

J.C.L. Severens (1950)

Director BU North-East

P.J.J. Hoen (1953)

Director BU South

P.B.J.M. Joosen (1963)

Director BU South

M.A. Jelier (1949)

Director BU South-West

W. Groeneweg (1950)

Director BU South-West

W.P. de Boer (1958)

Director BU Central

H.F. Vos (1963)

Director BU Central

France

Bouwfonds Marignan Immobilier

J.R. Vidal (1944)

Chairman of the Board of Directors

P. Mauriello (1948)

Member of the Board of Directors

J.P. Bourgade (1957)

Member of the Board of Directors

G. Robic (1955)

Director North Sector

M. Valverde (1955)

Director South Sector

J.P. Alcaras (1947)

Director South-West Sector

Germany

Bouwfonds Immobilienentwicklung

B. Wanders (1956)

Managing Director

F.J. Lickteig (1959)

Managing Director

G. Purucker (1959)

Director Bouwfonds Bayern

A. Kirsch (1954)

Director Bouwfonds Rhein-Neckar

D. Galante (1964)

Director Bouwfonds Hamburg

Belgium/Luxembourg

Bouwfonds Property Development

L. Jansma (1950)

Managing Director

The Czech Republic

Bouwfonds CR bytová výstavba

P. Kouřil (1960)

Area Director Central Eastern Europe

Finance

Sweden/Denmark

Bouwfonds Property Development

E.H.P. Siersema (1965)
Area Director North-West Europe

Spain

Bouwfonds Property Development Spain

R. Holtslag (1962)
Area Manager Southern Europe

COMMERCIAL PROPERTY

Bouwfonds MAB Development

J.G.F. Eijkemans (1954)
International Director

The Netherlands

Bouwfonds MAB Development CVG

C.B. van Boven (1957)
Director

L.J.M.J. Melchers (1958)
Director

France

Bouwfonds MAB Development SA

M.A. Vaquier (1953)
Director

Germany

Bouwfonds MAB Development GmbH

M.L. Flesch (1967)
Director

FGH Bank

P.C. Keur (1953)
Chairman of the Board

F.B. Overdijk (1961)
Statutory Board member

R.A.M. van de Bilt (1969)
Director Real Estate Financing
the Netherlands

J.H. Boerrigter (1961)
Director Administration & Analysis

H.H.J. Dijkstra (1958)
Director New Markets

Investment Management

Bouwfonds Asset Management

J.L.M.J. Klijnen (1958)
Chairman of the Board

A.S.P. Brouns (1957)
Director International Markets

E.L. Franssens (1954)
Director Special Projects

T.J.H. Pohle (1957)
Director Institutional Investments

A.W. Rozendaal (1962)
Director Finance & Tax

J.J. van Susante (1953)
Director Benelux

E.W.H. Lammers (1952)
Director Business Development

Germany

M. Haupt (1959)
Director Germany

France

P. Rossard (1946)
Director France

Bouwfonds Public Fund Management

H.R. Balk (1960)
Director

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Consolidated profit and loss account

For the year ended 31 December			
<i>in thousands of euros</i>	Note	2007	2006
Interest income	4	780,615	75,099
Interest expense	4	661,483	120,901
Net interest income	4	119,132	(45,802)
Project income	5	2,726,276	2,437,936
Project expense	5	2,327,734	2,085,148
Net project income	5	398,542	352,788
Fee and commission income		4,374	–
Fee and commission expense		3,452	–
Net fee and commission income		922	–
Income from associates	6	58,569	3,771
Results from financial transactions		3,777	86
Other operating income	7	77,065	67,016
Income		658,007	377,859
Staff costs	8	219,406	147,887
General and administrative expenses	9	107,066	83,468
Depreciation and amortisation	10	13,408	9,834
Operating expenses		339,880	241,189
Value adjustments	18	3,063	485
Total expenses		342,943	241,674
Operating profit before taxation		315,064	136,185
Taxation	11	(68,081)	(32,624)
Profit from discontinued operations after taxation	12	–	88,472
Profit for the year		246,983	192,033
Attributable to			
Equity holders of the parent		243,465	189,408
Minority interests		3,518	2,625

See the notes to the consolidated profit and loss account.

		At 31 December	
<i>in thousands of euros</i>	Note	2007	2006
Liabilities			
Financial liabilities at fair value through profit and loss account	14	2,630,857	21,207
Financial liabilities at fair value held as hedges	15	273,771	86,115
Due to banks	27	9,938,042	11,326,601
Funds entrusted	28	3,322,055	1,703,065
Debt securities	29	460,500	95,048
Provisions	30	69,335	72,992
Deferred tax liabilities	32	80,817	84,211
Accruals and deferred income	33	187,090	296,084
Other liabilities	34	244,938	217,331
Current tax liabilities	35	88,197	50,680
Subordinated debt	36	41,019	51,932
Total liabilities of continuing operations		17,336,621	14,005,266
Liabilities directly associated with the assets classified as held for sale	12	–	117,099
Total liabilities		17,336,621	14,122,365
Equity			
Share capital		10,071	10,071
Share premium		1,119,383	1,118,383
Retained earnings		408,870	165,405
Net gains/(losses) not recognised in the profit and loss account		22,208	(923)
Shareholders' equity	37	1,560,532	1,292,936
Minority interests		21,358	33,095
Total equity		1,581,890	1,326,031
Total equity and liabilities		18,918,511	15,448,396
Contingent liabilities	38	609,167	643,761
Committed facilities	38	1,434,984	1,171,268

See notes to the consolidated balance sheet.

Consolidated statement of changes in equity

	Share capital	Share premium	Retained earnings
<i>in thousands of euros</i>			
At 1 January 2006	10,071	365,115	1,645,069
Arising in the period (after taxation)			
Unrealised gains/(losses) on macro cash flow hedges	-	-	-
Net loss/(gains) to profit and loss account	-	-	-
Other	-	-	-
Total income and expenses for the year recognised directly in equity	-	-	-
Profit for 2006	-	-	189,408
Total income and expenses	-	-	189,408
Reduction of share premium related to the divestment of Bouwfonds Hypotheken	-	(5,000)	-
Dividend related to the divestment of BPF and Bouwfonds Hypotheken	-	-	(1,588,638)
Transfer Rijnlandse Bank	-	-	(81,714)
Reductions	-	-	-
Other	-	-	1,280
Pooling of interest	-	758,268	-
At 31 December 2006	10,071	1,118,383	165,405
At 1 January 2007	10,071	1,118,383	165,405
Arising in the period (after taxation)			
Unrealised gains/(losses) on macro cash flow hedges	-	-	-
Total income and expenses for the year recognised directly in equity	-	-	-
Profit for 2007	-	-	243,465
Total income and expenses	-	-	243,465
Additions	-	5,961	-
Dividend pay out	-	(4,961)	-
Deconsolidations	-	-	-
Reductions	-	-	-
Other	-	-	-
At 31 December 2007	10,071	1,119,383	408,870

Net gains/ (losses) not recognised in profit and loss account	Shareholders' equity	Minority interests	Total equity
(113,233)	1,907,022	21,438	1,928,460
63,853	63,853	-	63,853
36,839	36,839	-	36,839
(7)	(7)	-	(7)
100,685	100,685	-	100,685
-	189,408	2,625	192,033
100,685	290,093	2,625	292,718
-	(5,000)	-	(5,000)
-	(1,588,638)	-	(1,588,638)
-	(81,714)	-	(81,714)
-	-	(5,039)	(5,039)
-	1,280	1,082	2,362
11,625	769,893	12,989	782,925
(923)	1,292,936	33,095	1,326,031
(923)	1,292,936	33,095	1,326,031
22,073	22,073	-	22,073
22,073	22,073	-	22,073
-	243,465	3,518	246,983
22,073	265,538	3,518	269,056
-	5,961	3,146	9,107
-	(4,961)	(648)	(5,609)
-	-	(13,058)	(13,058)
-	-	(3,146)	(3,146)
1,058	1,058	(1,549)	(491)
22,208	1,560,532	21,358	1,581,890

Consolidated cash flow statement

	For the year ended 31 December	
<i>in thousands of euros</i>	2007	2006
Cash flows from operating activities		
Operating profit before taxation	315,064	136,185
Adjusted for:		
Non-cash items recognised in profit and loss account		
Depreciation and amortisation	13,408	9,834
Value adjustments	3,063	485
Share of loss/ (profit) of associates and result on sale of subsidiaries	(58,569)	(3,771)
Fair value results on investment properties	(2,223)	(4,404)
Fair value results on financial assets and liabilities at fair value through profit and loss account	(16,147)	–
	254,596	138,329
Net change in operating assets		
Due from and to banks	(1,226,980)	2,701,752
Loans to customers	(3,377,029)	145,429
Financial assets at fair value	(140,776)	23,263
Property	(493,720)	(371,468)
Net changes in liabilities relating to operating activities		
Funds entrusted	1,618,990	(626,842)
Debt securities	365,452	95,048
Changes to provisions	9,324	4,258
Financial liabilities at fair value	2,826,601	(92,954)
Other changes in accrued assets and liabilities	(120,553)	(129,677)
Income tax paid	(63,550)	(38,407)
Other changes related to operating activities	342,616	(365,990)
Dividend received from associates	510	454
Net cash flow from operating activities	(4,519)	1,483,195

	For the year ended 31 December	
<i>in thousands of euros</i>	2007	2006
Cash flows from investing activities		
(Acquisition)/proceeds from purchase and sale of associates	16,878	(10,259)
(Acquisition)/proceeds from purchase and sale of buildings and equipment	(9,154)	(8,211)
Interest-earning securities	-	(50,000)
Net cash flow from investing activities	7,724	(68,470)
Cash flows from financing activities		
Changes in equity	-	103,730
Repayment of subordinated debt	(10,913)	-
Dividend paid	-	(1,588,638)
Net cash flow from financing activities	(10,913)	(1,484,908)
Net change in cash and cash equivalents	(7,708)	(70,183)
Cash flow from discontinued operations	-	(20,769)
Cash flow from acquired operations	-	232,613
Cash and cash equivalents at beginning of year	400,471	258,810
Cash and cash equivalents at end of year	392,763	400,471

Notes to the consolidated financial statements

in thousands of euros, unless otherwise stated

1 General information

Rabo Bouwfonds N.V. is domiciled in the Netherlands. The consolidated financial statements for the year ended 31 december 2007, include the financial information of Rabo Bouwfonds N.V. and its subsidiaries (together referred to as 'Rabo Bouwfonds') and Rabo Bouwfonds' interest in associates. Since 1 December 2006 De Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (hereafter 'Rabobank Nederland'), registered in Amsterdam, has held, via Rabo Bouwfonds Holding N.V., all the shares of Rabo Bouwfonds and is designated the ultimate owner of Rabo Bouwfonds.

Since December 2006 FGH Bank, Rabo Vastgoed and Rabo Bouwfonds have been under common control of Rabobank Nederland. On 1 January 2007 Rabo Bouwfonds acquired control over FGH Bank and Rabo Vastgoed. On the basis of this, the new subsidiaries FGH Bank and Rabo Vastgoed are included in accordance with the pooling of interest method. The assets and liabilities of Rabo Vastgoed and FGH Bank at 1 January 2007 have been recognised in the consolidated balance sheet of Rabo Bouwfonds at their carrying amount. For comparison purposes the consolidated balance sheet at 31 December 2006 has been adjusted accordingly. From 1 January 2007 the income and expenses of Rabo Vastgoed and FGH Bank have been included in the profit and loss account of Rabo Bouwfonds.

In January 2006 Bouwfonds Hypotheken B.V. was sold to ABN AMRO Bank. In December 2006 Bouwfonds Property Finance B.V. was split off to ABN AMRO Bank in the context of the ultimate transfer to SNS REAAL. On 1 December 2006 the participating interest in Rijnlandse Bank N.V. and the savings activities of Rabo Bouwfonds were split off to the FGH Bank.

The aforementioned changes to the consolidated group are recognised as 'changes in group composition' in the movement schedules of the comparative figures of the balance sheet.

The operating activities of Rabo Bouwfonds relate to the development, financing and investment management.

The financial statements were authorised for publication by the Board of Directors on 27 March 2008.

2 Significant accounting policies

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

2.2 Basis of preparation

The financial statements are presented in euros – Rabo Bouwfonds' reporting and functional currency – rounded off to the nearest thousand.

The financial statements have been prepared using a mixed valuation model. The fair value is used for derivative financial instruments, financial assets and liabilities held for trading or designated as items to be recognised at fair value with value adjustment in profit and loss, and for assets available for sale. The carrying amount of assets and liabilities included in a fair value hedge relationship is adjusted with respect to fair value changes arising from the hedged risk. Other financial assets (including loans and receivables) and liabilities are

valued at amortised cost. Non-financial assets and liabilities are stated at historical cost, except for the investment property which is stated at fair value.

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

Key components requiring judgements and estimates include risk and return and other criteria relevant to determining whether a financial asset should no longer be recognised on the balance sheet, the moment at which a special purpose entity should be consolidated, and the determination of results on property development projects.

Other such components are the assessment of the fair value of certain assets and liabilities, the amount and timing of future cash flows from impaired loans, the outcome of litigation and guarantees, and the assumptions underlying the determination of long-term employee benefits and other provisions.

As of 2007 Rabo Bouwfonds has applied IFRS 7.

The following standards and interpretations have been issued by the IASB and IFRIC but have not yet been effected:

IFRS 8	'Operating Segments'
Revised IAS 23	'Borrowing Costs'
IAS 1	'Presentation of Financial Statements – A revised Presentation'
IFRIC 11	'Group and Treasury Share Transaction'
IFRIC 12	'Service Concession Agreements'
IFRIC 13	'Customer loyalty programmes'
IFRIC 14	The limit on a defined Benefit Asset, Minimum Funding Requirements and their Interaction'

The effect of these new guidelines and interpretations on Rabo Bouwfonds has yet to be evaluated.

2.3 Basis of consolidation

Subsidiaries and acquisitions

Subsidiaries are those enterprises over which Rabo Bouwfonds has control. There is deemed to be control if Rabo Bouwfonds has the power to govern, directly or indirectly, determine the financial and operational policy of an enterprise so as to obtain benefits from its activities. These enterprises are included in the consolidated financial statements of Rabo Bouwfonds if the nature of the relationship between Rabo Bouwfonds and the enterprise is such that Rabo Bouwfonds has control over the enterprise. When evaluating whether Rabo Bouwfonds has control, the existence or effects of any voting rights that can be exercised or converted are taken into account.

The financial statements of subsidiaries are recognised in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The share of minority interests in equity and profit are presented separately in the consolidated balance sheet and the consolidated profit and loss account respectively.

