

Second quarter results 2010

26 July 2010

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TRANSCRIPT

Agenda results FY10 Q2

- I. Update FY10 Q2
- II. Financial position
- III. Commission income analysis
- IV. Business segmentation
- V. Events after 30/06/2010 & outlook 2010
- VI. Q&A

Mr. **Beentjes**: Good morning and welcome to you all, also to all people who are listening in to our webcast as well. Evert Kooistra, our CFO, and I will host this session this morning. I will give the update on the second quarter of 2010 and Evert will continue with the financial position and the business segmentation. I will conclude with the events after June 30 and the outlook for the rest of 2010. After that, we will have a question and answer session.

Part I

Update FY10 Q2

We have had an eventful quarter, in which we made a lot of announcement in the press. We will come back to all those partnerships and new deals later on in the presentation. I will start with the highlights of the second quarter,

Business Highlights FY10 Q2

- Adjusted net profit 10% higher at €20.9 million (FY10 Q1: 18.9 million); adjusted EPS FY10 Q2: €0.28 (FY10 Q1: €0.26)
- Interim dividend €0.24 per share (payable at August 2nd)
- Number of transactions back at 2.5 million (FY10 Q1: 2.1 million). First analysis shows that due to especially more smaller option trades impact Binck price reduction will be lower than estimated worst-case scenario of €5 million
- French product offering expanded with BinckTrader, news feeds, and technical analysis tools
- Introduction ProTrader in the Netherlands; the trading platform for the very active investor
- TOM received MTF licence from the Dutch Authorities Financial markets (AFM)
- Petercam Nederland chose BinckBank for the execution & administration of securities transactions of their customers
- BeFrank was launched. A joint venture between BinckBank and Delta Lloyd for group defined contribution pension schemes (second pillar). BeFrank is set to break open the pensions market, offering low-cost but excellent service that enable employees to keep complete track of their pension accrual, costs and the accrued capital on retirement date online

In this quarter the profit was up a little bit. In the first quarter we were a little bit below expectations by analysts. We had a result of €0.26 and the expectation was €0.28. Now we see the reverse: in Q2 we have a result of €0.28 and a consensus of €0.26.

We will pay an interim dividend of €0.24. We saw that the number of transactions in this quarter was back to 2.5 million. If I may remind you: the second, third, and fourth quarter of 2009 were all closed at or around 2.5 million transactions and the first quarter of 2010 was a little bit disappointing, due to the lack of volatility. We had fewer transactions but now we are back on track. We are well on course with again 2.5 million transactions.

One of the things that have been important in the previous quarter is that we cut prices at the Binck label. We have guided that it would cost us a maximum of €5 million on an annual basis. We do not really have the final results but we have made the first calculations and we see that these €5 million are really the upper limit. It looks like we are somewhat below that number. We have seen specifically an increase in smaller

option transaction at the Binck label. One of the elements of the price change was that we abolished the minimum fee in the option orders.

In France, we did a lot of work. We introduced BinckTrader. We have added information to the platform and technical analysis tools. What we are all waiting for is the implementation of SRD, which has been promised for a long time. We are in the final stage of testing the software and it will be implemented in the market in the coming weeks or maximum months if we have some delays in the testing.

In The Netherlands we have introduced ProTrader for the large Binck clients. It is a more advanced platform. Product innovation made our existing product better. Clearly, it is on our agenda this time. We have had comments in the past that the new products and the innovations were taking too much time. We have spent a lot of time on the organisation of structures and data centres, but now we are on course with implementing new tools, new products and new features.








We had a couple of deals this quarter. With TOM we had the MTF licence from AFM, so we can move on with it. We welcomed Petercam the Netherlands as a new client for our Wealth Management service and together with Delta Lloyd we launched BeFrank. These are many announcements in a quarter and in that respect it has been an eventful quarter.

Profit & Loss Statement quarterly comparison

in € million	FY10 Q2	FY10 Q1	FY09 Q2
Net interest income	12.0	12.2	9.0
Net fee & commission income	35.3	31.1	31.5
Other operating income	3.2	2.9	1.6
Results on investments & impairment losses on fin. instr.	(1.2)	(0.2)	(0.6)
Total net revenues	49.3	46.0	41.5
Employee expenses	12.0	11.2	11.0
Depreciation & amortisation	8.7	8.5	8.5
Other operating expenses	10.7	11.2	9.3
Total operating expenses	31.4	30.9	28.8
Profit (loss) from operations	17.9	15.1	12.7
Other non operating income	(0.4)	(0.4)	(0.4)
Profit (loss) before tax	17.5	14.7	12.3
Tax expense	4.3	3.5	3.1
Net profit	13.2	11.2	9.2
IFRS amortisation	7.0	7.0	7.0
Fiscal goodwill amortisation	0.7	0.7	0.7
Adjusted net profit	20.9	18.9	16.9
Cost / income ratio	64%	67%	69%
Cost / income ratio excl. IFRS amortisation	49%	52%	52%

As you may see, we will come to most elements later in the presentation, but to highlight three things: the net interest income is a little bit lower in the second quarter. Of course, we will now see some pressure coming up on the interest income because of changing part of the bond portfolio for bonds with a lower risk profile. The commission income was better than it was in the first quarter. We are happy to see it. It was mainly driven by the high volatility in the month of May. Total profit amounts to €20.9 million and we have a cost/income ratio of 49%.





Highlights FY10 Q2: Retail Netherlands

 Retail NL 	<ul style="list-style-type: none"> Growth in brokerage accounts <ul style="list-style-type: none"> Brokerage accounts FY10 Q2: 232,421 Brokerage accounts FY10 Q1: 225,917 	+6,504		3%
	<ul style="list-style-type: none"> Growth in asset management accounts <ul style="list-style-type: none"> FY10 Q2 accounts: 12,707 FY10 Q1 accounts: 11,913 	+794		7%
	<ul style="list-style-type: none"> Savings accounts increased <ul style="list-style-type: none"> FY10 Q2 accounts: 72,019 FY10 Q1 accounts: 69,626 	+2,393		3%
	<ul style="list-style-type: none"> Strong increase in # of transactions <ul style="list-style-type: none"> Trades FY10 Q2: 1,801,745 Trades FY10 Q1: 1,511,878 	+ 289,867		19%
	<ul style="list-style-type: none"> Assets under Administration (AuA) <ul style="list-style-type: none"> FY10 Q2: €7.2 billion FY10 Q1: €7.6 billion 	- €0.4 billion		-5%

The number of accounts grew by 6,500. We are well on our way to achieve our target of 330,000 brokerage clients by the end of 2013. Roughly, we need some 28,000 new clients on an annual basis to achieve that target, so we are a couple of hundreds below of what we should have. But we are optimistic and positive that we will achieve our target here.

