
Second quarter results 2011
25 July 2011
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Evert Kooistra CFO
BINCKBANK
FOR INVESTORS

TRANSCRIPT

Agenda

I. Update FY11 Q2
II. Financial position
III. Q&A

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Mr. **Beentjes**: Good morning all, on behalf of Evert, myself and the others in the team I would like to welcome you here this morning in our webcall on the Q2 results of BinckBank.

Part I

Update FY11 Q2

We have had a slow quarter. The volumes have not been that good, due to low volatility in the stock markets. The news on Greece has basically pushed the sentiment down. We see a 23% lower number of transactions in the second quarter. Of course, the lower number of transactions has an immediate effect on the on our results in the second quarter, which were with EUR 14.1 million 26% below the Q1 numbers.

Business highlights FY11 Q2

- Adjusted net profit FY11 Q2: € 14.1 million (FY11 Q1: € 18.9 million)
- Adjusted net profit FY11 H1: € 33.0 million (FY10 H1: € 39.8 million)

- Adjusted EPS FY11 Q2: € 0.19 (FY11 Q1: € 0.26)
- Adjusted EPS FY11 H1: € 0.45 (FY10 H1: € 0.54)

- Interim dividend of € 0.20 per share and payable at 1 August 2011

- Number of transactions at 2.0 million; 23% lower than in Q1 due to difficult market circumstances

- Operating costs 7% down mainly due to lower marketing expenses in FY11 Q2 compared to FY 11 Q1

- BeFrank and TOM received licenses

- Professional Services business unit signs two BPO contract, of which 1 with Allianz

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The profit per share was at EUR 0.19 and the analyst consensus was at EUR 0.20, so we were EUR 0.01 below the consensus number. We will pay an interim dividend of EUR 0.20 on 1st August.

In the ordinary line of business, the brokerage business, volumes have been low. This was of course leading to a weaker result. But we also had some things that we can mention with which we are quite happy this quarter.

We finally had the licence for the premium pension institute BeFrank; we have waited six months before getting the licence in. We already the first clients operational on

BeFrank, our joint venture with Delta Lloyd, so we booked the first premiums from a number of new clients. That is one good development. We spent a lot of time on that.

The other is that we had the licence for derivatives for TOM; that is also a very important milestone in the last quarter.

We were able to sign two business process outsourcing agreements, so there we achieved our target for this year of two BPO-deals annually. One of the parties is Allianz, who has chosen for the efficiency of our systems. We will start implementing with Allianz and with the other client and hope to welcome their clients in the system mid 2012.

In the meantime, we are implementing SNS. We are making good progress there. In Q3 we expect the SNS clients to come into the system. That means that by the end of Q3 we also will see the first income out of this deal.

So, it is not only a weak result for the quarter; there are also good things to mention.

Profit & Loss Statement quarterly comparison

in€ million	FY11 Q2	FY11 Q1	FY10 Q2
Net interest income	10.5	9.7	12.0
Net fee & commission income	28.2	36.5	35.3
Other operating income	3.5	4.1	3.2
Results on investments & impairment losses on fin. instr.	(0.4)	(0.6)	(1.2)
Total net revenues	41.8	49.7	49.3
Employee expenses	(12.2)	(13.0)	(12.0)
Depreciation & amortisation	(8.8)	(8.7)	(8.7)
Other operating expenses	(10.5)	(12.2)	(10.7)
Total operating expenses	(31.5)	(33.9)	(31.4)
Profit (loss) from operations	10.3	15.8	17.9
Other non operating income	(1.4)	(0.7)	(0.4)
Profit (loss) before tax	8.9	15.1	17.5
Tax expense	(2.7)	(4.0)	(4.4)
Net profit	6.2	11.1	13.1
Net profit to minority shareholders	0.1	0.1	-
Net profit to shareholders BinckBank	6.3	11.2	13.1
IFRS amortisation	7.0	7.0	7.0
Fiscal goodwill amortisation	0.7	0.7	0.7
Adjusted net profit	14.1	18.9	20.9
Cost / income ratio excl. IFRS amortisation	59%	54%	49%

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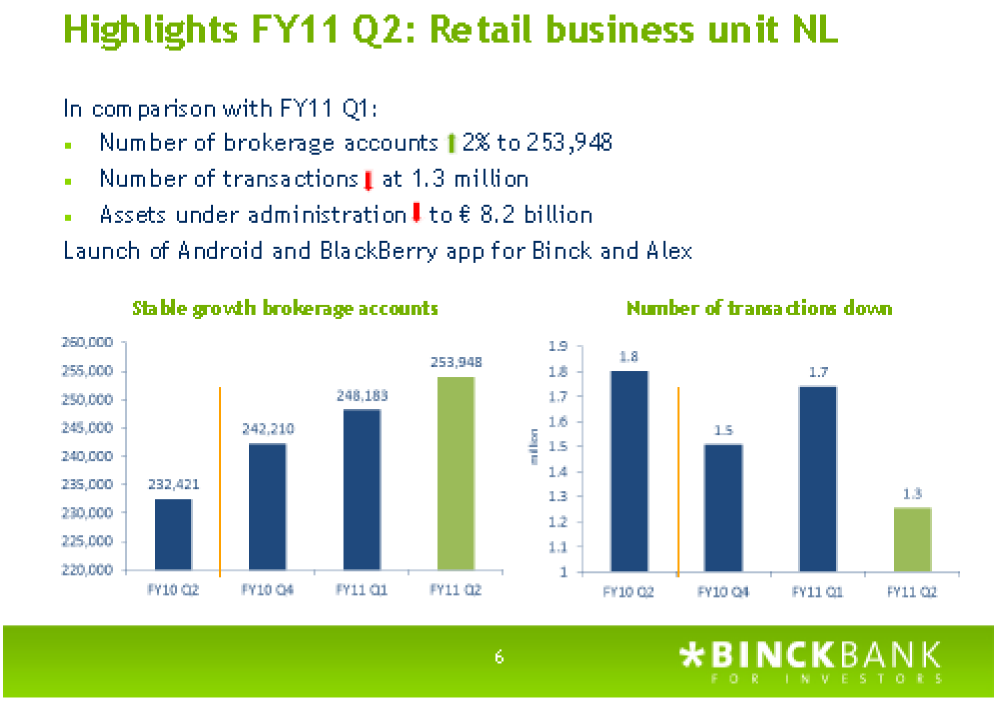
Of course, we see the result of the lower number of transactions. Our net fee and commission income came down substantially, which also caused the total net revenues to come down.