IFRS 3 'Business Combinations' is applicable for mergers and acquisitions. The acquisition price of an acquired entity is determined by the fair value of the assets reported, shares issued or liabilities undertaken on the acquisition date plus the costs directly attributable to the acquisition. The positive difference between the acquisition price and Rabo Bouwfonds' share in the fair value of the identifiable net assets and liabilities (including certain contingent liabilities) of the acquired entity is recognised as goodwill. Acquired companies and entities held for sale are an exception.

In the case of an incremental acquisition in which control is obtained in stages, all the assets and liabilities of the acquired entity, except for goodwill, are revalued to fair value as of the date of the last share acquisition transaction. Differences in the fair value of existing interests are charged directly to equity. The fact that all the assets and liabilities of the subsidiary are recognised at fair value means that minority interests are calculated on the basis of this fair value.

Investments in associates

Associates are those enterprises over which Rabo Bouwfonds has significant influence (in general when Rabo Bouwfonds holds between 20 % and 50 % of the voting rights) but not control over the operating and financial policies.

Investments over which significant influence is exercised are accounted for using the net equity method. Following this method the associate is initially recorded at the cost price and subsequently raised (or lowered) by the post acquisition net profit (or net loss), other movements influencing the equity of the associate and any adjustments required for impairment.

If Rabo Bouwfonds' share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to zero and no further losses are recognised, except if Rabo Bouwfonds has undertaken obligations or made payments on behalf of the associate.

Joint ventures

Joint ventures are those enterprises over which Rabo Bouwfonds has joint control, established by contractual agreement. The consolidated financial statements include Rabo Bouwfonds' proportionate share of the assets, liabilities, income and expenses of these enterprises. Items are accounted for line by line, from the date on which the joint control commences to the date on which joint control ceases.

Discontinued operations and assets classified as held for sale

Assets and/or operations are classified as held for sale if their carrying amount will be recovered primarily through a sale transaction rather than through continued use. The assets should also be ready for sale and the sale must be scheduled to take place within 12 months. If these conditions are met the assets held for sale are valued at the carrying amount or, if lower, the fair value less sale costs, and are recognised in the balance sheet separately from other assets. Netting of the assets and liabilities of an operation held for sale is not permitted.

The results of a discontinued operation (if material and distinct) are presented in the profit and loss account as a single amount comprising the net profit and/or net loss of the discontinued operation and the profit or loss after tax realised from the sale or valuation at fair value less sale costs of the net assets that comprise the discontinued operation. This requires separate recognition of the net profit from continuing operations and the net profit from discontinued operations. The comparative figures in the profit and loss account are adjusted if operations are classified as to be discontinued during the reporting period.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any related unrealised gains, are eliminated when preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of Rabo Bouwfonds' interest in the enterprise. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

2.4 Segment information

Business segments are the primary reporting segments. The business segments are grouped on the basis of the assessment of risks and return assessed according to the characteristics of products and services. Geographical segmentation is based on the differences in the economic environments. When presenting geographical data, the location of Rabo Bouwfonds' customers is the determining factor.

2.5 Currency translation differences

The financial performance of the group's foreign operations that are carried out via branches, subsidiaries, associates and joint ventures, is expressed in the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the 'functional currency').

Transactions in a currency other than the functional currency of the transacting entity are translated into the functional currency at the exchange rate prevailing on the transaction date. Accrued assets and liabilities are translated at the exchange rate prevailing on the last day of the month to which the results relate. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing on the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historic cost, are translated at the exchange rate prevailing at the date of first recognition.

Translation differences on monetary financial assets and liabilities, whether valued at amortised cost price or fair value, are recognised under foreign exchange gains and losses. Translation differences on non-monetary items held at fair value are also recognised under exchange rate gains/losses in the profit and loss account. Translation differences on non-monetary items classified as available for sale are recognised in equity in the component 'Net gains/(losses) not recognised in profit and loss account'.

The assets and liabilities of foreign operations, including goodwill and adjustments for purchase accounting, are translated into euros at the exchange rate valid on the balance sheet date. The income and expenses of foreign operations are translated into euros at the rates prevailing at the end of the month. Currency translation differences arising from these translations are recognised directly in equity ('currency translation reserve'). When foreign activities are sold, or sold in part, these currency translation differences, insofar as they have arisen after 1 January 2004, are recognised in the profit and loss account.

2.6 Net interest income

Interest income and expense are recognised in the profit and loss account using the effective interest rate method. The application of this method comprises the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and the amount at maturity, calculated on the basis of the effective interest rate. Interest income and expense also includes interest income and expenses in relation to trading balances.

2.7 Net project income

Project income is first recognised after a project has been sold and as soon as the outcome of a development project can be estimated reliably. Contractual income and expenses are subsequently recognised in the profit and loss account in proportion to the stage of completion of the project. The stage of completion is assessed on the basis of the executed project phases. Expected losses on projects are recognised immediately in the profit and loss account.

2.8 Fees and commissions

Unless included in the effective interest calculation, fees and commissions are recognised as an accrual item when the service has been provided. Fees contingent upon performance are only recognised when the performance criteria have been met.

Fees and commissions not integral to effective interest arising from negotiations regarding, or participation in the negotiations regarding a transaction with a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of an operation, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised on the basis of the applicable service contracts.

Commitment fees for loan facilities where draw down is probable, together with the related direct costs, are recognised as an accrued item and carried as an adjustment to the effective interest on the loan once drawn. Commitment fees for credit facilities where draw down is not probable are recognised over the term of the facility.

2.9 Result from financial transactions

This comprises the gains and losses from the sale of financial assets and liabilities not held for trading, the ineffectiveness of certain fair value hedges and the fair value changes of assets and liabilities designated as items to be recognised in the profit and loss account at fair value adjusted for changes in the fair value.

2.10 Other operating income

Other operating income includes income from the exploitation of property in respect of which Rabo Bouwfonds acts as the operational lessor. Other operating income also includes fees from structuring, acquisitions, syndications, performance and asset management.

This income is accounted for when the service concerned is performed. Fees for services performed over a longer period are accounted for in the period to which the service relates. Valuation at market value is carried out on the basis of fair value models for the calculation for certain income items.

2.11 Financial assets and liabilities

Classification

Rabo Bouwfonds classifies its financial assets and liabilities in the following valuation categories:

Loans to customers are non-derivative financial assets with fixed or determinable payments which are not quoted on an active market. These assets occur when Rabo Bouwfonds provides money or services directly to a customer with no intention of trading or selling the loan. Loans originated with the intention to sell are classified under other assets and designated as items for which changes in the fair value are recognised in the profit and loss account.

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments (i.e. debt instruments) and a fixed term that Rabo Bouwfonds intends to, and is in a position to, hold to maturity.

Items recognised at fair value with value adjustments through the result are *financial assets and liabilities at fair value through profit and loss* that upon initial recognition Rabo Bouwfonds designated as items to be recognised at fair value with changes incorporated in the profit and loss account. Accounting in this manner takes place if:

- the host instrument includes an embedded derivative that would otherwise require separation;
- this eliminates or significantly reduces an inconsistency that would otherwise arise if another basis was used to value these assets or liabilities;
- it concerns a portfolio of financial assets and/or liabilities that is managed and evaluated on the basis of fair value in accordance with Rabo Bouwfonds' risk management or investment strategy.

Financial instruments held for trading are instruments that Rabo Bouwfonds has acquired for the purpose of selling in the near future. They include shares, interest-bearing securities, certain loans (held with the intention of selling within a foreseeable time), derivative contracts that are not designated as hedge-instruments and liabilities related to short positions in financial instruments.

All trading derivatives with a net positive fair value, as well as purchased options, are reported as financial assets held for trading. All trading derivatives with a net negative fair value, as well as written options, are reported as financial liabilities held for trading.

Derivatives are financial instruments that require little or no initial net investment and for which the future settlement is dependent on a tariff that functions as a benchmark, such as interest rates. The fair value of derivatives is affected by changes in expected future cash flow as a result of changes in the underlying benchmark. All derivatives are recognised on the balance sheet at fair value. Changes in the fair value of derivatives are recognised in the profit and loss account, except when an item is designated as a cash flow hedge (see 2.13 Hedge accounting).

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases the derivative component is termed an embedded derivative. If the economic characteristics of the embedded derivatives are not closely related to those of the host contract, the embedded derivatives are separated from the host contract, unless the host contract is designated an item recognised at fair value with changes through profit and loss account and is accounted for in a way consistent with stand-alone derivatives. Instruments that include separateable derivatives generally find themselves in the trading portfolio. Opting to recognise such combined instruments at fair value with value adjustments stated in the profit and loss account is also possible.

Available-for-sale financial assets are financial assets that are designated as available for sale and do not come under any of the categories described above.

Financial liabilities not held for trading that are not designated as items to be recognised at fair value with value adjustments stated in the profit and loss account are recognised at amortised cost price.

Recognising and derecognising

A financial asset (or part of a financial asset) is derecognised if:

- the rights to the cash flow from the asset expire;
- the rights to the cash flow from the asset and a substantive portion of the risks and benefits related to ownership of the asset are transferred;
- an obligation to transfer the cash flow from the asset is assumed and a substantive portion of the risks and benefits are transferred;
- an obligation to transfer the cash flow from the asset is assumed;
- not all the economic risks and benefits are transferred or held but control over the asset is transferred.

If Rabo Bouwfonds retains control over the asset but does not retain a substantive portion of all the risks and benefits, the asset is recognised in proportion to the continued involvement of Rabo Bouwfonds. A related liability is also recognised in proportion to the degree of continuing involvement. The recognition of the changes in the value of the liability corresponds to the recognition of changes in the value of the asset.

Purchases and sales of investments and traded instruments are recognised on the transaction date. This is the date on which Rabo Bouwfonds commits to purchasing or selling the underlying instrument.

Loans to customers and deposits are recognised when they are acquired or funded by Rabo Bouwfonds and derecognised when funds are settled. Debt securities are recognised as at the date of issuance; funds entrusted are recognised when the fund is deposited with Rabo Bouwfonds.

Other financial assets and liabilities, including derivatives, are recognised in the balance sheet when Rabo Bouwfonds becomes party according to the contractual terms of the asset or liability.

Valuation

All trading instruments and financial assets and liabilities designated as items to be recognised at fair value are valued at fair value, with transaction costs charged directly to the profit and loss account.

All derivatives are recognised in the balance sheet at fair value with changes recorded through the profit and loss account unless the derivative qualifies for cash flow hedge accounting.

Available-for-sale financial assets are recognised at fair value with unrealised gains and losses recognised directly in equity, after deduction of taxes. If available-for-sales assets are sold, collected or impaired, the cumulative gain or loss recognised in equity is transferred to the result from financial transactions in the profit and loss account.

All other financial assets and liabilities are initially valued at fair value including directly attributable transaction costs. They are subsequently valued at amortised cost using the effective interest rate method. By using this method premiums and discounts, including qualifying transaction costs, are recognised in the carrying amount of the relevant instrument and amortised on the basis of the original effective interest rate over the period to maturity or expected early repayment.

When available, fair values are obtained from quoted market prices in liquid markets. If no quoted market price is available, the fair value of the instrument is estimated using dealer price quotations, pricing models and/or discounted value methods. Information used in pricing models is generally market observable or can be derived from market observable data. If no relevant market observable data is available, the initial increase in fair value indicated by the valuation techniques based on unobservable data is amortised over the lifetime of the transactions via the result.

When a discounted cash value method is used, estimated future cash flows are based on management's best estimates and the discount rate applied is a market-related rate at the balance sheet date for instruments with similar terms and conditions.

Irrespective of the balance sheet classification of assets and liabilities, interest received or paid is classified as interest income or interest expense in the profit and loss account. Dividend income is recorded in a similar manner under 'Results from financial transactions'.

2.12 Netting

If Rabo Bouwfonds has the legal or contractual authority and the intention to settle financial assets and liabilities net or simultaneously, these are offset and the net amount is recognised on the balance sheet.

Due to differences in the timing of actual cash flows, derivatives with a positive fair value are generally not netted with derivatives with a negative fair value, even if they are held by the same counter-party.

2.13 Hedge accounting

Rabo Bouwfonds uses derivative instruments as a component of its risk management to manage positions exposed to interest rate, foreign currency and credit risks, including positions arising from future transactions. Rabo Bouwfonds applies either fair value or cash flow hedge accounting when transactions meet certain criteria applicable for hedge accounting.

A hedge relationship qualifies for hedge accounting if:

- at the inception of the hedge formal documentation regarding the hedge transaction is available;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be determined reliably;
- the hedge is highly effective throughout the reporting period, and
- for hedges of future transactions: it is very probable that the transaction will take place and will result in an exposure to fluctuations in cash flows that could ultimately affect net profit.

A hedged position can be an asset, liability, firm commitment, highly probable future transaction or net investment in a foreign entity that (a) exposes the entity to the risk of changes in the fair value or future cash flows and (b) is designated as a hedged position. The hedged risk generally comprises changes in interest rates or foreign currency rates. Hedge accounting is not used for credit risk derivatives (sometimes referred to as 'credit default swaps').

In accordance with the above, Rabo Bouwfonds formally assesses, both at the inception of the hedge and during its term, whether the derivatives used in its hedging transactions are, or have been, highly effective in offsetting changes in the fair value or cash flows of the hedged position.

A hedge is normally regarded as highly effective if, at inception and throughout its life, Rabo Bouwfonds can expect, and the actual results indicate, that changes in the fair value or cash flows of the hedged position are offset by the changes in the fair value or cash flows of the hedge instrument, within the range 80 % to 125 %.

A hedge relationship is highly effective if it enables Rabo Bouwfonds to offset changes in the fair value or cash flows of the risk being hedged. The ineffective portion of a hedge relationship (the degree to which the changes in the fair value of the derivative differ from the changes in the fair value of the hedged position or the degree to which changes in the expected cash flow from the derivative differ from expected changes in the cash flow from the hedged position) and gains and losses on components of a derivative that are excluded from the evaluation of the effectiveness of the hedge transaction are recorded directly in the profit and loss account.

Rabo Bouwfonds will discontinue hedge accounting if:

- a) it is determined that a derivative is not, or has ceased to be, highly effective as a hedge instrument;
- b) the derivative expires, or is sold, terminated, or exercised;
- c) the hedged position matures or is sold or repaid;
- d) a foreseen transaction is no longer deemed highly probable; and
- e) when in certain circumstances, Rabo Bouwfonds decides to cease hedge accounting, even though the hedge relationship is still highly effective, by no longer designating the financial instrument as a hedge.

Subsequently, any related derivatives are accounted for as trading financial instruments unless re-designated as a hedge in a new hedge relationship.

Fair value hedges

When a derivative financial instrument hedges the exposure to changes in the fair value of recognised assets or liabilities, the carrying amount of the hedged item is adjusted in relation to the hedged risk. Gains or losses on revaluation of both the hedge instrument and the hedged item are recognised in the profit and loss account, generally under 'Results from financial transactions'.