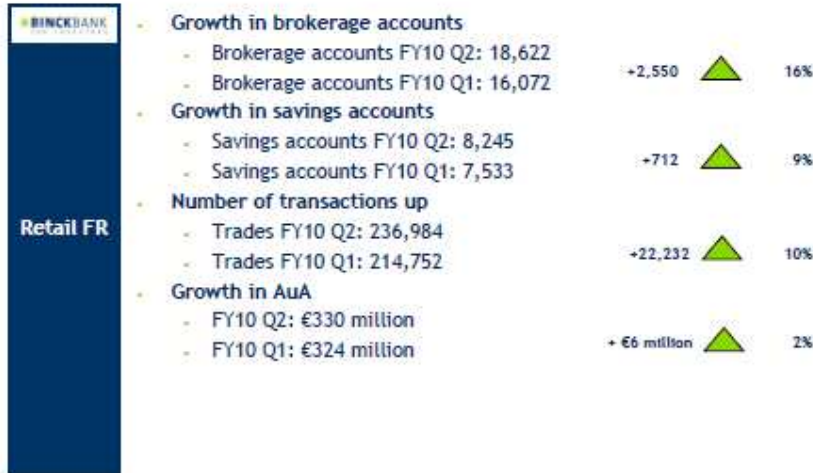
You see a real rebound in the number of transactions, in the Dutch market up from 1.5 million to 1.8 million for the quarter. So, that was an important change.

Highlights FY10 Q2: Retail Belgium

 Retail BE	<ul style="list-style-type: none"> Growth in brokerage accounts <ul style="list-style-type: none"> Brokerage accounts FY10 Q2: 36,786 Brokerage accounts FY10 Q1: 35,141 	+1,645		5%
	<ul style="list-style-type: none"> Increase in number of transactions <ul style="list-style-type: none"> Trades FY10 Q2: 263,470 Trades FY10 Q1: 250,755 	+ 12,715		5%
	<ul style="list-style-type: none"> Small decline in AuA <ul style="list-style-type: none"> FY10 Q2: €980 million FY10 Q1: €1,005 million 	- € 25 million		- 2%

In Belgium the number of transactions remained relatively stable, a little bit over the first quarter with 260,000. So, we are on our way to one million transactions on an annual basis, which is close to our competitor Keytrade. Keytrade publishes its results only once a year, so it is a little bit hard to say whether we already caught up or still have a couple of transactions to go. But we are on track in trying to beat Keytrade.





Highlights FY10 Q2: Retail France



I already mentioned we have new information on the site and that we have a new application with BinckTrader. We hope to introduce SRD in the coming weeks if all testing will be successful. Here we see that we need to achieve our target of 80,000 accounts; a few more accounts to open in a quarter than we achieved in the previous quarter. With SRD we are optimistic to have the set complete to get the customers in.

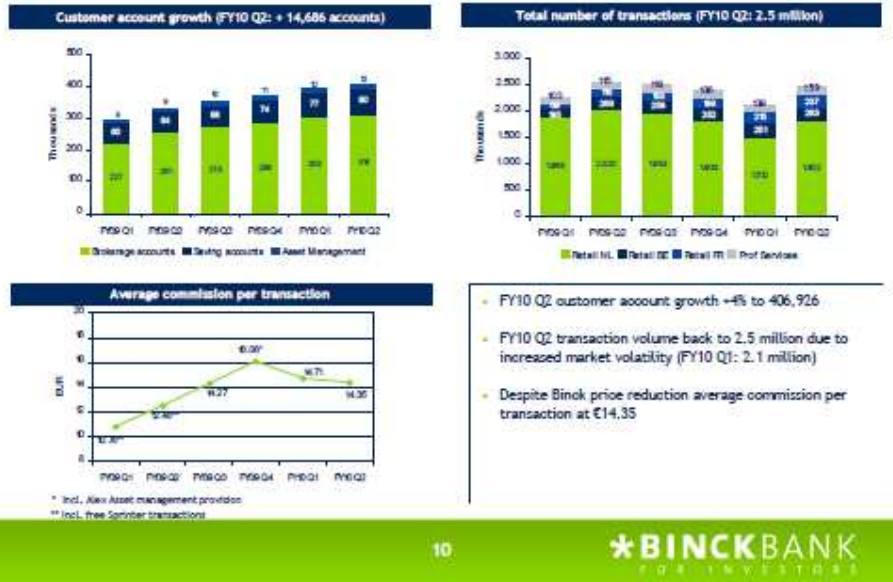
With 236,000 transactions it is already nearing Belgium. In Belgium we have been in business for four years now and in September we will have been in business for two years in France. We are still very happy with the number of transactions in our French business. It is really on a very high level.

Highlights FY10 Q2: Professional Services

 Professional Services	<ul style="list-style-type: none"> Brokerage accounts <ul style="list-style-type: none"> Customer accounts FY10 Q2: 26,126 Customer accounts FY10 Q1: 26,038 	+ 88		0%
	<ul style="list-style-type: none"> Number of transactions up <ul style="list-style-type: none"> Trades FY10 Q2: 158,624 Trades FY10 Q1: 139,330 	+19,294		14%
	<ul style="list-style-type: none"> Growth in AuA <ul style="list-style-type: none"> FY10 Q2: €3.5 billion FY10 Q1: €3.4 billion 	+ €0.1 billion		3%

Professional Services are growing the business gradually. You see the number of transactions is up but basically more important are the deals they are doing. These fit in very well into our strategy. We want to get as many transactions as possible on the platform. If you look at the deal we have with BeFrank, you see this is bringing more transactions to the platform. Also the deal with SNS is bringing more transactions to the platform. So, it is more a matter of concluding the agreements and getting the business on the platform over time, but Professional Services had a solid quarter with the number of transactions going up.