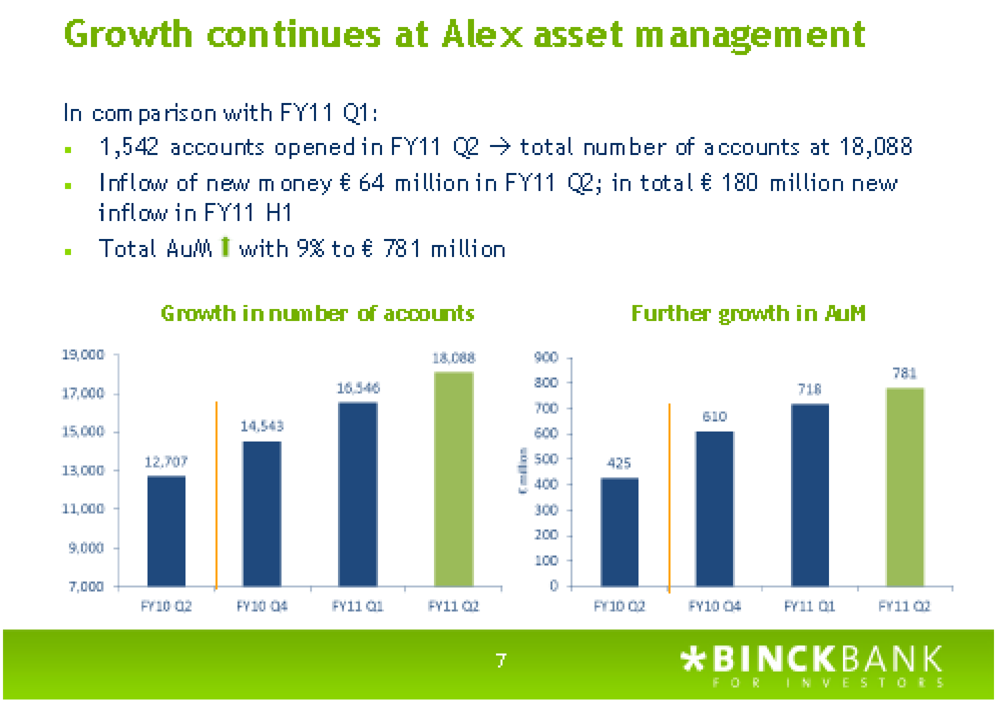
Later in the presentation we will come back to the costs and if you follow the lines you see we come to an adjusted net profit of € 14.1 million.

In the line below that you see the cost/income ratio. It was up to 58%, which is relatively high. We were looking for a number that would be closer to 50% but what you see happening at Binck is that revenue is flexible and that the cost base is rather stable. So, the cost/income ratio is more driven by the volatility in the top line than by the volatility in the total cost. Later in the presentation we will see that the total cost has a rather stable line over the quarters, and a little bit below the first quarter because of less marketing expenses. The cost/income ratio is a little bit on the high side.



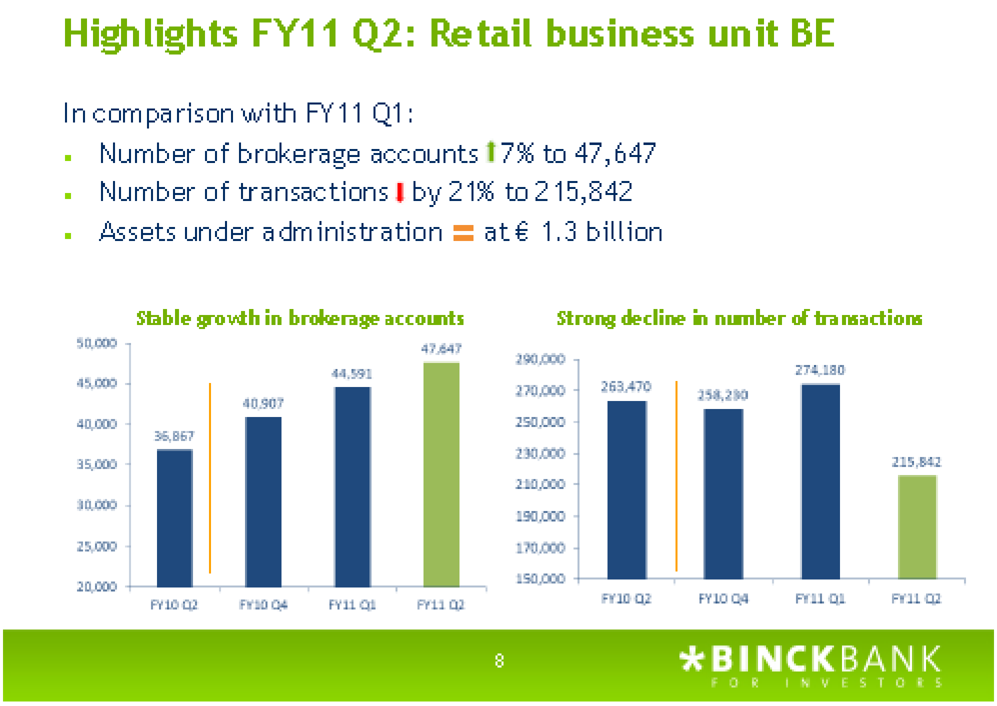
The first thing we see in the Retail business unit is that the inflow of new clients is a little below of what we need to achieve to reach our 2013 target. You see this reflected in the numbers of Holland, Belgium, and France. We are not specifically worried by that because there is a lot to do on the exchange and there is a lot of ordinary business volume. That is normally a climate in which you see we open a lot of accounts. If it is quiet on the exchange we immediately see that reflected also in the number of new opened accounts. So, we are a little bit below target in most of the countries when you look at our 2013 target as a whole but we think there is enough good sentiment in the coming quarters that will help us getting some additional accounts in.

In the Netherlands we have some 6000 new accounts. As I said, that is a little bit lagging behind target. The number of transactions was down substantially to 1.3 million where it was 1.7 million in the previous quarter. The assets under administration came down from 8.6 billion to 8.2 billion. In the second quarter we launched the promised Android and BlackBerry apps.



We are quite pleased with the result of Asset Management. We had an inflow of 64 million in what was not an easy quarter, so for the whole year 180 million of new inflow. If you take Q1 with 718 million plus 64 million is 782 million and we are now at

781 million. The correct conclusion that there was not much of a value increase in Q2 but if you look at the markets you see the AEX Index came down with 7% and the Dow Jones Total Market Index came down with 2%. So, the model we have discussed on previous occasions has the opportunity to go cash. It has partially done so in Q2. We discussed this earlier, too. The model is of course the stock picking and the timing. Again, it looks as if the timing of the model is not too bad in going cash at the moment.