When a fair value hedge instrument or hedge relationship is terminated, any fair value adjustment to the carrying amount of an interest-bearing financial asset or liability is amortised in the profit and loss account over the remaining maturity of the original hedged item.

Cash flow hedges

When a derivative financial instrument hedges the exposure to variability of the cash flows from recognised assets, liabilities, anticipated transactions or firm commitments, the effective part of any gain or loss resulting from the revaluation of the hedge instrument is recognised directly in equity. If a cash flow hedge instrument or hedge relationship is discontinued, but the hedged transaction is still expected to occur, the cumulative gain or loss recognised in equity remains in equity.

The cumulative gain or loss recognised in equity is transferred to the profit and loss account at the moment the hedged transaction affects net profit or loss and is presented on the same line as the hedged transaction. In the exceptional case that the hedged transaction is no longer expected to occur, the cumulative gain or loss recognised in equity is transferred directly to the profit and loss account.

2.14 Impairment of financial assets

On every balance sheet date Rabo Bouwfonds assesses whether there is objective evidence that a financial asset or portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that have occurred after the initial recognition of the asset and before the balance sheet date and such a loss event has an adverse effect on the estimated future cash flows from the financial asset or portfolio of financial assets. An impairment is recognised only if and to the extent that this is the case.

Objective evidence that a financial asset or a portfolio of financial assets is impaired comprises observable data that comes to the attention of Rabo Bouwfonds regarding the following loss events:

- significant financial problems of the investee or borrower;
- a breach of contract, such as overdue interest payments or repayments;
- a concession granted, for economic or legal reasons, to the borrower by the lender due to the borrower's financial problems that the lender would not otherwise have considered;
- the probable bankruptcy or financial restructuring of the borrower;
- the disappearance of an active market for the relevant financial asset due to financial problems;
- observable data indicating that there has been a measurable decrease in the estimated future cash flow from a portfolio of financial assets since their initial recognition, although the decrease cannot yet be determined for the individual financial assets in the portfolio, including:
 1. adverse changes in the payment status of borrowers in the portfolio;
 2. national or local economic conditions that correlate with overdue payments with regard to assets in the portfolio.

Rabo Bouwfonds first assesses whether objective evidence of impairment exists for financial assets (including any related facilities and guarantees) that are individually significant, and assesses this individually or collectively for financial assets that are not individually significant. If Rabo Bouwfonds determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and assesses them collectively for impairment. Financial assets that are individually assessed for impairment are not included in a collective assessment of impairment.

For loans to customers and assets held to maturity, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the profit and loss account under value adjustments.

When calculating the present value of estimated future cash flows from a secured financial asset, the cash flows that may result from selling the securities, whether or not selling is probable, less the cost that must be incurred to acquire and sell the securities, is taken into account.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows from the loan portfolio and historical loss experience for loans with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data so that the effects of current conditions that did not play a role in the period relating to the historical loss are taken into account and the effects of conditions in the historical period that are no longer relevant are eliminated.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual losses. The impact of changes in estimates and recoveries is recognised in the profit and loss account under value adjustments. .

Following impairment, interest income is recognised on the basis of the original effective rate of interest used to determine the impairment loss when calculating the discounted value of the future cash flows.

When a loan is uncollectable, it is written off against the relevant provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the profit and loss account under value adjustments.

Assets acquired in exchange for loans and receivables in order to achieve a settlement are recognised as a disposal of the loan and an acquisition of an asset. If the transaction results in control over the entity being obtained, the entity is consolidated.

To evaluate whether there has been an impairment of debt and equity instruments classified as available-for-sale, a significant or prolonged reduction in the fair value of the security to below its cost price is taken into account. Where such evidence exists, the cumulative net loss previously recognised directly in equity is transferred to the profit and loss account under 'Result from financial transactions'.

Reversals of impairments of debt securities, including those classified as available-for-sale are recognised in the profit and loss account. Reversals of impairments of shares are not recognised in the profit and loss account, increases in the fair value of shares after impairment are recognised directly in equity.

2.15 Buildings and equipment

Buildings and equipment for own use are stated at historic cost net of less accumulated depreciation and any impairment.

If buildings and equipment are composed of major components with different useful lives, they are accounted for as separate components. Subsequent additions and expenditure are capitalised only to the extent that they are expected to enhance the future economic benefits from the asset. Expenditure incurred to replace components is capitalised separately. Other subsequent expenditure is only capitalised if it increases the future economic benefits of the relevant buildings and equipment. All other expenditure is recognised in the profit and loss account at the time of the expenditure.

When an item of buildings and equipment ceases to be used or is sold, the difference between the proceeds from the sale less costs and the carrying amount is recognised in the profit and loss account.

Investments in rented buildings (long-term improvements or alternations to rented buildings) are recognised at cost (acquisition price) and depreciated over their useful economic life (usually equal to the remaining lease term of the rented building) using the straight-line method.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful life of buildings and equipment and major components that are accounted for separately. Land is not depreciated.

Rabo Bouwfonds generally applies the following estimated useful lives:

- Buildings for own use 5 – 40 years
- Equipment 1 – 5 years

Depreciation rates, methods and residual values of buildings and equipment are reviewed periodically to take into account any change in circumstances. When depreciating capitalised leasehold improvements the term of the relevant lease is taken into account.

2.16 Property

This item concerns all assets related to the development and exploitation of property. The items are classified as follows:

- Building sites and equalisation funds;
- Work-in-progress;
- Property trade debtors;
- Finished goods;
- Investment property.

Building sites and equalisation funds

Building sites are carried at cost including allocated interest and additional expenses for purchasing the sites and making them ready for building. No interest is allocated to land which has not been zoned for a particular purpose if there is no certainty that the land will be built on. An impairment for expected losses on the sale of a site is deducted from the carrying amount.

The equalisation funds relate to capitalised building rights purchased from third parties, as well as building rights which arose on the sale of building sites to municipalities or other parties as the balance of the cost of the sites and the sale proceeds. These amounts, which should be recovered from future building projects, are stated net of any necessary provisions.

Work-in-progress

Work-in-progress concerns sold and unsold commercial property projects, as well as sold and unsold residential projects under construction or in preparation. Work-in-progress is carried at the costs incurred plus allocated interest and profit less any necessary provisions. Progress instalments invoiced to buyers and principals are deducted from work-in-progress. When the balance of a project is negative (progress instalments invoiced are greater than capitalised costs) the balance of that project is transferred to 'Other liabilities'. Profits are recognised in accordance with the percentage of completion method.

Finished goods

Unsold commercial and residential properties are carried at the cost of production, less any necessary provisions.

Investment property

Investment property is recognised at fair value. Fair value is determined as the most probable price reasonably obtainable in the market on the balance sheet date (therefore not on a date in either the past or the future). Fair value is based on current prices in an active market for similar properties in the same location and condition. If this information is unavailable the fair value is determined using discounted cash flow valuation techniques. Any gain or loss arising from a change in fair value is recognised in the profit and loss account. Rental income from investment property is recognised in the profit and loss account.

2.17 Intangible assets

Costs that are directly associated with identifiable and unique software products that are controlled by Rabo Bouwfonds and that will probably generate economic benefits that exceed costs for longer than one year, are capitalised as intangible assets. Direct costs also include the staff costs of the software development team. Expenditure that enhances or extends the performance of computer software programs beyond their original specifications is deemed an investment and added to the original cost of the software. Software is amortised over three years.

Other intangible assets that are acquired by Rabo Bouwfonds are stated at cost less accumulated amortisation and any adjustment for impairment losses. Other intangible assets comprises separately identifiable items arising from the acquisition of subsidiaries, such as acquired customer relationships. Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful life of the intangible asset.

Acquired licences are also recognised as intangible assets.

Software maintenance costs are recognised as an expense in the period in which they are incurred.

2.18 Pensions and other post-retirement benefits

For employees in the Netherlands and the majority of staff employed outside the Netherlands, pension or other retirement plans have been established in accordance with the regulations and practices of the countries concerned. Most of these plans are administered by separate pension funds or third parties. In this context, a clear distinction is made between defined contribution plans and defined benefit plans.

Defined contribution plans

In the case of defined contribution plans, contributions are charged directly to the result for the year to which they relate.

Defined benefit plans

The resulting commitments are regarded as Rabo Bouwfonds' own commitments regardless of whether these are administered by a pension fund or in some other manner. Defined benefit plan pension commitments are calculated in accordance with the projected unit credit method of actuarial cost allocation. Under this method, the present value of pension and other employee benefit commitments is determined on the basis of the number of active years of service up to balance sheet date, the estimated salary level at the time of the expected retirement date and the market rate of interest on high-quality corporate bonds.

To determine pension costs, the expected return on the plan assets is included in the calculation. Differences between the expected and actual return on the plan assets, as well as actuarial gains and losses, are only recognised as income or expenses if the net cumulative, un-drawn actuarial gains and losses at the end of the previous reporting period amount to more than 10 % of the pension plan commitments or, if higher, the fair value of the related plan assets. The portion that is more than 10 % is recognised in the profit and loss account over the expected remaining years of service of the participating employees. Differences between the pension costs determined in this way and the contributions payable are accounted for as a provision or prepayments. Commitments relating to the early retirement of employees are treated in this context as pension commitments.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the profit and loss account on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised immediately in the profit and loss account.

Other post-retirement benefits

Rabo Bouwfonds' net obligation in respect of long term service benefits, other than pension plans, is the amount of future benefit that employees have earned in exchange for their services in the current and prior periods. The obligation is calculated on the basis of actuarial assumptions.

Other post-retirement benefits, which include health insurance contributions, anniversary allowances, mortgage interest discounts and payments to non-active employees, are also computed on the basis of actuarial assumptions.

2.19 Provisions

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

Pensions

The pension provision relates to (supplementary) pension rights. A provision is only required for those pension plans where the company is legally committed to future pension payments. In this case a provision is created and recognised on a straight-line basis over the average period until the benefits become vested. Should the benefits become vested immediately, the expense is recognised immediately in the profit and loss account.

Guarantee fund

This fund concerns the guarantee commitments related to sold and delivered residential properties. Owners of Rabo Bouwfonds residential properties are issued with a guarantee certificate valid for 10 years from date of purchase. The resulting financial liabilities are paid from this fund.

Restructuring

A restructuring provision is recognised if an obligation exists. An obligation exists when Rabo Bouwfonds has approved a detailed plan and has raised a valid expectation in those affected by the plan by starting to implement the plan or by announcing its main features. Future operating costs are not provided for.

Other

Other provisions concern primarily other guarantees and legal claims.

2.20 Other liabilities, current and deferred tax

Income tax payable on profit is recognised as an expense in the period in which the profits were made, based on the applicable tax legislation in the relevant jurisdiction. The future tax benefit from income tax losses available for carry forward is recognised as an asset when it is probable that future taxable profits will be available against which these losses can be offset.

Current tax assets and liabilities are only netted if they arise within the same tax reporting group and there is both the legal authority and the intention to settle or realise the net claims and liabilities simultaneously.

Deferred tax is recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The most significant temporary differences arise from property development activities, the fair value of derivative contracts, provisions for pensions and purchase accounting related to acquisitions. No provision has been made for the following temporary differences: the initial recognition of assets or liabilities that affect neither the commercial nor taxable profit and differences relating to investments in subsidiaries and associates to the extent that they will probably not be reversed in the foreseeable future. The amount of the deferred taxes is based on the manner in which it is expected the carrying amount of the assets and liabilities will be realised or settled, using the tax rates prevailing, or almost certain to be prevailing, on the balance sheet date. A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be realised.

2.21 Debt securities

Issued debt securities are stated at amortised cost price using the effective interest rate method, unless they are of a hybrid nature and designated as items to be held at fair value with value adjustments recognised in the profit and loss account.

Issued financial instruments or their components are classified as liabilities if Rabo Bouwfonds, in accordance with contractual stipulations, has a paramount obligation to either deliver cash or another financial asset to the holder, exchange financial instruments on terms that are potentially unfavourable, or fulfil the obligation in another way otherwise than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity instruments.

Issued financial instruments, or their components, are classified as equity when they do not qualify as a liability and represent a residual interest in the assets of Rabo Bouwfonds. The components of issued financial instruments that contain both liability and equity elements are accounted for separately. The equity component is then recognised at the residual amount after the separately determined fair value of the loan capital has been deducted from the instrument as a whole.

2.22 Share capital

Marginal external costs directly attributable to the issue of new shares are deducted from equity less any relevant taxes.

Dividend on ordinary shares is charged to equity in the period in which it is approved by the shareholders.

2.23 Net gains/(losses) not recognised in profit and loss account

Currency translation reserve

The currency translation reserve comprises all currency differences arising from the translation of the financial statements of foreign subsidiaries and associates.

Cash flow hedge reserve

This item comprises the effective portion of the cumulative changes in the fair value of cash flow hedging activities.

2.24 Cash flow

For the purpose of the cash flow statement, cash and cash equivalents include cash in hand and net credit balances on current accounts with banks.

The cash flow statement, based on the indirect method of calculation, gives details of the source of cash and cash equivalents which became available during the year and the manner in which the cash and cash equivalents was employed during the year. The cash flows are separated into cash flows from operating activities, investment activities and financing activities. Movements in loans to customers and inter-bank deposits are included in the cash flow from operating activities. Investment activities comprise acquisitions, sales and redemptions in respect of financial investments, as well as investments in and sales of associates, property and equipment. The issuing of shares and the borrowing and repayment of long-term loan capital are treated as financing activities. Movements due to currency translation differences, as well as the effects of the consolidation of acquisitions, insofar as they are of material significance, are eliminated from the cash flow figures.

Notes to the consolidated profit and loss account

3 Segment information

The information for each Rabo Bouwfonds business unit is presented on the basis of both business and geographical principles. The business segmentation is based on Rabo Bouwfonds' management structure, internal reporting structure and risks and revenue.

The assets, liabilities, income and expenses of the different business units are determined in accordance with the relevant accounting policies. The assets, liabilities, income and expenses of the individual business units include items that can either be directly or reasonably attributed to the relevant business unit. Transactions between business units are conducted at arm's length. Capital expenditure concerns the costs incurred during the period in order to acquire assets on behalf of the business unit that are expected to be used for a period longer than one year, such as property for own use, equipment and software.

Business segments

Rabo Bouwfonds' business units are:

Development (DEV): This business unit focuses primarily on the development of residential areas, retail projects and multifunctional projects.

Finance (FIN): This business unit focuses primarily on property financing, investment financing, leasing and mortgages and loans and concentrates on small-scale commercial property.

Investment Management (MGT): This business unit focuses primarily on the development, structuring and management of real estate portfolios. It concerns non-stock exchange listed real estate funds that are open to both private and institutional investors in the Netherlands and abroad. The activities of this business unit also include the organisation that manages funds on a non-profit making basis.