Drivers of BinckBank commission income



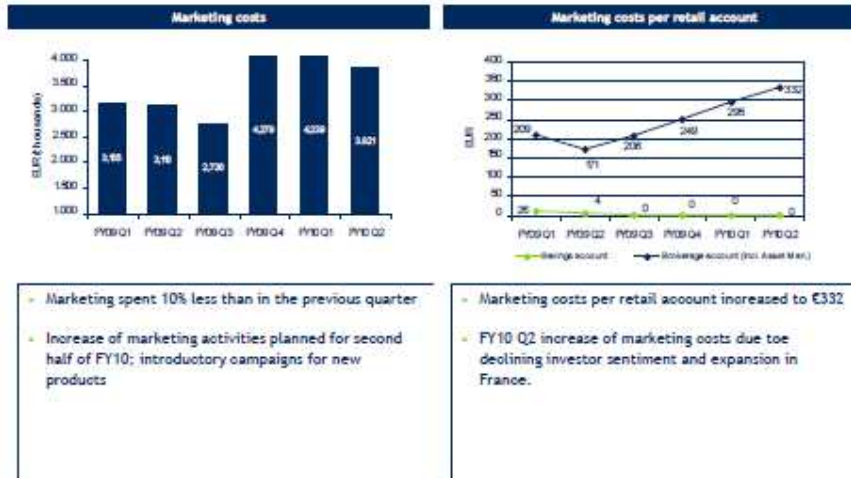
You see an ongoing growth of the number of accounts. The number of transactions came back to 2.5 million. Maybe more important is the average commission per transaction. Here you see reflected that the price cut has not really hurt our average commission per transaction very much. We are down from €14.71 to €14.35, so we only see a small decrease in average commission income per transaction. That is an important number.

Assets under Administration



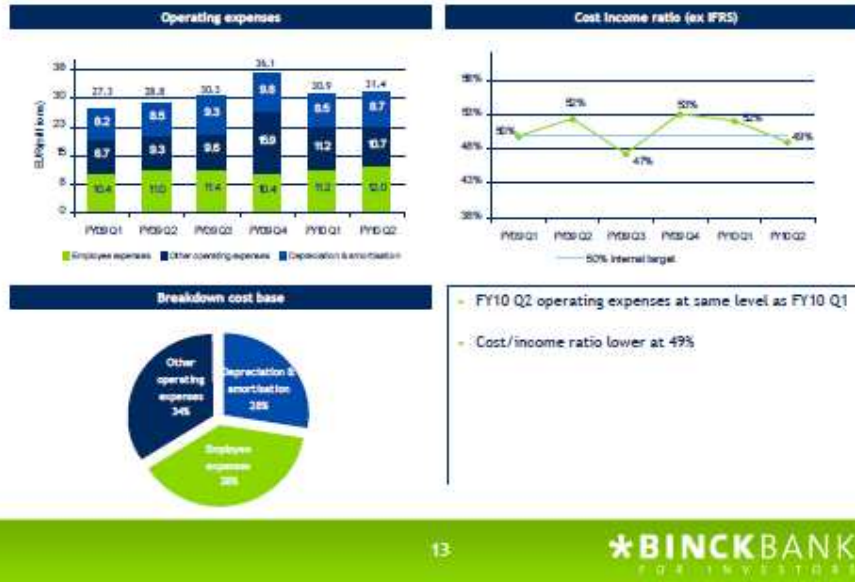
The Assets under Administration came down a little bit. The AEX came down more, but the AEX is not the only relevant index for our business, e.g. through our French and Belgian business. A lot of investors invest in worldwide but we have put the AEX in the graph. You see it came down, whilst our Assets under Administration almost remained at the same level.

Marketing costs



We had a small reduction in marketing costs in the second quarter. That also has to do with the fact that we want to put more money into our marketing once we have SRD in the market. So, we have saved a little bit in the second quarter, but we want to put some extra money in in Q3 and Q4 once we have the SRD product. You see it has been more costly to get new clients in with €330 per account but that is still a pay-back period, which is far below one year.

Operating expense & Cost/Income ratio



The total costs have risen from €30.9 million to €31.4 million. So, costs were up roughly 1%, so we were able to control the. The cost/income ratio came down to 49%, so that is a movement in the right direction.

I now hand over to Evert for our financial position.

Part II

Financial position

Mr **Kooistra**: Our financial position is a topic that has been well discussed this morning with all these stress tests for banks coming out.

Solid financial position BinckBank FY10 Q2

- Solid equity position at end FY10 Q2 €472.2 million
- Tier I capital grew with 11% to €116 million (FY10 Q1: 104 million)
- Solvency ratio FY10 Q2 13.4% (FY10 Q1:13.0%)
- Capital Adequacy and stress testing

BinckBank had a solid position at the end of Q2 with €472 million in equity. Equity came down a little bit due to payment of the final dividend of €0.31 per share. The Tier 1 capital grew up to €116 million, roughly 11% increase and our solvency ratio increased to 13.4%. Our BIS ratio is 20.7% at the moment.

With regards to capital adequacy and stress testing we have performed all our internal stress tests in the second quarter in our ICAAP-process, one of our standard procedures as we perform stress testing. We have done our internal stress tests and we have passed them all. In the third quarter we will report on the details of the stress testing. We do that once a year and we publish a separate report on it.

We have also volunteered in the European stress test. I cannot share the exact results with you because we have not yet validated them and discussed them with DNB, but we have run the test with exactly the same parameters all the other banks have done. I can inform you that the Tier 1 and the BIS ratio under stress will be well above the current Tier 1 and BIS ratio. There are a couple of reasons for that.

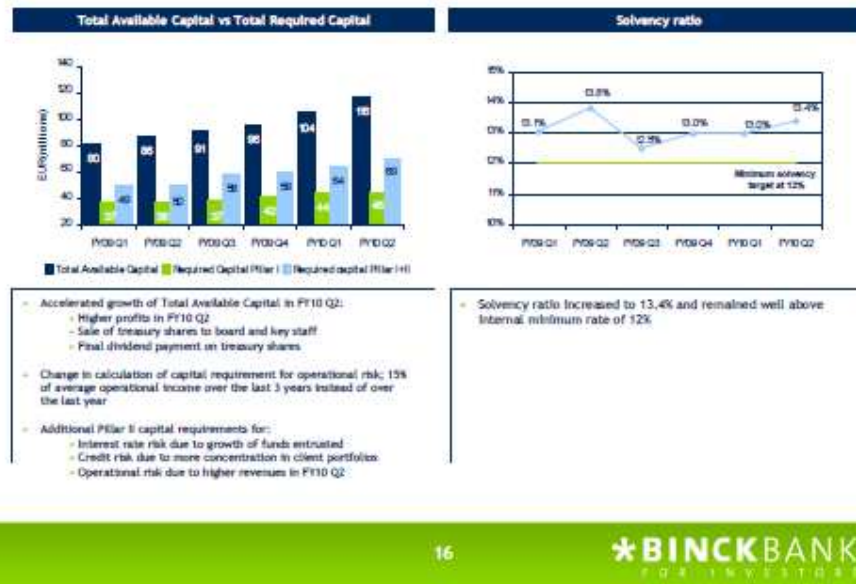
First, the measurement moment is 31 December 2011, that is eighteen months from now. So, in one year and a half we will add at the minimum €40 million to the Tier 1 from the depreciation of the intangibles plus any profits we retain. Secondly, a lot of stress parameters focus on the trading book and we do not have a trading book. With respect to the banking book one of the stress parameters for example is a downgrade of the investment portfolio. The majority of our portfolio is Triple A and the stress test is one notch down. So, you go from Triple A to Double A or Double A+. It will not hurt us that much and it does not require a lot of capital.