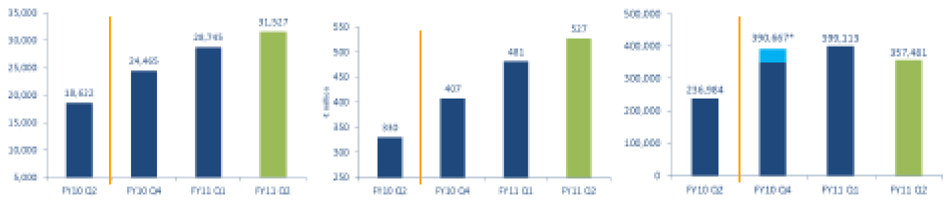


Belgium had an inflow of 7% new clients. Here as well, transactions are down a little bit and the assets under administration are at 1.3 billion, stable since Q1.

Highlights FY11 Q2: Retail business unit FR

In comparison with FY11 Q1:

- Number of brokerage accounts ⬆ 10% to 31,527
- Number of transactions ⬇ 10% to 357,481
- Assets under administration ⬆ 10% to € 527 million



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In France we still see -- and we expect that to continue -- a healthy inflow of new clients. We had 10% new clients coming in. Transactions were down 10% but there you see of course the effect of having 10% more clients and a roughly 20% decrease in the volumes in the markets, so it is plus 10 and minus 20, resulting in minus 10% in the transaction number to 357,000. Assets under administration went up.

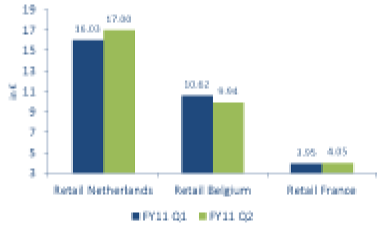
Highlights FY11 Q2: Retail business unit

Segmentation of net fee & commission income by country

	Retail	Retail NL	Retail BE	Retail FR
Net fee & commission income (x € 1,000)	24,922	21,331	2,145	1,447
Number of transactions	1,828,415	1,255,092	215,842	357,481
Average net fee & com. income (x €)	13.63	17.00	9.94	4.05*

* Excluding SRD interest component

Development net fee & commission income



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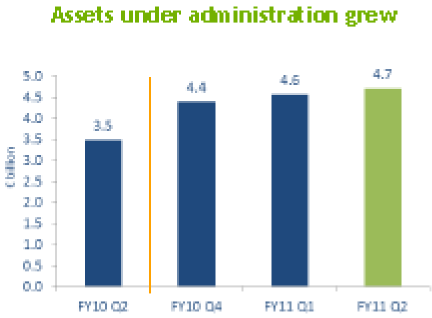
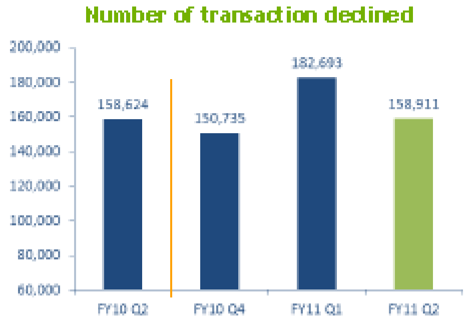
Looking at the net fee and commission income per transaction we see overall that in the Netherlands it has risen a little bit over the second quarter, so less transactions but a little bit more income per transaction. In France, we bend up a little bit from EUR 3.95 to EUR 4.05 average.

Highlights FY11 Q2: Professional Services

In comparison with FY11 Q1:

- Number of accounts ⬆ 1% to 28,351
- ⬇ 13% in number of transactions to 158,911
- AuA ⬆ € 146 million to € 4.7 billion





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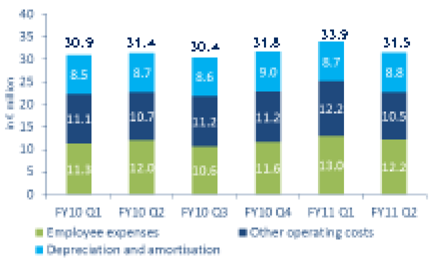
On this slide we see what we have seen overall. The picture is the same here. The number of accounts has not changed much over the quarter. The number of transactions came down a little, 13%. It is a somewhat other activity than the retail trading. Assets under administration went up to 4.7 billion, so a rather stable quarter for our B2B-business.

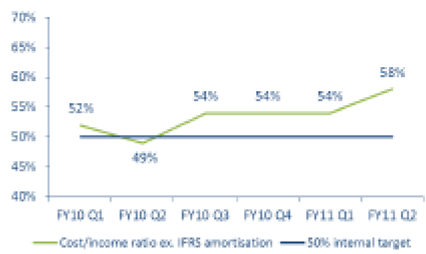
Operating expense & Cost/Income ratio

- In FY11 Q2 costs declined from € 33.9 million to € 31.5 million primarily due to reduction of marketing costs
- Marketing costs FY11 Q2 at € 3.1 million compared to € 5.1 million (FY11Q1)
- Cost/income ratio rose, despite lower costs, as a result of less income