The financing company activities discontinued in 2006 comprise Bouwfonds Property Finance B.V. and Rijnlandse Bank N.V. The latter has again formed part of Rabo Bouwfonds group since January 2007.

Business segment information 2007				
	DEV	FIN	MGT	Total
Interest income	114,410	637,921	28,284	780,615
Interest expense	154,054	467,487	39,942	661,483
Net interest income	(39,644)	170,434	(11,658)	119,132
Project income	2,688,976	–	37,300	2,726,276
Project expenses	2,298,347	–	29,387	2,327,734
Net project income	390,629	–	7,913	398,542
Net fee and commission income	–	922	–	922
Income from associates	19,966	13,361	25,242	58,569
Results from financial transactions	–	3,777	–	3,777
Other operating income	10,459	7,498	59,108	77,065
Income	381,410	195,992	80,605	658,007
Staff costs	154,651	35,604	29,151	219,406
General and administrative costs	72,293	15,664	19,109	107,066
Depreciation and amortisation	9,012	3,228	1,168	13,408
Operating expenses	235,956	54,496	49,428	339,880
Value adjustments	302	2,761	–	3,063
Expenses	236,258	57,257	49,428	342,943
Operating profit before taxation	145,152	138,735	31,177	315,064
Taxation	(35,648)	(29,088)	(3,345)	(68,081)
Profit for the year	109,504	109,647	27,832	246,983
Attributable to				
Equity holders of the parent	107,708	108,999	26,758	243,465
Minority interests	1,796	648	1,074	3,518
Other information at 31 December 2007				
Total assets	4,706,435	13,417,881	794,195	18,918,511
Total liabilities	3,966,669	12,641,255	728,697	17,336,621
Capital expenditure	5,446	3,096	627	9,169
Investment in associates	–	–	9,827	9,827

Net project income from property activities includes a release from the property provision amounting to € 4.4 million.

No material transactions between above mentioned business units occurred during 2007.

Business segment information 2006						
	DEV	FIN	MGT	Continued	Dis-continued	Total
Interest income	50,006	–	25,093	75,099	465,538	540,637
Interest expense	89,546	–	31,355	120,901	276,397	397,298
Net interest income	(39,540)	–	(6,262)	(45,802)	189,141	143,339
Project income	2,426,136	–	11,800	2,437,936	115,269	2,553,205
Project expenses	2,079,339	–	5,809	2,085,148	113,193	2,198,341
Net project income	346,797	–	5,991	352,788	2,076	354,864
Income from associates	(65)	–	3,836	3,771	3,587	7,358
Results from financial transactions	–	–	86	86	–	86
Other operating income	8,638	–	58,378	67,016	1,344	68,360
Income	315,830	–	62,029	377,859	196,148	574,007
Staff costs	123,158	–	24,729	147,887	28,400	176,287
General and administrative costs	62,220	–	21,248	83,468	25,293	108,761
Depreciation and amortisation	8,201	–	1,633	9,834	2,450	12,284
Operating expenses	193,579	–	47,610	241,189	56,143	297,332
Value adjustments	485	–	–	485	14,929	15,414
Expenses	194,064	–	47,610	241,674	71,072	312,746
Operating result before taxation	121,766	–	14,419	136,185	125,076	261,261
Taxation	(29,788)	–	(2,836)	(32,624)	(36,604)	(69,228)
Profit for the year	91,978	–	11,583	103,561	88,472	192,033
Attributable to						
Equity holders of the parent	89,621	–	11,315	100,936	88,472	189,408
Minority interests	2,357	–	268	2,625	–	2,625
Other information at 31 December 2006						
Total assets*	4,375,999	10,243,923	828,474	15,448,396	–	15,448,396
Total liabilities*	3,743,014	9,574,464	804,887	14,122,365	–	14,122,365
Capital expenditure*	8,489	–	1,819	10,308	–	10,308
Investments in associates	1,669	–	36,278	37,947	–	37,947

* The total assets, liabilities and capital expenditure of the Development Division include figures for Hopman Interheem Group, which are classified in the balance sheet as held-for-sale. Hopman Interheem Group's contribution towards the assets, liabilities and capital expenditure amounts to € 160,620, € 117,099 and € 98 respectively.

Net project income from property activities includes an addition to the provision against property balances of € 2.4 million.

No material transactions between above mentioned business units occurred during 2006.

Geographical segments

Rabo Bouwfonds operates primarily in the Netherlands, France, Germany and the United States. The geographical analysis presented below is based on the location of the customer served by Rabo Bouwfonds.

Geographical segmentation 2007			
	Income	Total assets	Capital expenditure
Netherlands	509,447	17,411,670	7,717
France	102,109	525,087	950
Germany	39,134	741,351	–
United States	7,793	90,981	502
Other	(476)	149,422	–
Total	658,007	18,918,511	9,169

Geographical segmentation 2006						
	Income		Total assets		Capital expenditure	
	<i>Continued</i>	<i>Discontinued</i>	<i>Continued</i>	<i>Held-for-sale</i>	<i>Continued</i>	<i>Held-for-sale</i>
Netherlands	245,128	125,786	14,165,617	160,620	8,706	98
France	88,083	10,051	408,168	–	854	–
Germany	37,214	12,524	589,922	–	315	–
United States	6,792	19,985	37,813	–	–	–
Other	642	27,802	86,256	–	335	–
Total	377,859	196,148	15,287,776	160,620	10,210	98

4 Net interest income

Interest income can be specified as follows:

	2007	2006
Due from banks	60,282	14,213
Loans to customers	717,323	55,595
Other	135	4,627
Sub total	777,740	74,435
Financial assets at fair value through profit and loss account	2,875	664
Total interest income	780,615	75,099

Interest expenses can be specified as follows:

	2007	2006
Due to banks	537,782	110,166
Funds entrusted	47,868	8,454
Debt securities	11,073	–
Subordinated debt	2,754	–
Other	366	2,281
Sub total	599,843	120,901
Financial liabilities at fair value through profit and loss account	61,640	–
Total interest expenses	661,483	120,901

5 Net project income

Project income can be specified as follows:

	2007	2006
Residential property	2,224,788	1,978,731
Commercial property	490,845	445,269
Services	10,643	13,936
Total project income	2,726,276	2,437,936

Project expenses can be specified as follows:

	2007	2006
Residential property	1,914,804	1,713,899
Commercial property	409,814	368,023
Services	3,116	3,226
Total project expenses	2,327,734	2,085,148

6 Income from associates

This item includes the share in the result of associates over which Rabo Bouwfonds, as a rule, has a significant influence. It also includes the incidental results resulting from the restructuring of IEF Capital and the sale of the subsidiary Hopman Interheem Group and the associates in Stienstra and the Rode Olifant.

7 Other operating income

This item relates to income that cannot be categorised in the previous items.

Other operating income can be specified as follows:

	2007	2006
Structuring, acquisition and syndication fees and commission	2,702	10,219
Asset management fees	10,505	10,238
Fund management fees	4,827	9,216
Other management fees	516	8,281
Rental income	24,217	20,137
Fair value changes financial assets and liabilities through profit and loss account	16,147	–
Profit from the sale of investment property	6,800	–
Other income	11,351	8,925
Total other operating income	77,065	67,016

8 Staff costs

	2007	2006
Salaries (including bonuses etc.)	144,036	101,040
Pension costs (including early retirement)	15,336	9,884
Social security contributions	15,894	12,899
Other staff costs	44,140	24,064
Total staff costs	219,406	147,887

Average number of employees (in FTEs)	2007	2006
Development	1,165	979
Financing	303	–
Investment Management	203	185
Holding	164	181
Total average number of employees (in FTEs)	1,835	1,345

The pension costs comprise a contribution of € 2.0 million in defined benefit plans and an amount of € 13.2 million in defined contributions plans.

9 General and administrative expenses

	2007	2006
Professional services	26,991	20,680
Staff related costs	3,399	2,261
Travel and transport	15,232	11,354
Accommodation costs	20,047	14,049
Office supplies and printing	8,547	881
Communications and information	3,534	4,058
Selling expenses	11,582	6,957
Information technology	11,706	4,076
Sundry expenses	6,028	19,152
Total general and administrative expenses	107,066	83,468

10 Depreciation and amortisation

	2007	2006
Buildings (for own use)	2,474	4,094
Equipment	10,704	5,733
Intangible fixed assets (licenses)	6	7
Other	224	–
Total depreciation and amortisation	13,408	9,834

11 Taxation

This item relates to corporate income tax due on the profit for the year and the prevailing tax rate, taking into account the existing fiscal facilities. In 2007 the effective tax burden for the profit on normal business activities fell from 26.6 % to 21.6 %. The tax burden components can be specified as follows:

<i>in percent (%)</i>	2007	2006
Nominal Dutch tax rate	25.5	29.6
Effect of rate reduction on deferred tax	(0.3)	(4.0)
Effect of tax-exempt income in the Netherlands	(0.7)	(0.8)
Effect of tax rate deviations in other countries	1.4	1.6
Effect of unrecognised deferred tax assets	–	0.5
Effect of tax expense previous year	(0.8)	–
Tax exempt revenue to prevent double taxation	(4.7)	–
Other	1.2	(0.3)
Effective tax rate on operating profit	21.6	26.6

A reconciliation between the tax expense and the amount resulting from the application of the Dutch tax rate on the book profit for the years 2007 and 2006:

	2007	2006
Operating profit before tax from continuing operations	315,064	136,185
Operating profit before tax from discontinued operations	–	125,076
Total operating profit before tax	315,064	261,261
At income tax rate of 25.5 % (2006: 29.6 %)	80,341	77,331
Effect of rate reduction on deferred tax	(1,002)	(10,526)
Effect of tax-exempt income in the Netherlands	(2,339)	(2,176)
Effect of deviating tax rate in other countries	4,500	4,189
Effect of unrecognised deferred tax assets	(21)	1,267
Effect of income tax expense previous years	(2,514)	94
Tax exempt income to prevent double taxation	(14,935)	–
Other	4,051	(951)
At an effective tax rate of 21.6 % (2006: 26.6 %)	68,081	69,228
Income tax expense recognised in the consolidated profit and loss account	68,081	32,624
Income tax attributable to discontinued operations	–	36,604
Total tax expense	68,081	69,228

	2007
Current income tax expense	
– Reporting year	103,870
– Previous years	(2,514)
Deferred taxes	(33,275)
Total tax expense	68,081

12 Discontinued operations and assets and liabilities classified as held for sale

At the end of 2006 the Board of Directors of Rabo Bouwfonds decided to sell Hopman Interheem Group during 2007. The sale took place in March 2007. In the comparative balance sheet figures the assets and liabilities of Hopman Interheem Group are recognised separately as assets and liabilities related to an asset classified as held for sale.

The most important categories of Hopman Interheem Group's assets and liabilities are classified as held for sale in the comparative figures. At the end of the year these were as follows:

	2006
Assets	
Due from banks	16,536
Property	136,902
Other asset items	7,182
Assets classified as held for sale	160,620
Liabilities	
Due to banks	89,611
Funds entrusted	18,626
Other liability items	8,862
Liabilities related to assets classified as held for sale	117,099

In the comparative figures in the profit and loss account the results of Bouwfonds Property Finance B.V. and Rijnlandse Bank N.V. are recognised separately as profit from discontinued operations after taxation. Since January 2007, Rijnlandse Bank N.V. again forms part of Rabo Bouwfonds as a component of FGH Bank.

The discontinued operations can be specified as follows:

	2006
Interest income	465,538
Interest expense	276,397
Net interest income	189,141
Project income	115,269
Project expense	113,193
Net project income	2,076
Net fees and commission income	–
Income from associates	3,587
Other operating income	1,344
Income	196,148
Staff costs	28,400
General and administrative expenses	25,293
Depreciation and amortisation	2,450
Operating expenses	56,143
Value adjustments	14,929
Expenses	71,072
Operating profit before taxes	125,076
Taxation	(36,604)
Profit for the year	88,472

In the cash flow statement of the comparative figures, the settlement of Bouwfonds Hypotheken and Hopman Interheem Group are recognised as cash flow from discontinued operations.

Net cash flows charged to the discontinued operations are as follows:

	2006
Operating activities	38,807,553
Investing activities	6,940
Financing activities	(38,835,262)
Net increase/(decrease) in cash and cash equivalents	(20,769)

The operating cash flow includes € 465 million interest income and € 276 million interest expense.

Contingent liabilities and committed facilities*Hopman Interheem Group*

As at 31 December 2006, Hopman Interheem Group had no contingent liabilities or committed facilities outstanding.

Other liabilities not shown on the balance sheet*Hopman Interheem Group*

Liabilities in relation to work-in-progress relate to 1,630 homes, of which 1,545 were already sold.

On 31 December 2006, liabilities amounting to € 40 million had been entered into with third parties, including subcontractors and architects in respect of non-commercial property projects. No liabilities had been entered into with subcontractors or architects in respect of commercial property projects.

Long-term liabilities relating to office premises amounted to € 11.3 million as at 31 December 2006.

Long-term liabilities relating to automobile operating leases amounted to € 0.9 million.

Notes to the consolidated balance sheet

13 Cash and cash equivalents

This item comprises all legal tender including foreign currencies.

14 Financial assets and liabilities at fair value through profit and loss account

Financial assets and liabilities at fair value through the profit and loss account comprise financial assets and liabilities that on initial recognition are classified as financial assets and liabilities at fair value through the profit and loss account and financial assets and liabilities held for trading.

Financial assets at fair value through the profit and loss account can be specified as follows:

	2007	2006
Financial assets held for trading		
Derivatives not held as hedges	50,563	23,078
Financial assets at fair value designated upon initial recognition		
Debt securities	107,211	–
Equity instruments	21,077	–
Derivative to hedge debt securities initially recognised at fair value	20,698	–
Other	15,782	–
Total financial assets at fair value through profit and loss account	215,331	23,078

Financial liabilities at fair value through profit and loss account can be specified as follows:

	2007	2006
Financial liabilities held for trading		
Derivatives not held as hedges	46,659	21,207
Financial liabilities at fair value designated upon initial recognition		
Debt securities	2,584,198	–
Total financial liabilities at fair value through profit and loss account	2,630,857	21,207

The derivative amounting to € 20.6 million initially recognised under financial assets was arranged to hedge the fair value movements of the debt securities amounting to € 2,584.1 million initially recognised as financial liability at fair value through profit and loss account. The principal of this derivative has the same value as the principal of the debt securities.

15 Financial assets and liabilities at fair value held as hedges

Rabo Bouwfonds enters into various financial derivatives which are designated as and qualify as cash flow hedges. Rabo Bouwfonds also enters into derivative transactions to hedge economic risks that are not held for hedge accounting but are recognised as financial assets and liabilities held for trading (see 14 'Financial assets and liabilities at fair value through profit and loss account').