We have passed the test very well and we will publish the results together with the BIS report in Q3, once we have validated the results and have discussed them with DNB.

We also restructured our investment portfolio in Q2. We brought down the exposure on Spain and Ireland from €400 million back to €160 million. With the current €160 million

we feel comfortable. In the third quarter these €160 million will further drop because some of the bonds will mature, so our position will drop to €75 million at the end of Q3. The position that we hold is not on any of the Spanish banks that did not pass the test, so I can conclude that the financial position of BinckBank is solid at the moment.

Capital position & solvency ratios



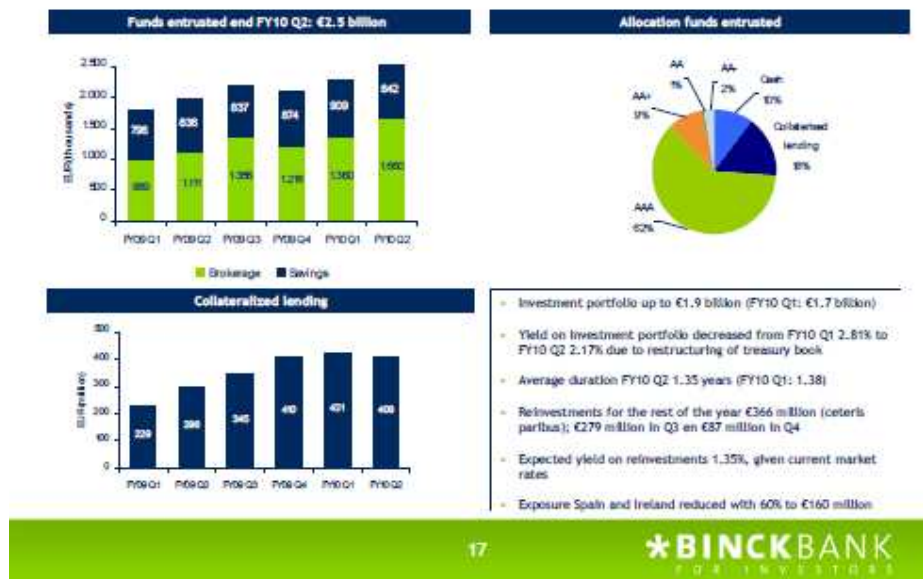
On the top left of the graph you see that Tier 1 capital increased. There was a little acceleration in growth in the second quarter that had to do with a higher profit than in the first quarter and the sales of shares to the Board and key staff as part of the incentive programme. The final dividend that we paid was part of our treasury shares, so we added that back to the capital.

You can take from this graph that Binck has a high capacity to absorb any losses. The stress test teaches us that a 6% minimum BIS ratio is comparable to a Tier 1 of €35 million with the current risk rated assets. So, there is €116 million in Tier 1 capital. €35 million in Tier 1 gives us a BIS of 6%, so you can absorb the differences in losses, in other words €81 million. The worst outcome under our own internal stress testing is €75 million in a combined worst case scenario. So, that is a solid position.

There was a small increase in the Pillar II requirements, the interest rate risk increase, due to the fact that funds entrusted have grown with €200 million in the second quarter. There was a bit more credit risk on the portfolio, on the collateralised loans. ING, AEGON, Arcelor Mittal and also Royal Dutch were very popular. The effect we see for the last three quarters is this concentration around three, four or five popular stocks.

We also had a change for the uplift for the operational risk. We used to calculate the operational risk as 15% over the revenue of the last year. That has been changed to 15% over the average of the last three years. That means a lower requirement for operational risk.

Allocation of funds entrusted



Here we see a growth of the funds entrusted with €200 million. That is partly due to the fact that Alex Asset Management changed its allocation and went partly cash in the financial crisis. For the rest you can still see 60% in Triple A invested.

Collateralised loans came down slightly. We have renegotiated rates with two big clients and they borrowed at a very low rate and they booked their position to another bank. So, that money flew back into the treasury book where it yields better than in the collateralised lending.

Let's move over to the commission income analysis.

Part III

Commission income analysis



There has been a lot of discussion amongst you about price pressure and how the price cut would work out.

Commission income analysis

Alex & Binck

Commission income

x € 1,000	Proforma	Proforma	Proforma			
	Alex & Binck FY05	Alex & Binck FY06	Alex & Binck FY07	Binck FY08	Binck FY09	Binck FY10 H1
Commission income	95,440	133,939	155,580	139,577	172,710	90,170
Commission expenses	(28,190)	(41,160)	(44,638)	(38,396)	(43,470)	(23,714)
Net commission income	67,250	92,779	110,942	101,181	129,240	66,456
Commission margin	70%	69%	71%	72%	75%	74%

The landscape is changing; there was more competition coming up. We have reduced our prices and we have reset our position against the large banks, so we are losing income on the commission income side. However, a very important element is that there is also price pressure on the cost side.

Our biggest purchase component is stock exchange and clearing cost, the money we pay to Euronext for the clearing. Also there we see price pressure. You can take two important elements from this graph. There are five years in a row of commission income versus commission expenses. The first three years are pro forma, because Alex and Binck were not together. As from 2008 and 2009 onwards we have the new combination. When you take commission income and expenses in 2007 you see €44.6 million. When you take the commission income at the end of 2009 you see €43.5 million. It is an absolute decrease over a period of two years' time of roughly €1 million, while our income has grown from €155 million to €172 million. So, commission income went up and stock exchange clearing cost came down.

There are two effects in there. The first effect is synergies out of the Alex and Binck combination and the second effect is pricing pressure on the Euronext-side. Euronext has lowered its tariffs since we announced the TOM initiative and Chi-X becomes more powerful. You see clearly price pressure on the Euronext side. So, there is not only price pressure in this line but also on the second line. That is an important metric to watch going forward.

You see that in the first half of 2010 we are at a 74% margin. So, it looks like it that the negative impact of the price reduction is not that bad. But it is only one quarter, so it is a bit early to draw final conclusions. But the first signs are well and that has mostly to do with price elasticity. The volumes went up when we decreased the prices. That is what we also saw in the price cuts in the past, in 2006 and before. It always resulted in increased volumes and accelerated client growth.