Total operating expenses



Cost/income ratio



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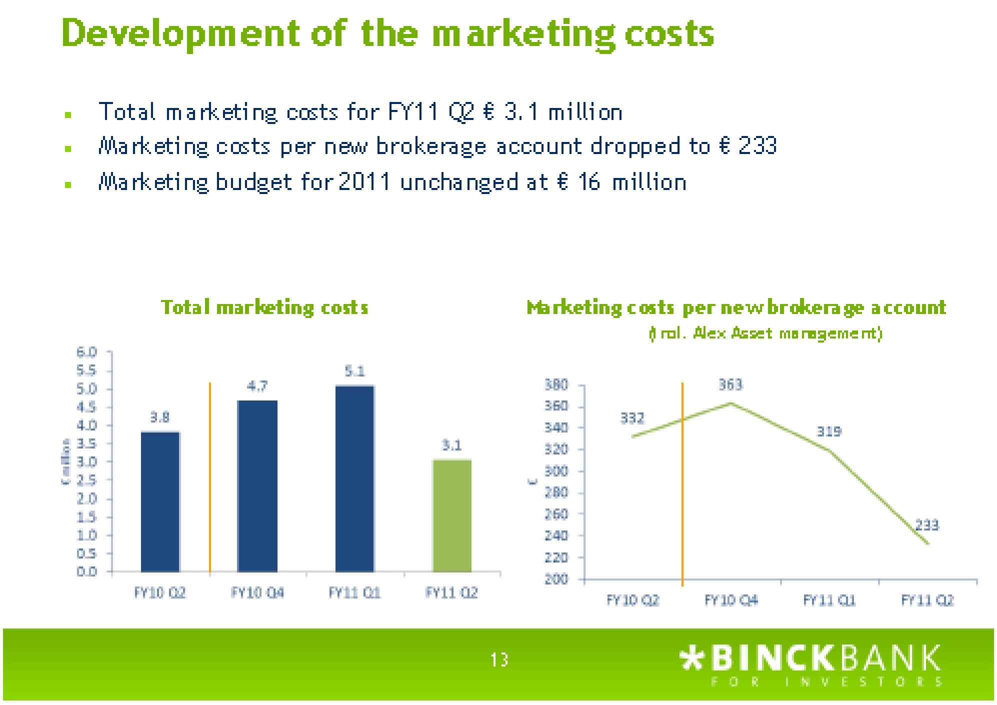
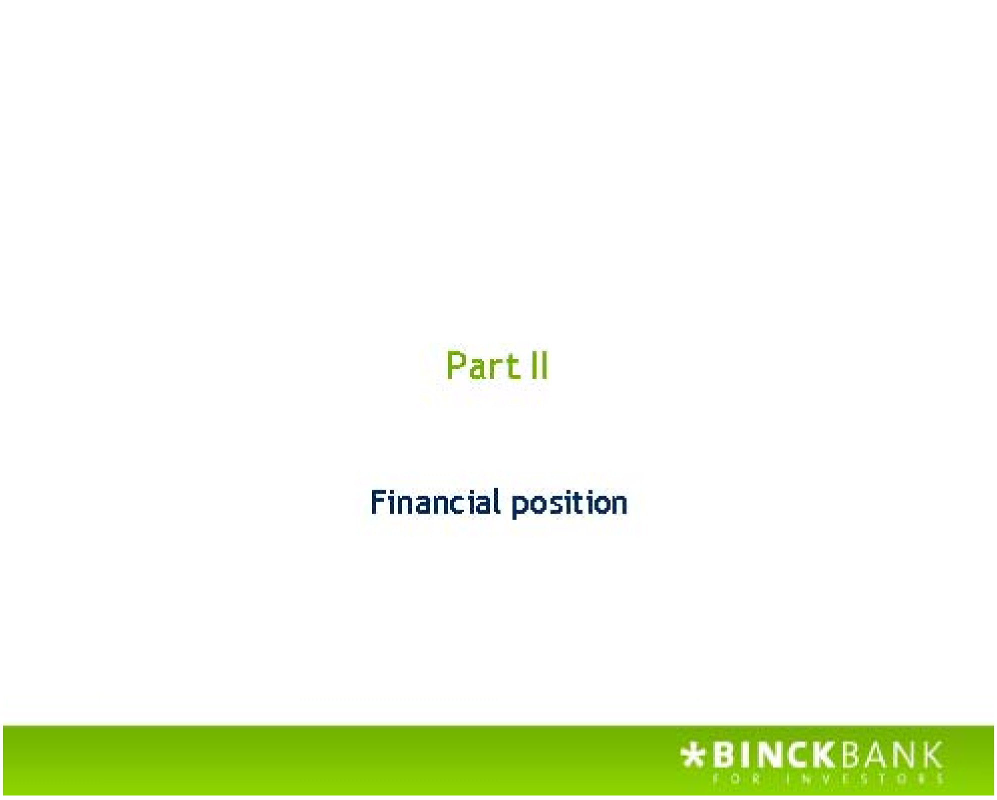
On the left hand side of the graph you see that basically the cost of Binck has been rather stable for the last six quarters. It is not moving very fast. This quarter it was 2 million less than the previous quarter, most of it basically caused by lower marketing expenses. We did significantly less -- 3.1 million -- in comparison with the 5.1 million in Q1.



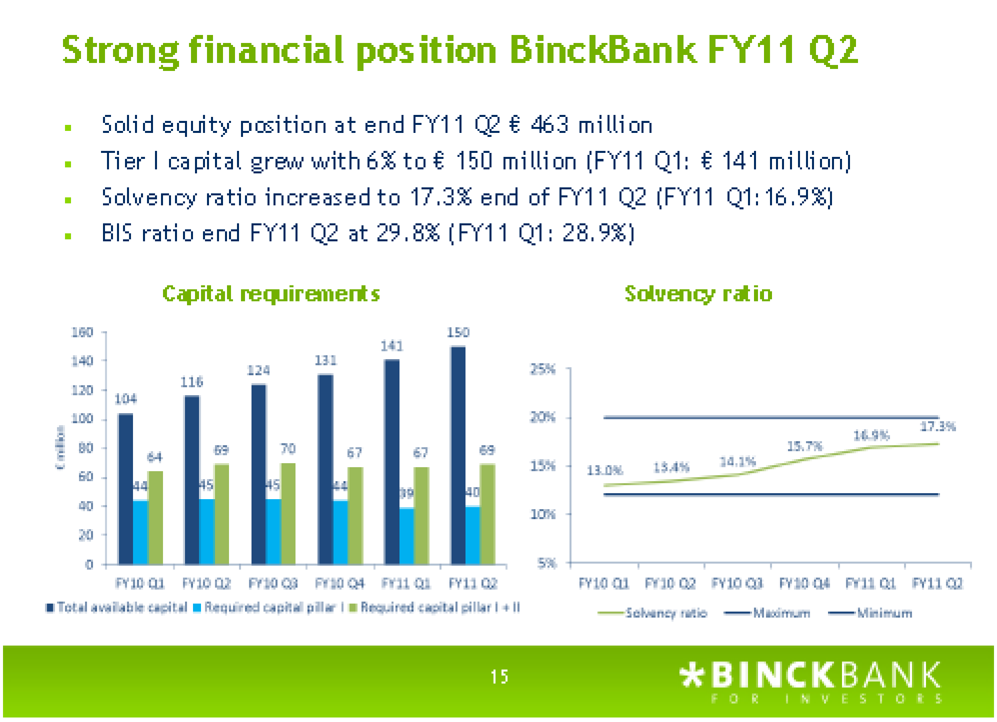
As a result of that you see that the marketing costs are coming down to EUR 233 per new account. What is happening is that you have a basic inflow of new clients and that the marketing helps you getting more clients in. If we would do nothing we still would have some clients getting in. So, even at zero marketing costs we would have some clients. This is what you see happening here: despite lower marketing expenses the cost per new account is also coming down. That is basically caused by a kind of basic inflow in the system.