	2007	2006
Financial assets held as cash flow hedges	36,861	33,638
Financial assets held as fair value hedges	–	1,110
Total financial assets held as hedges	36,861	34,748

	2007	2006
Financial liabilities held as cash flow hedges	5,085	34,380
Financial liabilities held as fair value hedges	268,686	51,735
Total financial liabilities held as hedges	273,771	86,115

Fair value hedging

Rabo Bouwfonds' fair value hedges comprise mainly Interest Rate Swaps (IRS) and cross currency IRS that serve to protect against a potential decrease in the fair value of fixed interest rate assets or an increase in the fair value of term deposits from customers or attracted money in both local and foreign currencies. Rabo Bouwfonds hedges some of its existing currency risk through fair value hedges. The fair value of the forward currency contracts on 31 December 2007 was € 269 million negative (2006: € 52 million negative and € 1 million positive) and the underlying principal amounted to € 1,966 million (2006: € 431 million for the negative fair value and € 15 million for the positive fair value). During 2007 Rabo Bouwfonds accounted for a loss of € 220 million on the hedging instrument and a profit of € 220 million on the hedged item.

Cash flow hedging

Rabo Bouwfonds uses interest rate swaps to hedge changes in the cash flows of certain variable interest rate debt instruments. Movements in these derivatives are recognised in equity using hedge accounting principles. The contracted nominal amounts of derivatives held as cash flow hedges total € 1,835 million (2006: € 1,350 million) on the asset side and € 470 million (2006: € 711 million) on the liability side. At 31 December 2007 the fair value of the derivatives designated as cash flow hedges equated to a net unrealised profit of € 22 million (2006: nil).

The table below indicates when the cash flow hedges as at the end of 2007 will influence the profit and loss account.

	Within 1 year	Between 1 and 5 years	More than 5 years
Cash inflow	95,641	234,458	118,281
Cash outflow	218,059	679,918	553,248
Net cash inflow	(122,418)	(445,460)	(434,967)
Impact profit and loss account	6,318	12,436	7,704

The table below indicates when the cash flow hedges as at the end of 2006, will influence the profit and loss account as at the end of 2006:

	Within 1 year	Between 1 and 5 years	More than 5 years
Cash inflow	36,953	87,622	49,546
Cash outflow	135,420	328,989	321,942
Net cash inflow	(98,467)	(241,367)	(272,396)
Impact profit and loss account	3,627	5,715	2,282

In 2007 an amount of € 22 million (2006: € 112 million) from cash flow hedges was recognised directly in equity.

16 Due from banks

This item includes all amounts receivable from credit institutions.

	2007	2006
Current account	384,001	412,240
Loans from banks	36,875	175,192
Total due from banks	420,876	587,432
Freely available	392,705	397,683
Not freely available	28,171	189,749
Total due from banks	420,876	587,432

The not freely available loans from 2006 relate to securities and loans related to the funding by Rabobank Nederland, the parent company.

17 Loans to customers

This item includes all receivables from lending other than receivables from credit institutions.

Loans can be specified as follows:

	2007	2006
Residential mortgages	3,314,373	2,613,471
Investment mortgages	8,622,809	6,147,958
Other mortgage loans	1,747	–
Loans related to property development activities	823,086	679,193
Loans related to investment management activities	183,952	182,895
Other	637,913	586,256
Total loans to customers	13,583,880	10,209,773

Loans per sector can be specified as follows:

	2007	2006
Public sector	30,442	22,707
Private sector, commercial	12,702,816	9,308,686
Private sector, retail	880,793	905,953
Total loans to customers before deduction of value adjustments	13,614,051	10,237,346
Value adjustments (see 18 'Value adjustments')	(30,171)	(27,573)
Total loans to customers	13,583,880	10,209,773

The management of financial risks in the loan portfolio is addressed in Note 44 'Risk Management'.

18 Value adjustments

	2007	2006
At 1 January	27,573	34,412
Addition (charged through value adjustments profit and loss account)	3,063	485
Release	(141)	(3,039)
Changes in group composition	–	(4,405)
Other movements	(324)	120
At 31 December	30,171	27,573

All loans that have undergone a value adjustment have been adjusted to the realisable value. The provision is attributable entirely to loans to customers.

19 Property

This item concerns the positions relating to property activities and can be specified as follows:

	2007	2006
Building sites and equalisation funds	1,715,900	1,448,353
Work-in-progress	1,289,698	990,948
Property trade debtors	304,016	237,576
Finished goods	124,112	101,625
Investment property	938,082	1,113,038
Total property	4,371,808	3,891,540

Building sites and equalisation funds	2007	2006
Developed sites	296,077	277,651
Undeveloped sites	337,442	262,778
Sites with zoning permission	72,626	44,522
Sites without zoning permission (including Vinex)	739,001	594,536
Inner-city sites with residential zoning designation	46,893	44,439
Inner-city sites without residential zoning designation	36,057	31,969
Inner-city restructuring in post-war districts	3,018	2,849
Equalisation funds	15,602	12,247
Capitalised fair value	169,184	177,362
Total building sites and equalisation funds	1,715,900	1,448,353

Work-in-progress

Work-in-progress (recognised under property)	2007	2006
Residential property in preparation or under construction	1,176,786	1,005,363
Commercial property under development and under construction	1,517,838	1,191,042
Instalments invoiced in advance – residential property	(646,952)	(605,642)
Instalments invoiced in advance – commercial property	(757,974)	(599,815)
Total work-in-progress (recognised under property)	1,289,698	990,948

Work-in-progress (recognised under other liabilities)	2007	2006
Residential property in preparation or under construction	470,976	598,321
Commercial property under development and under construction	297,896	293,710
Rendering of services	(3,496)	(3,450)
Instalments invoiced in advance – residential property	(569,260)	(714,056)
Instalments invoiced in advance – commercial property	(307,508)	(292,047)
Total work-in-progress (see 34 'Other liabilities')	(111,392)	(117,522)

Total work-in-progress

	2007	2006
Work-in-progress (recognised under property)	1,289,698	990,948
Work-in-progress (see 34 'Other liabilities')	(111,392)	(117,522)
Total work-in-progress	1,178,306	873,426

Of the total of 21,558 (2006: 17,476) homes under construction a total of 18,477 (2006: 15,243) have been sold.

Finished goods

	2007	2006
Residential property	22,639	20,204
Commercial property	101,473	81,421
Total finished goods	124,112	101,625

Finished, unsold homes at the year end:

	2007	2006
Netherlands	51	24
Germany	14	7
France	42	40
Other	2	5
Total finished, unsold homes	109	76

Property provision

A provision of € 179 million (2006: € 165 million) is included in property for projects that will be, or are, loss making based on the information available on the balance sheet date. This provision relates primarily to work-in-progress amounting to € 80 million (2006: € 86 million) and building sites amounting to € 96 million (2006: € 75 million). The remainder of the provision is a provision of € 3 million (2006: € 2 million) for property trade debtors. There is no provision for finished goods (2006: € 1 million).

Property includes a capitalised financing component of € 45 million (2006: € 36 million). The average interest rate applied for these capitalised financing expenses is between 3.5 % and 4.5 % (2006: 2.5 % and 4 %).

Investment property	2007	2006
At 1 January	1,113,038	462,933
Additions	171,464	198,514
Disposals	(187,873)	(47,199)
Revaluation	(15,161)	4,404
Exchange rate differences	–	(104)
New in / out of consolidation	(143,386)	(199,511)
Changes in group composition	–	694,108
Other	–	(107)
At 31 December	938,082	1,113,038
Total rental income from investment property	35,028	28,915
Direct operating expenses arising from investment property	10,811	8,778

Investment property is stated at fair value, of which at the end of 2007 € 105 million (2006: € 207 million) was based on an independent valuer's valuations. The remaining fair value has been determined on the basis of discounted cash flow valuation techniques.

The long-term operational lease agreements are expected to result in the following minimum rental receipts:

<i>in millions of euros</i>	2007	2006
Less than one year	111	95
Between one and five years	308	248
More than five years	141	517
Total long-term operating lease receipts	560	860

20 Interest-earning securities

This item comprises interest-earning securities all of which form part of the investment portfolio.

The movement in the interest-earning securities was as follows:

	2007	2006
At 1 January	50,870	–
Additions / (disposals)	18	50,000
Reclassification of interest-earning securities to financial assets through profit and loss account	(50,000)	–
Disposals	(103)	–
Changes in group composition	–	870
Other	(282)	–
At 31 December	503	50,870

In 2006 interest-earning securities included bonds that in 2007 were reclassified as financial assets at fair value through profit and loss account.

21 Investments in associates

This item relates to investments held on a long-term basis for the purpose of business operations.

The combined financial information of the most important investments in associates at the end of 2007 is shown below.

<i>in millions of euros</i>	2007
Total assets	502
Total liabilities	351
Total revenue	30
Total profit	3

The carrying amount of these investments in associates amounted to € 29.2 million (2006: € 55.8 million). None of these investments in associates is traded on a public stock market.

22 Buildings and equipment

In 2007, the carrying amount of buildings and equipment developed as follows:

	Land and buildings for own use	Equipment	Total
Cost	75,920	52,127	128,047
Accumulated depreciation	37,691	34,103	71,794
At 1 January	38,229	18,024	56,253
Additions	3,167	6,002	9,169
Disposals	–	(40)	(40)
Depreciation	(2,474)	(10,704)	(13,178)
Other movements	(40)	(83)	(123)
At 31 December	38,882	13,199	52,081
Comprising:			
Cost	79,044	54,831	133,875
Accumulated depreciation	40,162	41,632	81,794

In 2006, the carrying amount of buildings and equipment developed as follows:

	Land and buildings for own use	Equipment	Total
Cost	30,517	43,413	73,930
Accumulated depreciation	17,173	30,965	48,138
At 1 January	13,344	12,448	25,792
Additions	2,960	6,305	9,265
Disposals	–	(1,054)	(1,054)
Depreciation	(4,094)	(5,733)	(9,827)
Changes in group composition	26,020	6,007	32,027
Currency translation differences	(1)	50	49
Other	–	1	1
At 31 December	38,229	18,024	56,253
Comprising:			
Cost	75,920	52,127	128,047
Accumulated depreciation	37,691	34,103	71,794

23 Intangible assets

Intangible assets concerns acquired contractual customer rights and licences.

The movement in intangible assets was as follows:

	2007	2006
Cost	33	5,783
Accumulated amortisation	13	3,456
At 1 January	20	2,327
Additions	–	–
Amortisation	(6)	(7)
Changes in group composition	–	(2,300)
At 31 December	14	20
Comprising:		
Cost	33	33
Accumulated amortisation	19	13

24 Current tax assets

This item comprises primarily current tax assets related to (foreign) corporate taxes and value added taxes.

25 Prepayments and accrued income

Prepayments and accrued income comprise prepaid amounts for costs chargeable to the following period and the not yet invoiced amounts receivable related to income recognised in the current or previous period.

	2007	2006
Yet to be received interest	67,829	51,134
Other prepayments and accrued income	78,440	83,576
Total prepayments and accrued income	146,269	134,710

26 Other assets

	2007	2006
Yet to be received call loans	–	194,434
Other assets	4,892	–
Total other assets	4,892	194,434

In 2006 this item included the yet to be received call loans from the parent company.

27 Due to banks

This item comprises amounts owed to credit institutions other than debt securities and subordinated debt.

	2007	2006
Private loans	7,407,875	7,990,685
Mortgage loans	68,390	59,600
Cash and call loans	1,752,741	2,447,817
Current accounts	709,036	828,499
Total due to banks	9,938,042	11,326,601

28 Funds entrusted

This item comprises all non-subordinated funds entrusted not involving credit institutions.

	2007	2006
Private loans	81,489	–
Creditors	265,929	268,842
Current account	583,530	296,843
Personal savings	25,995	32,387
Term deposits	2,243,765	981,594
Other	121,347	123,399
Total funds entrusted	3,322,055	1,703,065

29 Debt securities

This item comprises the debt securities issued by SkyLine traded on Euronext Amsterdam. In 2006 this item comprised the short-term funding via the European Commercial Paper programme.

30 Provisions

	2007	2006
(Post) employment benefit other than pension	21,062	21,133
Guarantee fund	19,887	18,996
Pension provision	1,097	2,955
Restructuring provision	3,951	6,947
Other provisions	23,338	22,961
Total provisions	69,335	72,992

	(Post) employment benefit other than pension		Guarantee fund		Pension provision		Restructuring provision		Other provisions	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
At 1 January	21,133	6,127	18,996	18,833	2,955	3,837	6,947	10,023	22,961	19,491
Additions charged via profit and loss account	2,246	8,908	4,537	3,337	884	536	877	1,218	6,165	5,052
Withdrawals	(802)	(761)	(3,336)	(3,443)	(2,775)	(1,261)	(2,991)	(3,407)	(2,057)	(1,235)
Release	(1,221)	(3,898)	(295)	378	(223)	–	(883)	(500)	(1,664)	(4,028)
Change in group composition	–	10,957	–	–	–	(392)	–	(128)	–	3,678
Other movements	(294)	(200)	(15)	(109)	256	235	1	(259)	(2,067)	3
At 31 December	21,062	21,133	19,887	18,996	1,097	2,955	3,951	6,947	23,338	22,961

(Post) employment benefit other than pension

This provision relates to post-retirement benefits other than pension rights and early retirement benefits as well as payments that may be considered fringe benefits.

Guarantee fund

Owners of Rabo Bouwfonds residential properties are issued with a guarantee certificate. The resulting financial commitments are paid from this fund.

Pension provision

Rabo Bouwfonds operated two defined benefit pension schemes. One of these schemes was transferred to liabilities related to assets held for sale. During 2006 it was decided to commute the remaining defined benefit scheme.

Restructuring provision

This provision has been formed for commitments arising from decisions regarding changes in the organisation structure.

Other provisions

This item comprises primarily other guarantees and legal claims.

31 Employee benefits

In 2007, 1,071 employees were covered by Rabo Bouwfonds' main pension scheme (2006: 1,064 employees). This scheme is a multi-employer plan and is regarded as a defined benefit plan. Employees have the option of transferring their pension. Within the pension scheme, placed with ABP, there is not, however, any consistent and reliable basis for attributing the pension liability, fund investments and costs related to the individual participating employers. This is due to the fact that the scheme exposes the participating employers to actuarial risks related to the current and former employees of other participating employers. For this reason this pension scheme has been treated as if it was a defined contribution scheme for financial reporting purposes.

According to the pension fund, the fund has been valued based upon the Financial Assessment Framework of the proposed Pensions Act (Pensioenwet). This resulted in a surplus of 40 % (2006: 33 %). The fund's objective is a surplus rate of 35 % (2006: 40 %) as at the end of 2008.