So, we are pretty happy with the margin that came out of the second quarter.

Part IV

Business segmentation



We have something new: business segmentation i.e. how our business is growing and growing. We are continuously changing the organisation or adapting it to the new growth and to the international roll-out.

Segmentation information changed

- The segment information changed, following a change in board member responsibilities
- Syntel used to be the responsibility of board member Pieter Aartsen (Professional Services) and is since FY10 Q2 under the responsibility of Koen Beentjes (CEO)
- Reasoning for the switch to Koen Beentjes is:
 - Syntel services both the Retail and Professional Services business unit, and external customers;
 - BinckBank would like to strengthen the co-operation between the BinckBank IT department and Syntel software development
- Syntel results were part of the Professional Services business unit. From FY10 Q2 onwards Syntel results will be reported under "Group Activities"

One of the things we have changed is the responsibility for Syntel. Syntel used to be directed by Pieter Aartsen, our Board member for Professional Services. Now the responsibility has shifted to Koen, basically for two reasons. Syntel is becoming bigger and bigger, so it needs attention. Pieter is also very busy with all the BPO-deals. Syntel services both Retail and Professional Services. Koen already directed IT on Binck's side, so in order to strengthen the cooperation between the Syntel software development and our own internal IT development it is better to bring the two groups under the direction of Koen.

That change in Board responsibility also affects your accounting, so we had to take Syntel out of the Professional Services business unit. While doing that we have revised our entire allocation method, so we have reviewed all allocation keys to allocate overhead costs to the Retail Division to the Professional Services Unit. So, we came up

with a completely new segmentation structure with improved keys that give better insight in the performance of both divisions.

Business segmentation

- **Retail**
 - Contains revenues & costs directly attributable to Retail and cost allocations from group activities (IT, Back Office, Support functions)
- **Professional Services**
 - Contains revenues & costs directly attributable to Professional Services and cost allocations from group activities (IT, Back Office, Support functions)
- **Group Activities** consists of:
 - Group Treasury results (result from financial instruments)
 - Syntel revenues (other income)
 - Syntel costs (opex)
 - Extraordinary costs like for example “Depositgarantiestelsel” contribution

You see that Retail now contains all revenues and costs directly attributable to the Retail group, plus cost allocations from IT and the back office and any supporting units, like Finance, Internal Audit and legal departments. The same goes for Professional Services and Group Activities is basically the rest. Syntel results are in there but also Treasury Results or any one-off results, like the provision we had for the deposit guarantee system last year. These things are typically difficult to allocate and it does not make sense to allocate them to one of the division. So, we keep them in Group Activities.

If you look at the numbers you have to take that into account. We have also adjusted all comparative numbers. So, for 2009 comparatives are adjusted. It is a real apple-to-apple comparison.

Part V

Events after 30/06/2010 & outlook



Mr **Beentjes**: It is hard for us to give an outlook. In the last two quarters we saw how dependent we are on the volatility in the stock markets. This is immediately driving our commission income. We will keep focused on customer growth; we will spend a lot of time on innovating products and introduce new products in the markets. We will move on with Professional Services. They have done a lot of deals. There is a lot of interest in the market for the Professional Services business. In our mid-term target we have said that we wanted to conclude two agreements per year. We are well on track. The European roll-out is ongoing. We want to complete the study for the fourth country this year with the goal of starting the building of the next country in the year after, so in 2011.

I think we already touched upon most of the events after the end of the second quarter.

Events after 30/06/2010 and outlook 2010

- On July 1st interest rate on the Alex savings account was reduced from 1.7% to 1.5%
- On July 6th BinckBank and Delta Lloyd announced a new joint venture for group defined contribution pension schemes (second pillar): BeFrank
- On July 9th BinckBank cancelled 1.568.928 shares; total number of issued shares 74.500.000
- On July 13th ABN AMRO Clearing Bank NV became shareholder of TOM
- In the second half of 2010 more introductions of new products and website updates can be expected
- Management focus stays on:
 - Further customer growth
 - Innovation of products & services
 - Further expansion Professional Services business unit
 - (Preparation) for European roll-out
 - TOM

We reduced the interest rate on the Alex savings account to 1.5%. We announced that we would work together with Delta Lloyd in the pension business with BeFrank. We are very excited about this new venture with Delta Lloyd, we think that this is a real growth market. We see the market moving towards defined contribution and we believe that with our platform in combination with Delta Lloyd we can play an important role.

The other one is more or less for the record: we cancelled 1.6 million shares and we are now at a real round number of 74.5 million. ABN AMRO participates in TOM. These are the most important things after 30 June. Management will put all focus on growing the business further.

Let's move to the last part now, the QandA session.

Part VI

Q&A

❖ Benoit Petrarque - Kepler

Good morning, I have a couple of questions. The first is on the pricing in the Netherlands. I would like to have your view on pricing in the coming quarters, especially again at Alex , do you feel comfortable with the prices at Alex? Unfortunately, we do not have the level of activity for Alex' clients but do you think clients are still happy with the pricing?

My second question is on Belgium. We have seen Keytrade becoming a bit more aggressive. They now offer free trades for a couple of months. Do you see things becoming more aggressive in Belgium?

Until the end of September you now have in France free transactions for the rest of the year if French clients open an account with you before end of September. Could you give us an update on this campaign, how things are going? We have seen little effects in Q2 but we will see more effects in Q3. How do you see your pricing going in France?

My second question is on the yield on the investment portfolio. It is now down at 2.17; when are we going to be in 12 months time, could you give a bit of communication on that?

My last question is on the comprehensive income, which is a small negative mainly due to an annualised loss on the portfolio. I did not expect that because yield went down on risk free papers, so can you give us the reason for this drop?

Mr **Beentjes**: After reducing the prices at Binck we have seen some reaction in the market that Lynx basically restated that they reduced prices and that ABN AMRO came with a new pricing structure. We do not see further pricing pressure in the market at the moment. If you look at Alex we do not feel pressed for a price change but you will have to be aware that the large clients with Alex have special deals. So, the most important clients at Alex have deals that are at least comparable to the Binck deals. The positioning of Alex is different than Binck's and that means we have other prices for these services at Alex's.

Mr **Petrarque**: Do you see more clients asking for special offers?

Mr **Beentjes**: We do not, actually. We have had some of course after the price cut with Binck but not many clients are coming to us for other deals. The most important clients already have those deals.

Let me start with France. Yes, in France we have been aggressive with free transactions for the rest of the year. We have seen we have been copied by the competition. We are not going to change our prices further in France. We already have very low prices, so there is no need to make any price change over there.