On the previous slide we discussed the cost/income ratio. It is now up to 58%. Let's be clear on that: that is a little bit on the high side. We hope to have a somewhat better cost/income ratio, notwithstanding what we discussed in the previous quarter, that we have a somewhat cost level than in the past because we want to execute all the projects we are doing. We think these projects are important for the future of BinckBank.

That's about it. Evert will guide you through the financial position.

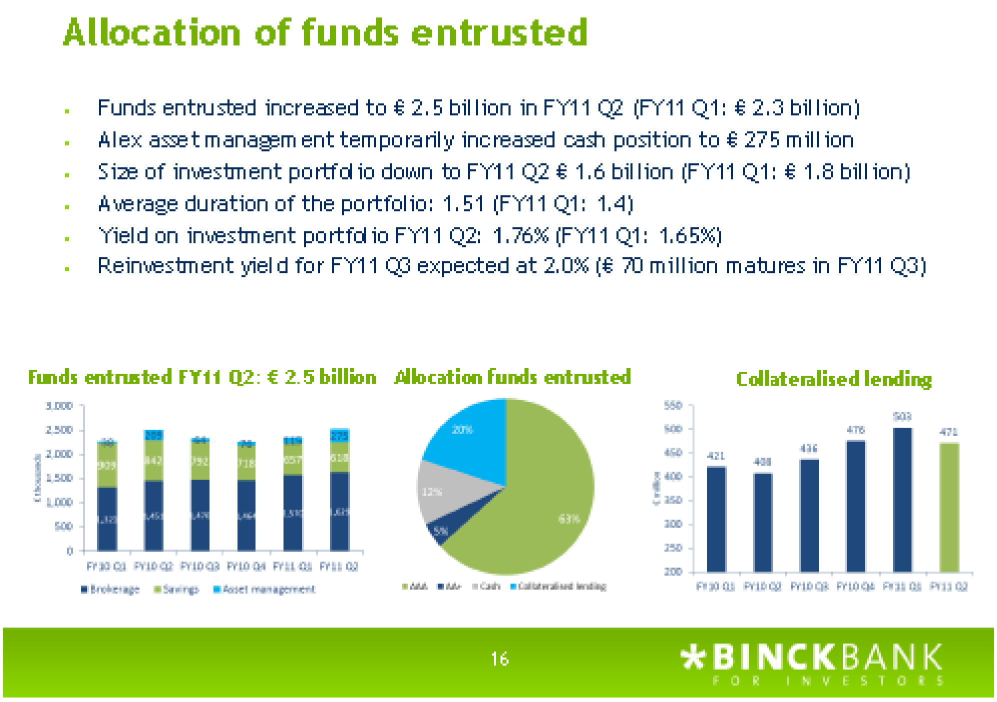


Mr. **Kooistra**: I have two slides on the financial position.



Once again, a strong financial position. Our Tier 1 capital continued to grow with 10 million up to 150 million. The BIS-ratio was at 29.8% and our solvency ratio went up to 17.3%. Growth in solvency slowed down a bit because of two reasons. We needed a bit more capital on the Pillar I because we had a relatively high cash position at the end of the quarter. Alex Asset Management went cash and cash is a higher risk weighting compared to the investment portfolio of roughly on average 7.5. That required a bit more capital and under Pillar II we needed to take provisions for increased concentration risks. A lot of our customers invested with leverage, especially in Royal Dutch this time. This varies from quarter to quarter.

We did not participate in the EBA stress tests. We were not obliged to do so. We did that on a voluntary basis last year and it had a satisfactory outcome. Considering the solid financial ratios we decided this time not to participate in the test. We do our own stress testing and the outcome was satisfactory. We will publish the outcome in our Risk Report in Q3.



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The allocation of funds entrusted saw a strong increase at the end of the quarter. That is the blue part in the graph. That is because Alex Asset Management went cash, so the cash came back in our balance sheet.

We saw a decrease of the Treasury book with 160 million during the quarter. We did not benefit from any pick-up in the interest yields. We did not do any reinvestments. Last time we announced that we 185 million out of the Treasury portfolio maturing this quarter. That indeed happened but the cash was used by our customers for trading purposes. So, it flew out of the balance sheet of Binck. The increase in the interest income to 10.5 million was driven by higher collateralised loans. These showed a sharp drop towards the end of the quarter but during the quarter on average they were higher than in the first quarter of this year. That was driving the interest income up for Q2. The Treasury portfolio did not perform well because we had 200 million outflow and the yields during the quarter came down.

For Q3 the triggers for the interest line are not very favourable. The reinvestment yield in German Pfandbriefe came down due to the flight to safety with the whole uncertainty regarding Greece. They are back at 2%. We have only 70 million for the coming quarter up for reinvestment. We saw a further drop in the collateralised loans during the first weeks of July.

Alex Asset Management went cash and if it goes cash we pay 1.5% to our customers, comparable to a savings account.

We have to take these factors into account for the interest income line for the third quarter.

These are all the highlights I wanted to share with you on the interest and on the funds entrusted.


Part III
Q&A
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❖ **Maurits Heldring - ABN AMRO**

I have two questions. You talked a bit about the costs of new projects that are now in the operating costs but then there are also things like TOM, BeFrank and probably the SNS deal. Can you give us some indication of what these costs are on a quarterly basis? Could you talk about the Q3 operating cost base? In Q2 costs were a bit lower, primarily marketing costs. Are there any special things we should expect for the third quarter, maybe also related to the start of the SNS deal?

Secondly, the participations' line in the P&L was -1.4 million for the second quarter. Can you remind us of what is in there and what you expect for the second half?

Mr. **Kooistra**: With regard to the costs of the new projects: the costs are in the run rate. The costs for the new projects are primarily manpower, the development of our platform and the start-up of the branches. We do not isolate, ring fence or separately disclose on these costs but we have given guidance for the total year last time: for the total year we expect the costs to be 5% to 6% higher than in 2010 and a run rate -- if I remember correctly -- of between 32 million and 33 million per quarter. No changes are foreseen for that; that is still the outlook for the remainder of 2011. We were a little bit under 32 million because the marketing spend drives it up and down most of the time. Traditionally, Q3 is lower from a marketing perspective.

You see an increase in the participation costs. There are two costs in there, for TOM and for BeFrank. For both ventures we had an increase in costs because we had to put additional effort in place to get the licences. So, we made more costs at the joint venture level to get the licences. There were a lot of consultancy costs in there to get all the requirements from the central bank to make sure that you comply with the requirements to get the licence.

Mr. **Heldring**: So, in Q3 they will be lower probably?

Mr. **Kooistra**: Yes, but there are also marketing costs at the side of BeFrank, so we expect the run rate to be between 1 million and 1.5 million on a quarterly basis for both companies.