As the pension scheme rules do not make any provision for additional contributions and/or withdrawals from the fund, any surplus or deficit of the fund cannot have any effect on the level of future contributions. The option of changing the level of contribution from year to year is available, but on a very limited scale.

Since 1 January 2007 the FGH Bank employees have also been part of Rabo Bouwfonds. These employees have a pension plan that can be classified as a defined benefit plan.

On 31 December the most important actuarial assumptions regarding the valuation of the provisions for pensions (defined benefit plan) were as follows:

<i>in percent (%)</i>	2007	2006
Discount rate	5.5	4.6
Expected salary accrual rate	2.0	2.0
Consumer price inflation (indexation)	2.0	2.0
Expected return on investments	6.5	5.6

The net receivables for the defined benefit plan shown below are due to the excess of the fair value of the fund investments compared with the discounted value of the pension entitlements on the balance sheet date, together with adjustments for the incorporated actuarial results and expenses for past service years. As the receivables cannot be reclaimed they have not been recognised on the balance sheet.

	2007	2006
Present value of liabilities administered by the fund	(81,428)	(89,459)
Fair value of plan assets	95,840	95,365
	14,412	5,906
Unrecognised actuarial profit/(losses)	(5,500)	1,878
Unrecognised past service costs	1,000	1,200
Net receivables/(liabilities)	9,912	8,984

The development of the liabilities during the calendar year can be specified as follows:

Present value of liabilities administered by the fund	2007	2006
Present value of entitlements at 1 January	89,459	96,578
Increase in entitlements during the year	3,124	3,004
Interest	4,184	3,922
Benefits paid	(3,259)	(3,079)
Pension plan changes	–	(1,670)
Expected present value of entitlements at 31 December	93,508	98,755
Actuarial result	(12,080)	(9,296)
Actual present value of entitlements at 31 December	81,428	89,459

The development of the plan assets during the calendar year can be summarised as follows:

Fair value of plan assets	2007	2006
Fair value of assets at 1 January	95,365	92,470
Expected income from investments	5,336	4,622
Premiums	3,100	2,999
Benefits paid	(3,259)	(3,079)
Expected fair value of assets at 31 December	100,542	97,012
Actuarial results	(4,702)	(1,647)
Actual fair value of assets at 31 December	95,840	95,365

The plan assets are made up of 35 % equity instruments, 60 % fixed interest rate instruments and 5 % other.

The amounts recognised in the profit and loss account for the year are as follows:

	2007	2006
Costs based on period of employment during the year	3,124	3,004
Interest on liabilities	4,184	3,922
Expected income from plan assets	(5,336)	(4,622)
Pension plan changes	–	(1,670)
Past service costs	200	200
Total expense	2,172	834
Employee contributions	(120)	(46)
Employer expense	2,052	788

The expected contribution to this plan in 2008 amounts to € 1 million.

Since 1 January 2007 Rabo Vastgoed has formed part of Rabo Bouwfonds. The employees transferred from Rabo Vastgoed come under the Rabobank Group pension scheme as of 31 December 2007. Rabobank Group pension plan can qualify as a defined benefit plan. As Rabobank Nederland acted as the sponsoring employer during the transition period to the Rabo Bouwfonds Collective Labour Agreement, the pension plan for these transferred employees is treated as a defined contribution plan. Consequently, the contribution towards the pension plan is recognised as expenses in Rabo Bouwfonds' 2007 profit and loss account. The table below summarises the valuation of the pension plan of Rabobank Group as at the end of the year:

<i>in millions of euros</i>	2007	2006
Present value of liabilities administered by the fund	9,497	9,699
Fair value of plan assets	(11,013)	(10,262)
	(1,516)	(563)
Unrecognised actuarial gains/(losses)	1,904	1,184
Unrecognised past service costs	(2)	(3)
Net liabilities	386	618

A detailed explanation of this pension plan is provided in the 2007 financial statements of the Rabobank Group.

32 Deferred tax liabilities

The deferred tax liabilities can be attributed to the following items:

	2007	Through profit and loss account	Through equity	Change in group composition	2006
Loans to customers	(12,419)	(5,799)	–	–	(6,620)
Buildings and equipment	259	(805)	–	83	981
Property	88,640	(34,301)	–	23,940	99,001
Provisions	(6,362)	532	–	101	(6,995)
Financial assets and liabilities at fair value held as hedges	8,756	1,486	7,048	206	16
Financial assets and liabilities at fair value through profit and loss account	2,960	2,960	–	–	–
Other	(1,017)	2,652	–	(1,497)	(2,172)
Total deferred tax liabilities	80,817	(33,275)	7,048	22,833	84,211

At 31 December 2007 Rabo Bouwfonds had accrued a total of € 34 million (2006: € 29 million) of tax losses for which no deferred tax receivable has been recognised. € 23 million (2006: € 22 million) of the compensatable losses related to activities in Belgium and can be carried forward indefinitely. € 3 million (2006: € 3 million) of the losses related to activities in the Netherlands, which expire as of 2011. In Germany a cumulative loss of € 2 million (2006: € 2 million) has been built-up and in other countries a cumulative loss of € 6 million (2006: € 2 million) has been accrued.

33 Accruals and deferred income

This item relates to amounts received in advance for income to be recognised in following periods and amounts payable which have not been invoiced yet and which are chargeable to previous periods.

	2007	2006
Interest payable on funds borrowed	59,483	67,970
Other accruals and deferred income	127,607	228,114
Total accruals and deferred income	187,090	296,084

34 Other liabilities

	2007	2006
Work-in-progress (see 19 'Property')	111,392	117,522
Development properties	133,546	99,809
Total other liabilities	244,938	217,331

35 Current tax liabilities

This item relates primarily to current tax liabilities attributable to (foreign) corporate taxes, value added taxes and wage taxes.

36 Subordinated debt

Subordinated debt amounts to € 41 million and comprises two loans. One loan of € 40 million has a fixed interest rate of 6 % and matures in 2012. The other loan of € 1 million matures in 2012 and has a variable interest rate.

37 Share capital and reserves

	2007	2006
Issued and fully paid share capital	10,071	10,071
Share premium	1,119,383	1,118,383
Retained earnings	408,870	165,405
Net gains/(losses) not recognised in the profit and loss account	22,208	(923)
Shareholders' equity	1,560,532	1,292,936

The authorised share capital amounts to € 20.7 million and comprises 18 million shares of which 8,757,578 have been issued and fully paid. The shares have a nominal value of € 1.15 each.

The General Meeting of Shareholders passes resolutions to issue shares. The General Meeting may appoint the Board of Directors as the authority to issue shares. While the Board of Directors is authorised to issue shares the General Meeting may not pass resolutions to issue shares.

The General Meeting is authorised to appropriate profit. The company may only pay dividends to shareholders and others entitled to receive dividends to the extent that its equity exceeds the issued capital plus the statutory reserves.

For a more detailed specification see the consolidated statement of changes in equity.

38 Contingent liabilities and committed facilities

Contingent liabilities

This item concerns guarantees given for liabilities of third parties and land provisionally acquired. These relate primarily to liabilities customary in development projects.

	2007	2006
Contingent liabilities arising from issued guarantees	167,987	161,119
Contingent liabilities concerning building sites	441,180	482,642
Total contingent liabilities	609,167	643,761

Many of the contingent liabilities arising from guarantees issued will expire when the project is completed without having led to payment in their entirety or in part. This means that the amounts stated do not represent expected future cash flows.

Committed facilities

	2007	2006
Unused portions of credit facilities and construction deposits	721,452	864,082
Outstanding proposals (weighted for likelihood of successful acceptance)	713,532	307,186
Total committed facilities	1,434,984	1,171,268

Additional information

39 Other liabilities not shown on the balance sheet

Work-in-progress commitments relate to 21,558 (2006: 17,476) homes under construction, of which 18,477 (2006: 15,243) have already been sold. Commitments on non-commercial properties which have been entered into with third parties, including contractors and architects, amount to € 621 million (2006: € 773 million) as at 31 December 2007. Commitments on commercial properties which have been entered into with contractors and architects amount to € 293 million (2006: € 226 million).

Guarantees amounting to € 42 million (2006: € 14 million) have been issued to construction companies not acquired during takeovers for construction work yet to be carried out.

Joint and several liability for the obligations of joint ventures with third parties is only taken into account on the balance sheet if and to the extent that this is justified by the financial position of one or more of the partners.

In respect of a fund to be placed, Bouwfonds Asset Management has signed an agreement whereby property amounting to € 460 million will be brought into a fund launched in January 2008.

Bouwfonds Asset Management has signed a letter of intent with various conditions subsequent for the acquisition of € 210 million in connection with a yet to be established fund.

Bouwfonds Asset Management is indirectly a 50 % shareholder in IEF Capital N.V, the latter having signed a head of terms with conditions subsequent obliging it to work on the acquisition of a property portfolio amounting to around € 775 million by the end of January 2008, partly on behalf of existing funds and partly on behalf of a new fund.

Long-term commitments have been entered into for the rental of office premises and operating leases for automobiles. As at year end, the commitments entered into under long-term rental agreements and leases were as follows:

	2007	2006
Less than one year	19,688	10,328
Between one and five years	23,112	31,975
More than five years	465	2,345
Total long-term commitments	43,265	44,648

40 Cash flow statement

In the consolidated cash flow statement Rabo Bouwfonds presents the cash flows attributable to the operating, investing and financing activities. The net cash flows attributable to operating, investing and financing activities of discontinued operations are presented in note 12 'Result of discontinued operations and assets and liabilities held for sale'.

Determination of cash and cash equivalents:

	2007	2006
Cash	58	39
Banks – freely available (see 16 'Due from banks')	392,705	397,683
Assets held for sale – cash and banks freely available (see 12 'Discontinued operations and assets held for sale')	–	2,749
Total cash and cash equivalents	392,763	400,471
At 1 January	400,471	258,810
Movement in cash and cash equivalents	(7,708)	141,661
At 31 December	392,763	400,471

The operating cash flow comprises € 708 million (2006: € 44 million) in interest received and € 647 million (2006: € 83 million) in interest paid.

41 Fair value information

The following table summarises the fair value of financial instruments, including those not recognised at fair value in the financial statements. An explanation of the methods used to determine the fair value of financial instruments also follows.

Financial assets	Carrying amount	Fair value	Carrying amount	Fair value
<i>in millions of euros</i>	2007	2007	2006*	2006
Financial assets at fair value through profit and loss account	215	215	23	23
Financial assets at fair value held as hedges	37	37	35	35
Due from banks	421	421	590	591
Loans to customers	13,584	13,886	10,227	10,379
Interest-earning securities	1	1	51	51
Total financial assets	14,258	14,560	10,926	11,079

* The carrying amount of the financial assets at the end of 2006 includes an amount of € 20 million related to assets classified as held for sale.

Financial liabilities	Carrying amount	Fair value	Carrying amount	Fair value
<i>in millions of euros</i>	2007	2007	2006*	2006
Financial liabilities at fair value through profit and loss account	2,631	2,631	21	21
Financial liabilities at fair value held as hedges	274	274	86	86
Due to banks	9,938	9,998	11,417	11,423
Funds entrusted	3,322	3,356	1,722	1,752
Debt securities	461	467	95	96
Subordinated debt	41	41	52	52
Total financial liabilities	16,667	16,767	13,393	13,430

* The carrying amount of the financial liabilities 2006 includes an amount of € 109 million related to liabilities classified as held for sale.

Fair value of financial instruments

The fair value of variable interest rate financial instruments recognised at amortised cost is assumed to be equal to the carrying amount. In the case of loans changes in the credit quality are not, therefore, expressed in the fair value, as the effect of impairment is recognised separately by deducting the loan provisions from both the carrying amount and fair value.

The fair value of fixed interest rate loans and mortgages recognised at amortised cost is estimated by comparing market interest rates at the moment the loans were granted with current market interest rates on similar loans and credit. Changes in the credit quality of loans in the portfolio are not taken into account in determining gross fair values as the effect of impairment is recognised separately by deducting the loan provisions from both the carrying amount and the fair value.

Where applicable, the interest accrued on financial instruments as at the balance sheet date is recognised in the carrying amount of the financial instruments. These valuation techniques and assumptions provide a consistent determination of fair value for Rabo Bouwfonds' assets and liabilities shown in the table.

Derivative instruments held as hedges are recognised on the balance sheet at fair value and the value adjustment are recognised in equity or profit and loss account. The fair value adjustments of the cash flow hedges are recognised in equity.

The fair values of non financial assets and liabilities such as property, equipment, prepayments and non interest related accrued items are not included in the table.

Determination of fair value on the basis of quoted market prices or valuation techniques

If there is an active market, such as a stock exchange, the fair value of financial instruments is determined based on the market price. Of all financial instruments recognised at fair value, interest-earning securities amounting to € 1 million (2006: € 50 million), derivative assets held as hedges amounting to € 37 million (2006: € 35 million) and derivative liabilities held as hedges amounting to € 274 million (2006: € 86 million) are traded in active markets.

Uncertainty when determining fair value

Market prices are not available for all the financial assets and liabilities held by Rabo Bouwfonds. If no active market price is available, the fair values are estimated using the discounted value method and information based on the market conditions on the balance sheet date. Fair value is a subjective benchmark because when a valuation technique is used to determine fair value, different methods and assumptions can be used. Rabo Bouwfonds uses fair value to analyse interest rate sensitivity and the methods and assumptions are aimed at supporting the application of fair values. Changes in the methods and assumptions can have a material effect on the determination of fair values. BRMC (Balance Sheet and Risk Management Committee) monitors the application of and movements in specified components of valuation uncertainty. The valuation methods applied by the Rabobank are here used as guidelines.

Changes in fair value recognised in the 2007 profit and loss account estimated using valuation techniques

The total changes in the fair value of financial assets and liabilities estimated using valuation techniques and recognised in the profit and loss account for 2007 amounted to € 7 million (2006: € 2 million). The changes in fair value estimated using valuation techniques recognised in the profit or loss account for the period represent only a portion of net interest income. In many cases, these amounts were offset by changes in the fair value of other financial instruments or transactions the price of which had either been determined in active markets using quoted market prices or had already been realised.

42 Changes in group composition

Since 1 January 2007, Bouwfonds Property Development, Rabo Vastgoed, FGH Bank, Bouwfonds Asset Management and the holding company have together formed the new property company Rabo Bouwfonds.

Rabo Bouwfonds acquired control over FGH Bank and Rabo Vastgoed by merging the interests of entities under the joint control of Rabobank Nederland using the pooling of interest method.