In Belgium we see that Keytrade more or less copied our French action, so we will basically go on with the marketing we are doing right there. Part of that marketing campaign was that we had €1000 free transactions in Belgium. Of course, we will come up with something but that will be our own agenda.

To conclude on the pricing side of the business: we feel comfortable with the pricing structure we have now in place.

Mr **Petrarque**: In France you started the offer about one month ago. Will you see a significant increase in the number of accounts in Q3?

Mr **Beentjes**: I am afraid I cannot give you any details on Q3. You will just have to wait. We are putting the cards on basically after the introduction of SRD. That is important for us. There we want to catch up.

Mr **Kooistra**: You had two other questions on the yield. The yield is 2.17% and it will indeed be further down to 1.5%. Market interest rates have come down further and with our current risk profile we can make more than 1.35%.

We have reconsidered our strategy, whether we go for interest yield or for the quality of the balance sheet. In May the markets went down and we sold part of our portfolio of Spanish and the Irish bonds. I think in the longer term we are better off with the quality of the balance sheet than with taking more risk on the investment side and maximising the interest line. Big banks are only going to outsource their back office to you if you have a high quality balance sheet. In the longer term we make more money out of BPO-deals than out of interest from bonds. That is why we went back to our original strategy, which was to have very, very, very, safe investments and at the cost of interest.

The comprehensive income statement indeed shows a loss of €20 million. That was the financial crisis in May. We have been hit very hard. Even the newspapers this morning were talking about it; the crisis was much tougher than the one we saw in October 2008, with one difference. This was a real institution crisis instead of a retail crisis. The liquidity in the market dried up and governmental bonds were out of business. These €20 million evaporated from the balance sheet. The bonds we had increased in value over time. If you put the numbers on your list you will see that in 2008 we had €14 million unrealised gains in the balance sheet. We added another €11 million in unrealised gains in 2009 and even in the quarter of this year we added €5 million in unrealised gains. Suddenly, the crisis came in May: €20 million was dropped out. So, the unrealised gains from the balance sheet evaporated in the financial crisis. A big chunk of that related to the Spanish and Irish bonds. At the end of Q1 they had a big unrealised gain on them. To give you an idea: some of the bonds were valued at 112% or 108%. They were really in the plus and they came down all the way below nominal. A smaller effect in there is that some of the bonds come to their maturity date and then the unrealised gain evaporates because the bond comes to nominal. A third effect is that the number of bid/ask spreads have increased. So, the bid prices are lower for all the bonds in the portfolio and the IFRS accounting rules forces you to value on bid prices. These three effects caused the €20 million drop. At the end of Q2 there is still an unrealised gain of €2.8 million in the balance sheet.

Mr **Petrarque**: The reason I am asking this is that on Basel III you see the negative effects from your core capital. I just want to make sure we are not going to ... over €10 million...

Mr **Kooistra**: This one does not influence your Tier 1 capital because it is reversed out of capital. So, the unrealised gains...

Mr **Petrarque**: Under Basel III it will not be allowed to reverse it anymore. We have seen the worse?

Mr **Kooistra**: We do not know yet. Let's hope there is not another crisis coming up, but nobody knows. But this is where we are at the moment.

Mr **Petrarque**: Thank you!

❖ **Maarten Altena - SNS Securities**

Good morning. I have three questions. I know there is a decelerating client growth, all basically in the Netherlands, Belgium and France. I am particularly interested in the French development. Are there any particular cases you wish to take into account that took place in the second quarter? I was expecting an accelerating client growth after all the legal cases came to an end. What will be your expectations on the SRDs, maybe in terms of the number of transaction or, if you cannot provide that, a relative split between equities and SRDs going forward?

My second question is on the collateralised lending. Can you qualify the impact on the two big parties that left or otherwise adjusted for these two parties would the collateralised lending be stable or increased? What are your expectations going forward, given the favourable lending rates at some of your competitors? Can we expect more of these kinds of moves?

Thirdly, do we have to take into account the material impact in the third quarter from the P&L of the 12.5% stake you sold to ABN AMRO or will it be neutral?

Mr **Beentjes**: I can answer your second question rather quickly. Without the two specific clients we mentioned it was more or less stable.

The number of clients in France was 2.600 and on an annual basis that is a little bit over 10,000. To reach our target in France we need 16,000 new clients on an annual basis, so we are lagging a little behind our own target, but without SRD. What we are positive about is that with SRD we will be able to get those 16,000 clients in we need to achieve our target of 80,000. So, yes growth has been a little bit below the target but we are

putting on SRD, as I said. There we need to have 16,000 annually and we think we will get them.

I cannot give you details on the exact number of transactions we expect over there with SRD, but I can tell you that Boursorama apparently takes 40% of its income out of SRD services. So, that is a number we would to achieve. It would be a nice number.

On the collateralised lending...

Mr **Altena**: Two of your big clients left. Do you expect more clients to look at other competitive rates?

Mr **Kooistra**: No, this was a one-off where we individual discussions on the price with the clients. They were lending at low rates. We wanted to increase the rates and they choose to go to another bank.

Mr **Altena**: And that would not force you to lower your rates yourself?

Mr **Kooistra**: No, actually we are better off; the money that has been freed up is now put in the investment portfolio. It yields better in the treasury book than in the loan book. So, it is going down but the drop does not hurt the interest line.

I am not sure whether I understand your question with regard to TOM.

Mr **Altena**: Will the divestment of the 12.5% stake have any material impact on the third quarter results?

Mr **Kooistra**: No, we just diluted as a shareholder. TOM issued shares -- 25% -- to ABN AMRO and as a shareholder we diluted. The impact on the P&L is that the operational losses -- because we are still in the start-up phase -- are now shared by three parties instead of two parties. So, there is a slight positive effect. But that is not the reason; the reason that it gives more power to the business case of TOM because ABN AMRO provides the clearing solutions and they have the option to put also flow on the platform. They invest a very solid party entering the business case of TOM. That also helps in the discussions with Euronext regarding the licensing.

Mr **Altena**: Thank you!

❖ **Maurits Heldring - ABN AMRO**

I have three questions. The first is on the operating costs that remained more or less stable in the second quarter. Can you give us any idea about the developments in Q3? You talked about maybe a step-up in marketing costs; could you indicate what kinds of

costs are associated with the potential introduction of the SRD product? Should we see a significant rise in Opex in Q3?

Secondly, just coming back on the point of France, the action to allow customers to trade freely until the end of the year. What is the rationale of doing that now? You have high hopes of the SRD introduction, so why starting actions before having that product on the market?