Question

What impact did the two shutdowns have on your top 10% clients?

Mr. **Beentjes**: First of all, we find this disruption of the service really troublesome. In the meantime, we compensated the clients. The first disruption was a on a very volatile day with a lot of action in ING. It was also longer, altogether three hours of disruption. Last Friday it was a quiet day on the Exchange and the timeframe was much shorter, a half hour to three quarters of an hour. The costs have been above EUR 300,000 in compensation of clients who had damage because of the disruption. We hope to keep clients in by showing that we will act immediately and compensate without delay if something is going wrong. So, the compensation for the first disruption was basically settled the day after.

Question

What are you doing to prevent any future disruptions? Is there any change in your work processes?

Mr. **Beentjes**: We are working on the European platform. That means that we are implementing new pieces of software every now and then. We have implemented new software here as well and this may have caused the disruption. We are not 100% sure at this stage but we are working with the team to find the last details of what has happened. Each and every broker has a disruption every now and then but we do our utmost to prevent our clients from facing such disruptions. So, we are not ready yet; we are going on in analysing this into the last detail.

Question

Are there any plans to further increase the commissions per trade in France versus last quarter? Were there any changes in that?

Mr. **Kooistra**: Not really. We are really a price fighter in France, so the average commission in France is substantial. It will be continuously lower than in Belgium and Holland.

- **Maarten Altena - ING**

I have three questions, the first on BPOs. It is good news that SNS will go through in the third quarter but what do you expect of Allianz? Previously, your provided that Friesland Bank was about EUR 1 million in revenues. In my view SNS will be more sizeable. Does Allianz rank somewhere in between or is it bigger? Maybe you can also say something about the name of the second BPO? It seems like a secret.

My second question is on the tax rate. It increased somewhat; are there any non-recurring items in there or is this the new run rate? Could you comment on that?

My last question is regarding Syntel. We saw a decrease in the other line. Is that due to Syntel that they lost a licensing clients or is this also a one-time event?

Mr. **Beentjes**: Your first question on the BPO: we have agreed with the second BPO-partner that we will not disclose the name.

With regards to Allianz: if you think income streams you must think more in line with Friesland Bank than with SNS.

Your last question was about the tax rate and Syntel. Evert?

Mr. **Kooistra**: If you compare it on a half-year basis you see it went up from 25% to 28% but you have to take out the line 'sharing results of joint ventures' because that is not in your taxable base. So, if you do it on the 26 million base, it went up from 24% to 25.5%. So, it is increasing but the tax rates in Belgium and France are higher. Over time, I expect our tax rate to increase but the biggest increase now comes from the share in joint ventures. So, you have to take that out of your mathematics if you analyse the tax rate.

Question

So what do you have in your models for the tax rate for 2012?

Mr. **Kooistra**: In Belgium it is 33% and in France as well. In the Netherlands it is 25%.

Question

So, it will go to 26 - 27?

Mr. **Kooistra**: You have to take your mix in your French trades.

Syntel's revenues are partly driven by our spend so, they probably had less billable hours in the second quarter than in the first quarter. There are licence fees from for example ING that they have a lot of consultancy on, just billable hours.

Mr. **Beentjes**: We did not lose any clients.

- **Benoit Pétrarque - Kepler**

I have a couple of questions on France, just to come back on the pricing there. It looks to me that you have been quite aggressive in the beginning, maybe a bit too. What do you think the competition is doing now? Do you see more pricing pressure? Do you think you can lower pricing there, and on SRD. How many trades are SRD trades, I would expect that you can generate higher utilisation rates than the average, as you have more active traders on your platform.

My second question is on the Netherlands. Number of brokerage accounts is up again, can you talk a bit on the trading behaviour of these new clients. What do we speak about in terms of the number of trades per new account going forward?

With regard to the interest income you have said that clients were moving their cash to trade more. Do you know the competition on the savings environment in the Netherlands? Do you actually see people transferring cash, so cash from the brokerage accounts, on which they get nothing from you? Do you see them actually transferring cash to their banks where they can get interest?

Mr. **Beentjes**: Let me take your questions France. In France, there is one serious aggressive competitor and that is Bourse Direct. They are not changing the fee structures, so we are not going to be more aggressive. If we look at the other side, the larger brokers like Boursorama and Fortuneo we do not see them moving with the prices. So, there is no price pressure coming from these parties in the market. The other competitor, Bourse Direct, it is a status quo. They are not moving and we are not moving. We increased prices somewhat last year by making it 0.1% over the whole transaction where it was maximum EUR 10. So, I do not expect major changes in trends in competition.

Mr. **Petrarque**: Not audible

Mr. **Beentjes**: We do not have the intention.

As regards the utilisation rate of SRD, we know that other parties make more than 40% of their income out of SRD. What we can disclose is that we achieve that level. So, SRD is also working out quite well for us and it is a substantial part of our French income stream.

Mr. **Petrarque**: So, it is fully integrated in your P&L?

Mr. **Beentjes**: We are now in business for three quarters of a year with SRD. I do not know exactly where it may grow a little bit further but at least what we have seen is that it has picked up to industry levels rather fast.

Mr. **Kooistra**: So, the SRD-effect on the existing customer base is reflected in the P&L but it drives the growth of your business with the effect on the existing basis in there.

Mr. **Beentjes**: To complete my answer on growth of new clients in the Netherlands: I do not know exactly the answer to your question what the trading behaviour of this last cohort of new clients is.

Mr. **Kooistra**: On the savings side: trading, investing, and savings are complementary products. If they stop trading they often switch to savings. On the savings product for Binck this is not a very competitive product at the moment with the 1.5%. We are at the low end of the credit rates: 2.25, 2.3 by competitors. So, it is a fall-back for us but we cannot make it really profitable at this moment because of our risk appetite on the Treasury side.

Mr. **Petrarque**: [not audible]

Mr. **Kooistra**: No, retail investors are often very active in managing their cash. They leave their cash on the brokerage account. Some of the Alex customers switch into their savings account. Overall you see an outflow of savings money because we offer competitive rates but the majority of the customer base just leaves the cash on the brokerage account.

- **Lemar Salah - SNS Securities**

I have three questions. First of all, you have mentioned that you are aiming to be granted to a BPO-contract. We have six months left; do you expect any new BPO-contracts? If so, what kind of characteristics would those contracts have? I was a bit surprised by the fact that this contract entails a more specific product, a bank savings product.

My second question is on the countercyclical marketing strategy. I think it is working for you in your near countries like Belgium and France but it seems that in the Netherlands it is not working. Are you planning to change your countercyclical marketing strategy?