As of 1 January 2007 the assets and liabilities of Rabo Vastgoed and FGH Bank have been recognised on the consolidated balance sheet of Rabo Bouwfonds N.V. For comparison purposes the consolidated balance sheet as at 31 December 2006 has been adjusted accordingly. As of 1 January 2007 the income and expenses of Rabo Vastgoed and FGH Bank have been incorporated into the profit and loss account of Rabo Bouwfonds. The acquired companies' contribution towards the consolidated 2007 profit was € 119 million. As Rabobank Nederland only exercised joint control during December of 2006, the comparative figures in the profit and loss account have not been adjusted.

The shares of Rabo Vastgoed were legally transferred to Rabo Bouwfonds as of 31 December 2007 with Rabo Vastgoed's equity at January 1 2007 being recognised as a share premium. In view of the acquisition of control, the equity of FGH Bank at January 1, 2007 has also been stated as a share premium in advance of the legal transfer of the FGH Bank shares.

On 31 December 2006 the most important categories of FGH Bank and Rabo Vastgoed assets and liabilities were as follows:

	2006
Assets	
Loans to customers	9,468,266
Property	1,247,736
Other assets	413,314
Total assets	11,129,316
Liabilities	
Due to banks	8,581,538
Funds entrusted	1,333,303
Other liabilities	431,593
Shareholders' equity	769,893
Minority interests	12,989
Total equity and liabilities	11,129,316
Contingent liabilities	217,025
Committed credit facilities	1,171,268

43 Remuneration of the Board of Directors and Supervisory Board

The members of the Supervisory Board and Board of Directors are listed on page 6 of the annual report. In 2007 the remuneration of the members and former members of the Board of Directors and its legal predecessors amounted to € 7 million (2006: € 5 million). This sum is recognised under staff costs and comprises:

	2007	2006
Short-term employee benefits	3,644	3,857
Post employment benefits	530	287
Other long-term employee benefits	72	3
Termination benefits	2,950	527
Total remuneration Board of Directors	7,196	4,674

The total remuneration of members and former members of the Supervisory Board amounted to € 0.1 million (2006: € 0.1 million). No mortgage loans have been granted to members of the Supervisory Board. At the end of 2007, loans granted to members of the Board of Directors amounted to € 1.3 million (2006: € 2.1 million).

44 Risk management

44.1 Governance

Rabo Bouwfonds has embedded risk management throughout the whole organisation until the highest level. The Board of Directors, supervised by the Supervisory Board, determines the risk strategy, the policy framework and the limits. The Board of Directors is advised by the Balance Sheet & Risk Management Committee (BRMC), the Investment Committees, the Credit Committee and the Platform Information Policy. Risk Management is represented in these committees as is the Chief Financial & Risk Officer (CFRO). The CFRO is responsible for the implementation of, and compliance with, the risk policy. Rabo Bouwfonds has, as far as possible, decentralised its risk management activities. At the Rabo Bouwfonds level, a Risk Management department has been established for policy development, risk control and consolidated risk reporting.

44.2 Financial instruments

Rabo Bouwfonds uses financial instruments including derivatives on account of its activities. As Rabo Bouwfonds generally only places money, it is, to a great extent, free to choose instruments and characteristics of its funding. The monies placed involve primarily financing covered by mortgages against which money is attracted at Rabobank. As an alternative financing method, in 2007 the cash flows from a large portfolio of commercial property was secured. Rabo Bouwfonds uses interest and currency derivatives to protect itself from fluctuations in the interest rate and currency market. This can involve the positions of both Rabo Bouwfonds and its customers.

44.3 Measuring, limiting and reporting

Risk Management ensures that all the risks relevant to the activities are measured, limited and managed in a consistent manner by testing the risks against frameworks of standards drawn-up for this purpose.

The frameworks of standards are, where possible, harmonised with those of Rabobank and are applied for the following risks:

1. market risks;
2. credit risks;
3. interest rate, currency and liquidity risks;
4. operational risks.

Risk Management reports on positions, the restrictions and application of the framework of standards to the committees mentioned earlier, the Board of Directors and the Supervisory Board. Rabo Bouwfonds' policy and position with regard to these risk categories are discussed in the following paragraphs. As far as is possible, the figures as at the end of 2006 include the positions of the newly acquired group companies even though these companies' risks were not managed integrally by Rabo Bouwfonds for the whole of 2006.

44.4 Market risk

Market risk is the risk that the changes of market variables resulting from changes in the general economic climate, will lead to gains or losses on held positions. Rabo Bouwfonds separates its activities in the property market into 'property under development' and 'property under management'. A decision to invest is taken in accordance with the basis of a layered approval structure: Rabo Bouwfonds divisions may authorise investments that fall within their mandate but Rabobank Nederland must approve the largest and most conspicuous investments.

The risk related to 'property under development' is measured using the equity-at-risk model. This model quantifies the capital required for the risk on the basis of a risk-weighting for each phase of the development process. The total capital required -'the equity-at-risk'- represents the maximum reduction in the value of the portfolio in a stress-scenario. On 31 December 2007, the equity-at-risk for property under development was € 306 million (2006: € 277 million). Taking into account the estimated duration of the property under development, the effect on income in the next 12 months will amount to € 87 million.

The risk related to 'property under management' is limited on the basis of the nominal size of the portfolio. On 31 December 2007, direct investments in property under management amounted to € 1,479 million (2006: € 886 million). This includes property purchased on behalf of yet to be structured funds that will not be delivered until the funds have been established.

Rabo Bouwfonds has an indirect property market risk in the investment market because it holds an interest in its own property funds. At the end of 2007, the portfolio with participations amounted to € 53 million (2006: € 42 million). The valuation of participations in funds for which there is no active market is based on a fair value model. If the fund is quoted on the stock exchange the stock exchange price is used. The participations are held until the time the fund is terminated.

44.5 Credit risk

Credit risk is the risk that Rabo Bouwfonds must endure losses as a direct consequence of the counterparty not fulfilling payment obligations. Credit risk approval takes place via a layered approval structure and on an evaluation by experienced credit analysts. In addition to the evaluation of credit risks, Rabo Bouwfonds has implemented stringent customer due diligence processes.

Maximum credit risk position

The table below shows the maximum credit risk position per financial asset. The position shown does not incorporate the mitigating effects of netting agreements and collateral.

Gross maximum credit risk	2007	2006
Due from banks	420,876	587,432
Loans to customers	13,583,880	10,209,773
Total	14,004,756	10,797,205
Contingent liabilities	167,900	161,100

Contingent liabilities only comprises received guarantees.

The table below provides the risk concentration of the total item 'Loans to customers':

Risk concentration of loans to customers, before deducting value adjustments				
	2007	%	2006	%
Services	981,479	7.2	641,302	6.3
Trade and industry	11,693,543	85.9	8,642,603	84.4
Agriculture	27,795	0.2	24,782	0.2
Retail	880,793	6.5	905,953	8.9
Government	30,441	0.2	22,706	0.2
Total loans to customers before value adjustments	13,614,051	100	10,237,346	100

The credit risk concentration in the 'trade and industry' sector is inherent to Rabo Bouwfonds' activities and market position. Within this sector a close watch is kept to ensure there are no other concentrations, for example at a regional, product or counterparty level.

Collateral

It is Rabo Bouwfonds' policy to require suitable collateral to be provided by customers prior to disbursement of approved loans. The major form of collateral accepted by Rabo Bouwfonds is a mortgage. Whenever possible, the services of internal property specialists are called upon to evaluate the value of the property offered as collateral. Developments in the value of the property received as collateral is a component of a review policy in which all aspects of a loan disbursement that contribute towards the credit risk are reviewed on a regular basis. Guarantees are also issued to Rabo Bouwfonds as collateral. As a rule this involves counter-guarantees received from partners in a joint venture as compensation for a portion of a guarantee provided by Rabo Bouwfonds to the counterparty of the joint venture. 94 % (2006: 91 %) of the loans issued to the private sector are secured by mortgages or other collateral.

Credit quality

For the majority of its credit portfolio Rabo Bouwfonds applies an advanced method of credit risk management. An evaluation of the credit quality of each counterparty is a component of this advanced approach. The tables below provide all the issued credit categorised by credit quality.

Credit quality loans to customers and banks on 31 December 2007

Balance sheet item	Neither past due, nor impaired			Past due or impaired	Total
	Very high quality	High quality	Standard quality		
Due from banks	356,416	64,460	–	–	420,876
Loans to customers	720,419	2,741,783	10,143,131	8,718	13,614,051

Credit quality loans to customers and banks on 31 December 2006

Balance sheet item	Neither past due, nor impaired			Past due or impaired	Total*
	Very high quality	High quality	Standard quality		
Due from banks	504,918	85,263	–	–	590,181
Loans to customers	611,016	2,184,418	7,432,200	26,248	10,253,882

* The totals 'loans to customers' and 'due from banks' include an amount of € 2.7 million and 16.6 million respectively related to assets classified as held for sale.

The following overview shows an aged debt analysis of issued loans that are past due but not impaired.

Age analysis of past due loans as at 31 December 2007

	< 31 days	31 – 60 days	61 – 90 days	> 90 days	Total
Loans to customers	7,145	109	44	1,420	8,718

Age analysis of past due loans as at 31 December 2006

	< 31 days	31 – 60 days	61 – 90 days	> 90 days	Total
Loans to customers	–	–	–	2,872	2,872

The fair value of the collateral received to cover financial assets overdue as at 31 December was € 7.8 million (2006: € 2.9 million). The fair value of collateral to cover past due and impaired loans was € 5.1 million (2006: € 0.7 million). In all cases the collateral was property. During 2007 Rabo Bouwfonds took over the ownership of one property with a value of € 0.9 million. A buyer for this property is being sought.

44.6 Interest rate, foreign currency and liquidity risk

44.6.1 Interest rate risk

Interest rate risk is the risk of changes in the income of the value of a company due to fluctuations in the interest rate markets. Interest rate risk can be quantified in value and income effects. The sensitivity of Rabo Bouwfonds' value to interest rate movements is expressed in the 'modified duration of equity'. BRMC is aware of the assumptions on which the calculations are based and, therefore, focuses primarily on the development of this figure from month to month, always on the basis of consistent approved assumptions.

Modified duration of equity on 31 December 2007 was 5.7. The figure for 2006, not taking into account the changes in group composition, was 1.1. For the 2007 position, a parallel rise of 100 basis points in the interest rate curve would lead to a reduction of € 110 million in the market value of equity. Not taking the changes in group composition into account, this would have led to a reduction in equity of € 7 million in 2006.

The income effects are measured using Income at Risk (IaR). This benchmark indicates how much interest rate margin will be lost in the coming 12 months if an unfavourable interest rate scenario should occur. An IaR limit is applicable for financing activities. As at 31 December 2007 Rabo Bouwfonds' IaR was € 16 million negative in a rising interest rate scenario. This indicator was not used in 2006.

Interest rate changes influence the cost of financing an investment fund that is yet to be structured. An increase in the cost of financing has an adverse effect on the targeted return and, therefore, on how easy it is to place the fund participations in the market. A hedge strategy is determined for each fund and reported, at a portfolio level, to BRMC which monitors this hedging policy. As at 31 December 2007, a price agreement had been reached for 79.7 % of the total required financing of yet to be placed funds.

44.6.2 Currency risk

Currency risk is the risk that the exchange rate of a foreign currency will change to such a degree that the value of a receivable or debt expressed in this foreign currency will be adversely affected. Rabo Bouwfonds' risk policy stipulates that investments in a foreign currency are financed through a loan in the same currency.

On 31 December 2007, as well as at the end of 2006, Rabo Bouwfonds' currency positions in British pounds and American dollars were fully hedged. The interest rate margin and other profit are not material. Therefore exchange rate fluctuations are not hedged.

44.6.3 Liquidity risk

Liquidity risk is the risk that Rabo Bouwfonds cannot meet its payment obligations at the proper time.

These can be interest rate and repayment obligations related to on-going debts, but also investments related to ownership, such as construction instalment payments in respect of property development. Rabo Bouwfonds arranges most of its funding through Rabobank which, as a result of its AAA-status, has excellent access to money and capital markets. The table below provides an analysis of Rabo Bouwfonds' assets and liabilities categorised by remaining contractual period.

Contractual maturity as at 31 December 2007				
	On demand	Less than one year	More than one year	Total
Due from banks	392,705	21,792	6,379	420,876
Loans to customers	168,225	3,230,461	10,185,194	13,583,880
Property	72,099	1,307,542	2,992,167	4,371,808
Other asset items	9,233	224,434	308,280	541,947
Total assets	642,262	4,784,229	13,492,020	18,918,511
Due to banks	1,126,072	3,909,262	4,902,708	9,938,042
Financial liabilities at fair value through profit and loss account	–	45,856	2,585,001	2,630,857
Funds entrusted	526,711	552,000	2,243,344	3,322,055
Debt securities	–	–	460,500	460,500
Other liability items	22,158	724,036	238,973	985,167
Total liabilities	1,674,941	5,231,154	10,430,526	17,336,621
Mismatch	(1,032,679)	(446,925)	3,061,494	1,581,890

Contractual maturity as at 31 December 2006				
	On demand	Less than one year	More than one year	Total*
Due from banks	400,432	113,037	76,712	590,181
Loans to customers	121,428	2,133,252	7,971,629	10,226,309
Property	83,824	1,168,247	2,776,371	4,028,442
Other asset items	15,709	376,410	211,345	603,464
Total assets	621,393	3,790,946	11,036,057	15,448,396
Due to banks	1,859,297	2,665,774	6,891,141	11,416,212
Funds entrusted	416,298	163,630	1,141,763	1,721,691
Debt securities	95,048	–	–	95,048
Other liability items	72,039	433,505	383,870	889,414
Total liabilities	2,442,682	3,262,909	8,416,774	14,122,365
Mismatch	(1,821,289)	528,037	2,619,283	1,326,031

* Total assets and liabilities include € 161 million and € 117 million respectively related to assets and liabilities classified as held for sale.

As well as the principal and accrued interest on the liabilities, as presented above, future coupon payments also contribute towards an understanding of Rabo Bouwfonds' payment obligations and, therefore, its liquidity risk. When modelling these cash flows, the expected due date of cash flows is taken into account and not necessarily the contractual due date. On 31 December 2007 an amount of € 141 million was payable immediately in respect of financial liabilities, € 4,884 million had a remaining term of less than one year and € 13,551 million had a remaining term of more than one year.

44.7 Operational risk

Operational risk is the risk of losses due to inadequate or failing internal processes, human behaviour and systems, or external events. This includes the measurement of the effects of omissions in the field of business continuity, information protection, legal affairs, fiscal affairs, compliance and reputation management. Business continuity and information protection are the explicit responsibility of Risk Management.

Rabo Bouwfonds implements the most advanced operational risk management model. This model ensures the detailed identification of risks, the analysis of losses resulting from operational incidents, management on the basis of risk indicators and a reporting line that ensures management's involvement.