Finally, a question on TOM. If I understand correctly there are still not a lot of stocks trading on the platform. I see there is hardly any AEX-stock. What is the reason for that? Are there technical difficulties? Can you elaborate on the technical situation at TOM and the reason for the apparent delay in stocks being offered?

Mr **Kooistra**: I cannot say anything about Q3. I am looking at our Investor Relations officer: did we disclose our marketing budget?

Mr **Beentjes**: Yes, we did.

Mr **Kooistra**: That is €17 million for the whole year. We will probably use it all, so the difference between what we have spent now and the €17 million is what we are going to spend in the second half of the year. I cannot give you any details with regard to Q3.

Mr **Heldring**: And any costs related to the SRDs are included in this figure?

Mr **Beentjes**: yes, those are marketing costs, yes.

Mr **Beentjes**: Your second question was why we have the free trades. There are two answers to that question. Of course, we do not want to wait until September to get new clients in, if that would be the date when we introduce SRD if all testing goes well. We do not want to sit and wait. That is why we have marketing campaigns. This campaign is very attractive to the clients and affordable to us. We have the platform in place, so we have only the marginal costs on a transaction and these are relatively low. These are the stock exchange and clearing costs of the transaction. So, it is a very attractive offer for the client and it is an affordable way of marketing for us. There you see that a lot of competitors have copied it. If someone does a hundred transactions it will cost us €200 altogether in the stock exchange and clearing costs, etcetera. So, it is a relatively affordable acquisition possibility. TOM, yes, it is slower than we thought. We have had technical problems but the good news is that we hope that we are now in the stage of mastering them.

Mr **Heldring**: And what are the technical issues?

Mr **Kooistra**: That has to do with the configuration of the smart order router. But there is also another thing going in and that is an upgrade to the MTF. TOM was a broker and obtained a licence for MTF, for shares. So, you have to adapt your software. We are taking two steps at the same time. The initial configuration is being upgraded and we are upgrading the software for the MTF. It needs to handle multiple flow and liquidity providers.

Mr **Heldring**: So, you should expect everything to be working somewhere in Q3?

Mr **Kooistra**: You never know with software.

Mr **Kooistra**: But we are good at it! The target is to get it up and running as quickly as possible. To be honest, I do not think it is the software. It is the licence for the derivatives. We are in the process of applying for it. That is the most critical issue to overcome.

Mr **Altena**: You still aim for 2010

Mr **Kooistra**: Yes, but we are dependent on the cooperation of for example Euronext. They are not particularly cooperating. Those discussions will become tougher as we go into the second half of the year.

❖ **Thomas Nagtegaal - RBS**

I have a couple of questions. First of all, in the press release you mentioned there were some exceptional costs in the cost base in Q2. Were these material?

My second question is a follow-up on costs going forward. Personnel costs have increased significantly quarter on quarter during the last six months. Could you say something about those going forward? If this trend continues you are looking at a 15% year on year increase on a full year basis?

My third question is on commission income. In the press release you mentioned that you have seen a lot more option transactions than you expected. Did that have a positive impact on the fee per transaction and how structural do you think that is?

Finally, on the concentration risk: could you indicate how much of the required capital is allocated to that specific item?

Mr **Kooistra**: There are some one-off costs, which have to do with the office move. It is not material; it is a couple of hundred thousand to break down this building and bring it

back to its original state. The landlords on the Hoogwerfdreef required putting a deck. So, we took provisions for those. We also took provisions for the rental of the Hoogwerfdreef for the fourth quarter, because we are not using the office anymore in the fourth quarter. In total it is 300,000 to 400,000 in provisions on a total cost base.

Mr **Beentjes**: We hope staff cost will not increase at this pace. One of the major increases is with Syntel. There we have had a lot of new staff in over the last year and that is pushing staff cost up. In general, we also have an increase in staff numbers because of all the projects we are doing. Professional Services have somewhat grown, France has grown somewhat but we should not be growing at a pace of 15% in cost on an annual basis. But here specifically Syntel is a large proportion of it.

Mr **Kooistra**: On the concentration risk: in Q3 we will provide our risk report. You will see the detailed calculations of all individual risk components, but it is €8 million for the concentration risk. Pillar II has a total requirement of €24 million and €8 million of that is related to concentration risk.

Mr **Beentjes**: The commission income: we have seen a high number of small option transactions. There are people who are trading one option at a time. That has increased over 40%, so that is really a significant increase in numbers. For such a transaction you get 2.90, so there is a downward pressure on the average income per transaction. That was at 14.35 and in the previous quarter at 14.71. So, you see some new transactions coming in because we do not have a minimum anymore.

Mr **Nagtegaal**: And what exactly does then explain the fact that despite the fee decline and the average stock exchange decline we still see a roughly stable fee per transaction? Has there been a change in the size of orders?

Mr **Beentjes**: You would have expected a lower average.

Mr **Kooistra**: There are two things that we discussed last time, two effects that can place. One is increased volumes but also increased order sizes. The prices have come down because the variable part of the pricing has come down as well. You see the net effect: it is roughly €0.40 but that is still a lot of money with 10 million trades per year. It did not come down that much, so it probably has to do with order sizes. It is difficult for us to analyse all these details and ring fence all these effects, but these two things have worked out well.

❖ **Raoul Huysmans - ING**

I have a couple of questions, first of all on the level of volumes and the number of transactions throughout the quarter. What was the trend there? You mentioned that in May you saw nearly one million. When we look at the markets, April was also good but June was less good.

Secondly, also on the operational expenses. Others already touched upon the subject. You mentioned that your employees are +14% but the employee expenses were only +9%. What happened exactly and what do you expect going forward?

Lastly, on ProTrader. How is it developing in terms of the number of transactions and what is the feedback of clients?

Mr Beentjes: On the volumes what you suggested is right. May was very good at least 1.5 million compared to other months. What I recall is that April was somewhat better than June. June was a bit sluggish. That is correct.

Mr Kooistra: There is 9% increase in the cost and a 14% increase in the number of FTEs. So, we are adding more. The business is growing, so personnel costs will grow over time. Belgium and France are growing, so we are adding staff. The average cost per employee is under control but it is a growing company.

Mr Huysmans: It is also a timing issue. You added more people towards the end in that sense.

Mr Kooistra: I have no particular views on when they exactly entered the company but in general, on a year on year basis the company is growing. The most important metric is the cost/income ratio. The cost should not grow further than the top line. But again, it is a growing business.