My final question is on Syntel. You have assessed it a lot in the previous quarter. I can see from the results that it has some potential. However -- also linking to the question of

Maarten -- the income has declined a bit. What do you think will happen there in the near future?

Mr. **Kooistra**: On the BPO-contract and whether we are aiming to conclude more contracts in the course of this year: we are continuously discussing BPO-arrangements with other parties but we also have to implement and execute. So, our top priority is to get these two agreements we have now up and running and implemented. That is more important than getting the next BPO-agreement in. So, we have our goal for this year and most of the time we need to do some changes on the systems. That is also one step at the time. Notwithstanding that, if a party wants a contract or wants to make a deal we are of course open to that. That is absolutely clear. But our first priority is now to get it done.

I do not really think we have a countercyclical marketing strategy. We do a lot of marketing in the beginning of the year. In summer and in the holiday season it is lower and towards the end of the year it is higher again. What you see now -- and maybe that gives you the impression of countercyclical -- is that marketing costs are lower now that we have done less. I do not share your opinion that we are against the cycles. Normally, we have a lot of marketing in the beginning and in the second half of the year and not in the summer season.

Mr. **Kooistra**: It depends on the investor sentiment. If the investor sentiment is not there then do not throw your marketing money away: do not sell ice cream when it rains. The sentiment was not there in the second quarter so we slowed down on the budget. Traditionally, in the summer season there is low marketing spend. Now it has started a bit early because the sentiment was bad. You always see that your account growth still continues. If you scale back on your marketing in the same quarter your account growth continues. The effect of slowing down marketing activities comes later, with a delay of one or two quarters. That is why you see accounts still growing but market spend lower this quarter.

Mr. **Beentjes**: Syntel has three income streams. They are selling licences, they have maintenance agreements and they have ongoing development. We have new clients in the BPO, so normally Syntel is doing work for that. Syntel is also doing work for SNS and for ING. They have some other clients as well. I do not really expect the income stream to deviate substantially over the coming quarters. In the long run it may up or down a little bit; it is a function of the clients we are getting in the licensing and BPO-business. If we have to implement with a new client it is also a substantial lot of work for Syntel. Once is has been implemented we will need new clients to also have the volume on the business from Syntel. But they are flexible; they are working with their own people but also with consultants. If they have somewhat lesser activity they can scale down easily.

Mr. **Saleh**: Let me get back to my question. You have invested a lot. Do you expect any new potential deals there?

Mr. **Beentjes**: At Syntel it could happen. It could be a BPO-deal or a licence-deal with Syntel. Whether it is directly with Syntel or through the B2B-business here, we have a light preference for a BPO but it could also be a license-deal.

- **Albert Ploegh - ING**

I am sorry to come back to the IT once more but it is still very much the backbone of your company. In terms of the roll-out of the new platform that you were discussing during the last Investor Day, are you now delaying this? Do you first want to know the cause of the problems? I would assume there would be some kind of a back-up system if things would fall out and that you can immediately switch to a new platform. Is that in place or does experience show that it has the same IT problems? Are you going to invest more in the IT systems to fix it all? With your Risk Report upcoming could it also mean that you might need to hold more capital from an operational risk-side? I can imagine that if it happens again the regulators or maybe the Dutch Central Bank also start asking questions.

Finally, on the 300,00 compensation: how many clients were involved there? I guess they were all the most active ones?

Mr. **Beentjes**: Is it going to cause delay? We hope it will not. We will find it and we will continue the projects but of course, it is a risk because there is something we have not analysed into the last detail. For now, we think we will find it and it will not cause delay. But we are not 100%.

There is a back-up system in place. Let me tell you a little bit more about it. Our primary data centre is completely double. We have the same equipment on two sides of the same row. That is fully fault-tolerant in terms of hardware that fails, line connections that fail or stuff like that. Next to that, we have a back-up centre, a single one and there we can move to if necessary. We regularly test it. The Dutch Central Bank expects us to have very solid IT-equipment so yes, we have back-up and yes, we have facilities. That is all in place.

If we want to go from one data centre to another it takes roughly four hours. So, we cannot switch from one moment to the other to the secondary data centre if we have a disruption of service. We cannot pull a switch so that we are completely on the other data centre from one second to the other. But yes, if there would be a huge disruption we have a back-up facility where we can go to.

The 300,000 compensation: I do not know the number off the top of my head; it is not that substantial. They are of course larger clients that claim damages.

Mr. **Ploegh**: In case it does cause a delay what does it mean? Less new initiatives or products on the platform?

Mr. **Beentjes**: For now, I believe we will find it and we will not have many delays. The things you are mentioning could be consequences, because 80% of our income is coming from the Netherlands. That is where we are not going to take risks for other projects. that is the backbone of our company and 80% of our income, so that should function.

Mr. **Kooistra**: You have to take into account that development is always in risk. The safest way to run your platform is not to develop anything, to keep it under control and let it run. But then it matures very quickly. We have significantly increased the efforts for development. We have built this European core platform, we are developing for Italy and for BPOs, we launch mobile applications; all these increased development efforts bring a risk. Now we have seen the negative consequences of that over the last two weeks.

Do we need to hold more capital? No. To put in perspective: we reserve EUR 21 million for operational risks. We had a serious outage of half a day. That is really one of our stress scenarios that we run in calculating operational risks. It happened and we have a couple of hundred thousand in damage, so we have more than enough capital to cover the negative consequences of any outages.

Question

Your cost came down by EUR 2 million, quarter on quarter, but your cost/income ratio rises. How relaxed are you about your cost structure and how flexible are you? You are trending away from the target of 50. A lot has to do with the market but to what extent are you thinking about a structuring program doing something on your cost side, if and when this market continues?

Mr. **Beentjes**: Of course, day-in, day-out we are looking at the cost of the company. We have a little bit over EUR 30 million of run rate, of which EUR 12 million is staff and some EUR 10 million are operational costs. Another EUR 10 million is depreciation on the intangibles. There we are not flexible. Our cost structure is not really flexible, because most of it is staff. We want to execute the projects we are doing. Of course, we are looking at all the costs we are making, basically on a daily basis. But we do not have plans to change that structure because we want to execute the projects. That is why we gave guidance last time that we expect on a whole year basis an increase of 5% to 6% in the cost basis. We feel comfortable with that. This 58% cost/income ratio is more driven by the top line than by the cost line. Of course, we hope there will be more activity in the markets but also for the next quarter and the quarter after we do not know. We cannot give you guidance on that.