45 Solvency

To monitor the adequacy of its capital Rabo Bouwfonds uses ratios established by the Bank for International Settlements (BIS). These ratios measure solvency by comparing Rabo Bouwfonds' eligible capital with its balance sheet assets, off-balance-sheet commitments and market and other risk positions at risk-weighted amounts. Assets are weighted according to broad categories of notional risk with the risk weighting being based on the amount of capital deemed necessary to be held against the assets. There are four categories of risk weights (0 %, 20 %, 50 % and 100 %). Cash and money market instruments, for example, have a 0 % risk weighting, which means that no capital is required to support the holding of these assets. Property and equipment carries a 100 % risk weighting, which means it must be supported by capital equal to 8 % of the carrying amount (the minimum percentage required by BIS). Off-balance-sheet credit-related commitments and forwards and options based derivative instruments are taken into account by applying different categories of conversion factors, which are designed to convert these items into balance sheet equivalents. The resulting equivalent amounts are then weighted for risk using the same percentages as for on-balance-sheet assets.

Tier 1 capital comprises shareholders' equity and qualifying subordinated debt less goodwill and intangible assets. Tier 2 capital comprises additional qualifying subordinated debt. The following table provides the actual capital and the minimum capital required to comply with the required standards

<i>Capital in millions; ratios in %</i>	2007		2006	
	Required	Actual	Required	Actual
Qualifying capital (BIS)	1,173	1,623	1,073	1,378
Qualifying ratio (BIS ratio)	8.0	11.1	8.0	10.3
Tier 1 capital	587	1,582	536	1,326
Tier 1 ratio	4.0	10.8	4.0	9.9

From 2008 onwards, Rabo Bouwfonds's solvency will be measured using the stricter regulations based on the 'Basel 2 agreement'. A more advanced risk-weighting method will be used to calculate the capital adequacy for credit risks. Capital for unexpected losses will have to be held for market and operating risk. .

To supplement this capital calculation Rabo Bouwfonds has set-up an interim solvency system whereby, based on even more prudent models and assumptions, even more risk categories are designated as requiring capital cover. These models also enable Rabo Bouwfonds to test its strategic and commercial activities even more thoroughly on the basis of a risk-adjusted calculation of the return on required capital.

46 Joint ventures

Joint ventures with third parties in project development in which neither party has dominant control are consolidated proportionally. Joint and several liability for the obligations joint ventures enter into with third parties is only considered if and to the extent that this is justified by the financial position of one or more of the partners.

The consolidated financial statements include the following assets and liabilities, income and expenses of joint ventures, which represent Rabo Bouwfonds' proportionate share:

	2007	2006
Assets		
Due from banks	51,381	63,774
Loans to customers	72,969	58,884
Property	853,743	877,156
Other asset items	10,028	10,341
Total assets	988,121	1,010,155
Liabilities		
Due to banks	719,579	804,824
Funds entrusted	98,607	60,425
Other liability items	79,787	75,977
Total liabilities	897,973	941,226
Income	55,242	54,759
Expenses	8,208	11,266
Operating profit before taxes	47,034	43,493
Taxation	(3,835)	(3,772)
Profit for the year	43,199	39,721

The principal joint ventures in which Rabo Bouwfonds participate are:

- Frankfurt HochVier GmbH & Co. KG (50 %)
- Pieter Vreedeplein Ontwikkeling C.V. (50 %)
- Ontwikkelingscombinatie Almere Hart C.V. (60 %)
- Oosterdokseiland Ontwikkeling Amsterdam C.V. (50 %)
- SCI SCCV Promenade (50 %)
- Bouwfonds Fortis Vastgoedontwikkeling Leidsche Rijn V.O.F. (50 %)
- Inflation Exchange Fund Capital N.V. (50 %)
- Flor Development Inc. (40 %)

47 Related parties

The related parties of Rabo Bouwfonds are its subsidiaries, investments in associates, joint ventures, Board of Director and Supervisory Board members (see point 43 'Remuneration of the Board of Directors and Supervisory Board'), the ultimate parent company Rabobank Nederland and other major subsidiaries and associates of Rabobank Nederland.

In the normal course of its business, Rabo Bouwfonds enters into a number of banking transactions with related parties. These transactions take place in accordance with commercial conditions and at market rates. In 2006 and 2007, no provisions were made in respect of defaults on loans to related parties.

The transactions during and outstanding amounts at the end of 2007 and 2006 between Rabo Bouwfonds and Rabobank Nederland, the most important joint ventures and the other related parties are listed in the table below.

Related parties	Year	Interest income from related parties	Interest expense of related parties	Due from related parties	Due to related parties
Rabobank	2007	70,197	460,516	424,298	12,141,284
Rabobank	2006	2,317	10,665	644,274	8,380,256
Joint ventures	2007	27,959	7,714	443,109	–
Joint ventures	2006	19,246	5,480	354,395	–
Other related parties*	2007	38,786	16,734	543,632	417,330
Other related parties*	2006	298	–	533,213	479,652

* Other related parties comprises the most important investments in associates of Rabobank Nederland including Robeco, Lage Landen, Eureko, Obvion, Sarasin, and Schretlen & Co.

No material transactions took place with the associates and between the subsidiaries of Rabo Bouwfonds and there are no significant receivables from and/or debts owing to associates.

48 Subsequent events

Until now no significant events after the balance sheet have occurred.

49 Company financial statements

Accounting policies

The company financial statements of Rabo Bouwfonds N.V. have been prepared in accordance with the legal requirements in Part 9 Book 2 of the Dutch Civil Code. Since 1 January 2005 Rabo Bouwfonds has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting policies applied in the company financial statements are identical as those applied in the consolidated financial statements. Participating interests in group companies are valued at the net asset value determined on the IFRS basis accepted by the European Union.

Basis of preparation

The financial statements are presented in euros, rounded off to the nearest thousand. The euro is Rabo Bouwfonds' reporting and functional currency.

Summarised company profit and loss account

	For the year ended 31 December	
<i>in thousands of euros</i>	2007	2006
Result of participating interests after taxes	264,799	248,474
Other result after taxes	(21,334)	(59,066)
Profit for the year	243,465	189,408

Prepared in accordance with Article 2:402 of the Dutch Civil Code.

Company balance sheet (before profit appropriation)

<i>in thousands of euros</i>	Note	As at 31 December	
		2007	2006
Assets			
Cash and cash equivalents		7	7
Financial assets at fair value through the profit and loss account		–	543
Due from banks	A	28,815	209,476
Loans to customers	B	40,850	252,018
Interest-earning securities		–	50,000
Participating interests in group companies	C	1,636,257	1,348,495
Investments in associates		403	384
Buildings and equipment		11,994	14,442
Prepayments and accrued income		1,045	53,384
Current tax assets		–	30,469
Deferred tax assets		3,782	4,287
Other assets		–	193,080
Total assets		1,723,153	2,156,585
Liabilities			
Due to banks	D	75,145	673,899
Funds entrusted	E	1,225	33,415
Debt securities		–	95,048
Provisions		17,197	21,816
Accruals and deferred income		18,019	18,847
Current tax liabilities		51,035	11,931
Other liabilities		–	8,693
Total liabilities		162,621	863,649
Share capital		10,071	10,071
Share premium		1,119,383	1,118,383
Retained earnings		431,078	164,482
Shareholders' equity		1,560,532	1,292,936
Total equity and liabilities		1,723,153	2,156,585

See accompanying notes to the company balance sheet.

Notes to the company financial statements

in thousands of euros

A Due from banks

This item includes all receivables from credit institutions. None of these receivables relate to group companies (2006: € 175 million).

B Loans to customers

This item comprises all receivables from loans other than receivables from credit institutions, bonds and other fixed-interest securities. € 26 million of these receivables (2006: € 230 million) relate to companies that form part of the Rabo Bouwfonds group.

C Participating interests in group companies

	2007	2006
At 1 January	1,348,495	2,176,197
Share in the results	264,799	248,474
Changes in group composition	–	(1,076,319)
Other movements	22,963	143
At 31 December	1,636,257	1,348,495
Credit institutions	786,488	657,160
Other group companies	849,769	691,335
Total group companies	1,636,257	1,348,495

D Due to banks

This item includes amounts owed to credit institutions, other than debt securities and subordinated loans. € 23 million of these liabilities relate to group companies (2006: € 616 million).

E Funds entrusted

This item comprises all funds entrusted, such as current account balances and non-subordinated private loans. None of these liabilities relate to group companies (2006: € 31 million).

Contingent liabilities

This concerns liabilities arising from guarantees issued. Bank and group guarantees amounting to € 810 million (2006: € 568 million) have been issued of which € 642 million (2006: € 407 million) relate to group companies.

50 Major participating interests

The financial statements comprise the financial information of Rabo Bouwfonds and the major participating interests listed below:

(unless otherwise indicated Rabo Bouwfonds' interest is 100 %)

Development

Bouwfonds Property Development B.V., Hoevelaken
 Bouwfonds MAB Ontwikkeling B.V., Hoevelaken
 Bouwfonds Property Development France B.V., Hoevelaken
 Marignan Immobilier Investissements S.A., Paris
 Bouwfonds MAB Development B.V., The Hague
 Adr. van Erk Projecten B.V., Bergambacht
 Bouwfonds MAB Ontwikkeling CVG B.V., The Hague
 Nouvelle Ontwikkelaars B.V., Heerlen
 Bouwfonds Property Development Germany B.V., Hoevelaken
 Bouwfonds MAB Development S.A., Paris
 Bouwfonds MAB Development GmbH, Frankfurt am Main
 Onroerend Goed Exploitatie Maatschappij Hoevelaken B.V., Hoevelaken
 Brummelhuis Bouwcoördinatie B.V., Oldenzaal
 Onroerend Goed Exploitatie Maatschappij Weldam B.V., Hoevelaken
 Bouwfonds Property Development Slovakia B.V., Hoevelaken
 Bouwfonds Property Development The Czech Republic B.V., Hoevelaken
 Bouwfonds Property Development Sweden B.V., Hoevelaken
 Bouwfonds Property Development Finland B.V., Hoevelaken
 Bouwfonds Property Development Hungary B.V., Hoevelaken
 Bouwfonds Property Development Luxembourg B.V., Hoevelaken
 Bouwfonds Property Development Denmark B.V., Hoevelaken
 Bouwfonds Property Development Spain B.V., Hoevelaken
 Bouwfonds Property Development Belgium B.V., Hoevelaken
 Livingstone B.V., Breda (59.65 %)
 Concire B.V., Rotterdam (60.0 %)
 MKB REVA B.V., Apeldoorn
 MKB Vastgoedplan B.V., Apeldoorn
 Rotij Projecten B.V., Rijssen (41.5 %)
 Rabo Vastgoed B.V., Utrecht

Investment Management

Bouwfonds Management B.V., Hoevelaken
Bouwfonds Asset Management Deutschland GmbH, Berlin
Bouwfonds Reim B.V., Hoevelaken
Rabo Bouwfonds REIM France S.A., Paris
Rabo Bouwfonds Eigen Steen Holding B.V., Hoevelaken
Bouwfonds Fondsenbeheer B.V., Hoevelaken
Flor Development Inc., Orlando, Florida (40 %)
Bouwfonds Real Estate Services B.V., Hoevelaken
Bouwfonds Vastgoedfondsenbeheer B.V., Hoevelaken
Inflation Exchange Fund Capital N.V. (50 %), Amsterdam

Finance

Skyline 2007 B.V., Amsterdam
FGH Bank N.V., Utrecht
Rijnlandse Bank N.V., Utrecht
Nederlandse Hypotheekbank N.V., Utrecht

A complete list of all participating interests, as stipulated in Articles 379 and 414 of Part 9, Book 2 of the Dutch Civil Code has been filed with the Chamber of Commerce.

In compliance with Article 403, Part 9, Book 2 of the Dutch Civil Code, the company is exempt from filing the financial statements of a significant number of consolidated Dutch group companies with the Chamber of Commerce. General guarantees have been issued on behalf of these group companies.

51 Other information

Auditor's report

Report on the financial statements

We have audited the 2007 financial statements of Rabo Bouwfonds N.V., Hoevelaken included in this annual report. The financial statements comprise the consolidated and company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2007, the profit and loss account, the consolidated statement of changes in equity and the cash flow statement for 2007 as well as a summary of the significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2007 and the company profit and loss account for 2007 with notes.

Management's responsibility

The Company's management is responsible for the preparation of financial statements that give a fair picture of the result in accordance with the International Financial Reporting Standards as adopted by the European Union and with Part 9, Book 2 of the Dutch Civil Code, as well as for the preparation of the annual report in accordance with Part 9, Book 2 of the Dutch Civil Code. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of a true and fair presentation of the financial statements of capital and result such that they are free of material misstatement, whether due to fraud or error, the selection and application of suitable accounting policies and the making of estimates that are reasonable under the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence regarding the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making this judgment the auditor takes into account the internal control system 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 regard to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Rabo Bouwfonds N.V. as at December 31, 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9, Book 2 of the Dutch Civil Code.

Opinion with regard to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Rabo Bouwfonds N.V. as at December 31, 2007, and of its result for the year then ended in accordance with Part 9, Book 2 of the Dutch Civil Code.

Report regarding other legal and regulatory requirements

Pursuant to the legal requirement in accordance with Article 2:393 sub 5 part e of the Dutch Civil Code, we report, to the extent of our competence, that the annual report is consistent with the financial statements as required by Article 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 27 March 2008

For and on behalf of
Ernst & Young Accountants

mr. drs. G.H.C. de Méris RA

52 Statutory provisions regarding the appropriation of profit

The provisions in the Articles of Association regarding the appropriation of profit are as follows:

Article 37. Profit and loss

1. Profit shall be distributed in accordance with the provisions of this article following the adoption of the financial statements, which statements shall evidence that such distribution is permitted.
2. The General Meeting of Shareholders is authorised to appropriate profit. If the number of votes in favour of distribution of profit is equal to the number of votes in favour of transferring the profit to the reserves, the profit to which the motion relates will be transferred to the reserves.
3. The company may only distribute profit to the shareholders and others entitled to the distribution of the available profit to the extent that its equity exceeds the issued capital plus the statutory reserves that must be retained.
4. The statutory reserves may only be used to make up a deficit if this is legally permitted.

Profit appropriation 2007

The entire profit of € 243.4 million (2006: € 189.4 million) will be transferred to the reserves.

Colophon

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After adoption the 2007 consolidated annual accounts and the other information will be lodged with the trade registration office of the Chamber of Commerce under number 08012222.

Copies of this report may be requested from:

Rabo Bouwfonds
Corporate Communications
Westerdorpsstraat 66
P.O. Box 15
3870 DA Hoevelaken
The Netherlands
Telephone: Int. + 31 (0)33 253 91 11
Fax: Int. + 31 (0)33 253 95 55
E-mail contact@rabobouwfonds.nl

The annual report may be viewed and downloaded via the internet www.rabobouwfonds.com.