Mr Beentjes: On ProTrader it is not an incredibly huge number of clients. We have invited our best clients on the Binck side, who are using the Binck trading application, to change the application and use Binck ProTrader. So, the number of people in there is not that huge. The result is that the people who are using the application are quite happy with it.

❖ **Tom Muller - Theodoor Gilissen Bank**

You have now consolidated Syntel within the group results. What is the reason that you do not separately give the numbers for Syntel?

Mr **Kooistra**: We steer the company from the top. Pieter does Professional Services and Nick Bortot does Retail. Koen and I have the back end of the bank. Our internal management reporting is built up in exactly the same manner as we report externally. This is how the responsibilities in the company have been set. So, Koen and I are responsible for the group activities.

Mr **Muller**: So the visibility on the item is less than?

Mr **Kooistra**: No it is not less. It was in Professional Services and now it is in Group Activities. But the majority of the Group Activities relates to Syntel. There is Treasury and you can see the Treasury results. The cost side is basically Syntel.

❖ **Maarten Altena - SNS Securities**

I have a follow-up on the SNS BPO contract. In the press release you said discussions with SNS Bank will be concluded shortly. Are there any difficulties you face, given the current time span or is there any chance that the account will be cancelled?

Mr **Beentjes**: No, the issue is that is depending on how far you go in 'functioneel ontwerpen', the functional design of the system. Normally, we don't go that far as we are going now. The difference is that at the moment we conclude the agreement with SNS we have almost a complete functional design. Normally, we do that later in the process. Then we first make the agreement and then the functional design. There is no cancellation and there is nothing strange going on. But we just take a little bit more time.

Mr **Kooistra**: They want to have a lot of details in the contract and the only way to work out the details is to design the whole system and then put those details in the contract and agree upon it. Normally, the contract is a bit of a higher level and then you do the design of the system once you go into the execution phase. But they have a lot of details requirements that they want to have.

❖ **Benoit Petrarque - Kepler**

I have a question on the unrealised gains went down at 20 million. Did you sell off bonds like the ones on which where you had unrealised gains? Did you sell some of them to compensate for losses on the Spanish and Irish? You said the gains and losses were left to the P&L.

Mr **Kooistra**: There are some plusses and minuses in there. It is the net result on the whole structure. We structured the portfolio in the second quarter and this is the net result of it.

Mr **Petrarque**: How much of it was gain and how much was losses?

Mr **Kooistra**: We cannot disclose that.

❖ **Johannes Thormann - HSBC**

Good morning. I have two questions, first of all concerning the impact of the pricing model change. Is it fair to assume it is roughly a run rate of €1 million now if you say it is less than the €5 million you draw in your worst case scenario or do we have to factor in any impact from market cap on your pricing model as well?

Secondly, in terms of your international expansion: it seems that you are just hoping for the success of SRD in France. Is there any back-up solution if it does not happen or if it is delayed further?

Thirdly, under which market conditions will you do your preparations for the European roll-out?

Mr **Beentjes**: Let me start with the first question on the pricing. I am not sure if I completely understood your question on the run rate but we have given guidance that in the worst scenario it would be €5 million on an annual basis. In our first calculations we see that it is below these €5 million. We want to take a little bit more time and a couple of more months to see whether it is sustainable. But that is the first result and that is below the worst case. I did not really understand the part of your question about the market cap.

Mr **Thormann**: Normally, there is an impact from market cap levels on your pricing model. This answer is enough. Thank you!

Mr **Beentjes**: On the international expansion or the SRD in France: we are not really betting on one horse, but this is a really important issue. We have introduced BinckTrader, we have introduced a technical analyses and we have introduced information from ZoneBourse. So, we already did a couple of things. We believe that this is not enough and that it should be completed with SRD. It is not the first and only thing we are doing but it is basically four in a row. Currently, that is what we believe should do it. In that respect there is no back-up plan.

Mr **Thormann**: Thank you.

Mr **Beentjes**: Your last question was on the preparation of the international roll-out but could you please repeat that one as well?

Mr **Thormann**: Normally you say you have to be successful in one market before we go on to the next. So, you will wait for SRD to be successful to look at the next market?

Mr **Beentjes**: No, we are already a little bit further. We are now conducting the study to define what the fourth country will be. But it is not yet concluded. We are going to do that this year. We are already that confident that France will reach breakeven that we already started the study. That is what we said in the past: we will start the study once we are confident that we will reach breakeven. We are confident and we are conducting the study but it has not been finalised yet.

Mr **Thormann**: Thank you.

❖ **Ryan Palecek - Kempen & Co**

I have a couple of questions. First of all, you have talked at length about the retail pricing pressure that you are finding. Could you just talk a little bit about what kind of pricing pressure you are seeing in the Professional Services segment to the extent that you can divide up among client groups?

Secondly, could you quantify the impact of the marketing actions in the Netherlands in the second quarter?

Thirdly, maybe a softball question but in term of your European roll-out, would you exclude doing another market like you have done in France with the peace meal roll-out and just coming out with the barebones product and then adding features as you go

along at a deeply discounted price or are you looking for a more full service roll-out in your next market?

Mr **Beentjes**: We do not experience pricing pressure in the Professional Services market. We are still more or less the only competitor in the market if it comes to a lot of possible deals. So, we do not see much of a pricing pressure in Professional Services.

Your second question was about quantifying the results of the marketing campaigns in the Netherlands. What did you exactly mean?

Mr **Palecek**: Specifically on the Sprinter action in terms of what you estimate how that had impacted the net commissions.

Mr **Beentjes**: It was very successful in Q2 but it not a major driver for the commission income, because it is only €2.50 for a transaction in the 'Sprinterweken'. It is more to get our clients accustomed to several types of Sprinters than as a driver for commission income growth. It has been successful in those weeks but not from a commission point of view.

Mr **Palecek**: No, but like in the past when you did the free Sprinters for example you exed out what the net commissions would have been without the action. Is there any quantification you could give of the negative impact that it had?

Mr **Beentjes**: We have not calculated this. It will be limited.

Your third question was on the European roll-out. I think there were a lot of reasons for entering France with a product that was not fully fledged, read: the absence of SRD. It also had to do with the acquisition of Alex by Binck, where we had to put a lot of effort and attention to executing that transaction where maybe SRD was late in the French market. If we went to a new market we would prefer to enter it with a product that is fit for that market. That does not necessarily mean that we will have each and every feature a market asks; you can build when you are already in a market. As far as the French roll-out is concerned we may have better had SRD from the start. That is true.

Mr **Palecek**: Thank you very much.

Mr **Beentjes**: As there are no more questions, I would like to thank everybody here at the table and listening in over the web very much for their attention. Until next time.

End of call

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