Mr. **Kooistra**: But the current run rate of the costs is not a reflection of the volumes and the size of the business today. If it would stay like this forever we had better scale back on the cost side. We expect markets to pick up and to run multiple countries, so all the investments are done. Now we have a quarter with a bad investor sentiment, so the top line comes down and the cost/income ratio goes up. But you should see it over a number of years that we are doing all the investments now to build a bigger company.

Question

Can you talk about Italy?

Mr. **Beentjes**: Yes, we can talk about Italy but it is more project-phased now. We have a couple of people over there and they are executing the project and making all the back office staff and putting it in place, making the sales documentation, the contacts with the local authorities, et cetera. It is really a project phase where we are doing all the steps we need to do. We are also identifying a couple of things we have to change on the IT-platforms. There are some things that are special in Italy. There is a capital gains tax and that is a personal tax, not by account but by an individual. So, there are some things that are new to us. There we have to adapt the system to the market basically.

- **Lemer Salah - SNS Securities**

I have one final question. What is your main objective to impel the profitability? It hinges around EUR 10 million. In the second quarter of 2010 it went up with EUR 13 million. What is your main objective to impel that, to increase that?

Mr. **Beentjes**: We now have a couple of initiatives that will drive profit up in the long run. In our core business, the brokerage transactions are more or less a commodity, an electronic connection to an exchange. We are not the only ones that are offering that service where maybe ten years ago that was something special. There you will not see big growth if not for a number of new countries, so that you have more volume on the platform because you are connecting more geographies. If you look at the profitability Alex Vermogensbeheer -- Alex Asset Management -- BeFrank -- the pension business -- and Think Capital are initiatives that should drive the profit up in the long run. Looking at for instance Alex Asset Management we are happy with what we see happening there. We built a base of close to 800 million in two and a half years. For us, it is also a good and profitable product. We hope that we will keep the good performance in the product. In asset management that is the only thing that is important but if the performance remains what it is now we are hopeful that it can generate a good income for us in the future.

- **Maarten Altena - ING**

I have two follow-up questions. The first is on BPO again. Previously, you said that the pipeline is well filled. How flexible are you? What about the scalability of the BPO-platform? Can you choose for size or do you have to choose for profitability?

Mr. **Beentjes**: What exactly is behind your question?

Mr. **Altena**: You have a relatively sizeable SNS-BPO and a somewhat smaller Friesland Bank. Is your platform scalable enough so that you can add another large client?

Mr. **Beentjes**: That will not be a problem. We had 130,000 retail clients on that platform. Those clients are now on the other platform, so we used the platform more heavily in the past than we do now. But there is still some capacity. That is not the issue.

Mr. **Altena**: My second question is on the second half of this year. In the fourth quarter you will see the performance fee for Alex Asset Management. You mentioned that the performance remained relatively flat. The inflow has increased. You have introduced the high watermark. Can you remind us of whether there is this relative bench mark?

Mr. **Beentjes**: It is nominal. If we do it relatively well it will not give us a performance fee. So, it is nominal. So far, the nominal result has been slightly negative over the first half of the year.

- **Maurits Heldring - ABN AMRO**

I have two questions. I was wondering whether you could give us a bit more information about BeFrank. The first income will be coming in at the end of this quarter. Can you tell us how many clients are now revenue generating? What are the types of clients, the size of the companies? Can you give us indications about the total number of participants in BeFrank, so the number of entries the premium is paid for?

My second question is on the outlook. I know you do not provide a concrete outlook but every time in the press release you mention the statement about your confidence regarding further growth. I suppose there is not going to be growth this year in terms of revenues or EPS; or are you still confident you can make up in the second half of the year? In other words, is that further growth a mid-term or a long-term objective? Do you see growth for this year as well?

Mr. **Beentjes**: Let me start with the second question. We do not give guidance on that issue but the growth we are looking at is more on the initiatives like ThinkCapital, Alex Asset Management and the pension business than that we have a clear indication on the second half of this year. So, if we are talking about further growth of the company then these are the initiatives we are deploying.

Mr. **Kooistra**: Shall I comment on BeFrank? We had the licence and this fact was very well received by the potential customers, so we concluded a few contracts shortly after that. I cannot disclose who it is and what the size of the contracts is. There are a couple of hundred participants from a few companies. But it is more important to understand the revenue drivers of BeFrank: it is a slowly moving business. It is B2B, so you conclude a contract with a customer. That in effect is quite a different sales process but once you have concluded you have to transfer the assets from the other insurance company to Be Frank and the new premium goes directly into BeFrank. The transfer of those assets is long-cycled. It is like a BPO-business in Professional Services: you conclude the contract but before you get the full revenue of it you are one year and a half down the road. That is the same with BeFrank, so the actual cash inflows for the new premiums will start after the conclusion but the transfer of assets takes more time.

Mr. **Beentjes**: One thing to add to that is that we believe very strongly in BeFrank that BinckBank will be a client as of 1st October. So, we are in the final negotiations with our own daughter company!

Mr. **Kooistra**: It is a powerful earnings model. It takes time to build the asset base but once you have built that up it becomes stronger and stronger because you get a recurring inflow of pension premiums and you build up your customer base. But it has a runway.

Mr. **Beentjes**: Anybody in the call who has questions?

- **Thomas Nagtegaal - RBS**

Good morning! Two questions are remaining. Why is the commission per transaction up in Q2 versus Q1? I saw this was mainly in the Netherlands. What was the main driver there?

Secondly, I have heard there is still a big pricing differentiation between Binck and Alex. Apparently, if you are an Alex customer and if you call your service line and ask what is the reason of this you can transfer to the Binck pricing scheme automatically. Is that really happening? Is that really true and how much potential downside in terms of revenues would you see from that?

Mr. **Beentjes**: On the second question: no, it is not the case that each and every client calling in is getting different rates but what is true is that with our largest clients on the Alex platform we negotiate special deals. That is on an individual basis. That part of the story is correct. Of course, with larger clients we are in a continuous dialogue and they will have special arrangements.

Why is the commission per transaction is a little bit higher in Q2?

Mr. **Kooistra**: It is coming out of Retail Netherlands and out of other commission income. That contains primarily Alex Asset Management fees and rate recessions. There is a bit of a cut off between the first and the second quarter because we make an estimate on the billable fees. Something growth has been stronger than expected. The final billing is done in the quarter afterwards. We saw very strong growth in the first quarter for Alex Asset Management.

Mr. **Nagtegaal**: Thank you!

Mr. **Beentjes**: Thank you very much, all of you, for attending this conference call on the Q2 numbers of BinckBank. We hope to see or hear you next time. Thank you very much!

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End of call

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