

# Annual Report 2014



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**AMBITIOUS,  
ENTERPRISING  
AND CUSTOMER-  
ORIENTED.  
THIS IS WHAT  
BINCK STANDS FOR.**



# BinckBank overview



## Profile BinckBank

BinckBank N.V. (hereinafter 'BinckBank') is an online bank for investors that has a market-leading position in the Netherlands and Belgium, is the third-largest online bank in France and also operates in Italy. As an online broker, BinckBank offers its customers fast and low-cost access to all major financial markets worldwide. Moreover, as an asset management bank, BinckBank provides support to its customers in the management of their assets through online asset management services and online savings accounts. In addition to private investors, BinckBank has a leading position in the provision of services to independent asset managers in the Netherlands. BinckBank is listed on NYSE Euronext Amsterdam, and has formed part of the Amsterdam Midkap Index (AMX) since 1 March 2006. At year-end 2014, BinckBank's market capitalisation stood at € 500 million and the average daily turnover in BinckBank shares in 2014 was 237,609.

BinckBank has offices in the Netherlands, Belgium, France, Italy and Spain. BinckBank offers services to private investors under the labels Alex and Binck. Under the Alex brand, BinckBank focuses on Dutch private investors looking to achieve more with their capital. In addition to an extensive investment website, Alex offers savings, asset management and educational courses for investors. Under the Binck brand, BinckBank focuses on active private independent investors in the Netherlands, Belgium, France and Italy, with order execution at competitive rates in combination with extensive facilities, including excellent customer service, a professional investment website with streaming quotes, news, depth of order book, research, recommendations and tools for technical and other analysis. In addition to its services to private investors, BinckBank also offers professional services to independent asset managers, whereby BinckBank can act as service provider and custody bank and can maintain both the account and securities administration for independent asset managers and some institutional customers.

BinckBank has interests in Able (100%), ThinkCapital (issuer of ETFs, 60% holding) and TOM (multilateral trading platform & smart order router, 25.5% holding).



# Key figures

x € 1,000	FY14	FY13*	FY12*	FY11	FY10
<b>Customer figures</b>					
<b>Customer accounts</b>	<b>595,506</b>	<b>551,970</b>	<b>518,771</b>	<b>531,465</b>	<b>433,538</b>
Brokerage accounts	454,964	417,966	401,692	418,426	333,702
Beleggersgiro accounts	2,216	2,219	1,015	2,759	1,340
Asset management accounts	42,890	36,602	22,473	19,007	14,543
Savings accounts	95,436	95,183	93,591	91,273	83,953
<b>Number of transactions</b>	<b>8,617,490</b>	<b>8,164,978</b>	<b>7,769,681</b>	<b>9,709,795</b>	<b>8,854,215</b>
Brokerage accounts	8,542,215	8,122,356	7,739,629	9,630,122	8,800,013
Beleggersgiro accounts	75,275	42,622	30,052	79,673	54,202
<b>Assets under administration</b>	<b>18,538,716</b>	<b>16,124,263</b>	<b>13,383,874</b>	<b>13,034,188</b>	<b>14,124,667</b>
Brokerage accounts	18,100,625	15,629,461	12,885,976	12,399,748	13,304,858
Beleggersgiro accounts	147,707	131,719	73,497	115,509	101,612
Savings accounts	290,384	363,083	424,401	518,931	718,197
<b>Assets under management</b>	<b>1,952,193</b>	<b>2,147,591</b>	<b>1,012,617</b>	<b>689,987</b>	<b>610,034</b>
Asset management accounts	1,952,193	2,147,591	1,012,617	689,987	610,034
<b>Income statement</b>					
Net interest income	28,497	27,686	32,024	38,907	43,587
Net fee and commission income	125,951	137,936	113,663	128,447	126,970
Other income	11,102	11,049	11,980	13,322	13,599
Result from financial instruments	351	7	47	3,167	620
Impairment of financial assets	(168)	32	(2)	(268)	70
<b>Total income from operating activities</b>	<b>165,733</b>	<b>176,710</b>	<b>157,712</b>	<b>183,575</b>	<b>184,846</b>
Employee expenses	56,586	51,556	50,057	50,861	45,480
Depreciation and amortisation	27,675	29,107	35,231	35,463	34,798
Other operating expenses	57,124	53,715	37,139	43,800	44,223
<b>Total operating expenses</b>	<b>141,385</b>	<b>134,378</b>	<b>122,427</b>	<b>130,124</b>	<b>124,501</b>
<b>Result from operating activities</b>	<b>24,348</b>	<b>42,332</b>	<b>35,285</b>	<b>53,451</b>	<b>60,345</b>
Tax	(5,555)	(10,966)	(8,325)	(13,513)	(14,837)
Share in results of associates and joint ventures	12,674	(2,393)	(3,580)	(5,848)	(1,363)
Impairment of goodwill	-	(10,047)	-	-	-
<b>Net result</b>	<b>31,467</b>	<b>18,926</b>	<b>23,380</b>	<b>34,090</b>	<b>44,145</b>
Result attributable to non-controlling interests	87	322	720	120	95
<b>Net result attributable to shareholders BinckBank</b>	<b>31,554</b>	<b>19,248</b>	<b>24,100</b>	<b>34,210</b>	<b>44,240</b>
IFRS amortisation	21,515	21,515	28,196	28,196	28,196
Fiscal goodwill amortisation	4,407	4,407	2,737	2,737	2,792
Other adjustments to net result	-	10,047	-	-	-
<b>Adjusted net result</b>	<b>57,476</b>	<b>55,217</b>	<b>55,033</b>	<b>65,143</b>	<b>75,228</b>
Average number of shares outstanding during the year	70,171,109	70,432,579	72,801,291	74,142,108	74,080,265
<b>Adjusted earnings per share (€)</b>	<b>0,82</b>	<b>0,78</b>	<b>0,76</b>	<b>0,88</b>	<b>1,02</b>
<b>Balance sheet &amp; capital adequacy</b>					
Balance sheet total	3,311,664	3,209,404	2,997,774	3,351,455	3,216,768
Equity	440,247	431,631	455,221	469,523	468,913
Total available capital (Tier I)	225,898	200,693	160,342	160,695	131,257
Capital ratio	37.1%	36.2%	31.1%	31.1%	23.9%
<b>Cost / income ratio</b>					
Cost / income ratio	85%	76%	75%	71%	67%
Cost / income ratio excluding IFRS amortisation	72%	64%	60%	56%	52%

\* As a result of the termination of the sales process of the BPO and software & licensing activities, trading under the name "Able", the assets and liabilities of Able no longer qualify as available for sale under the requirements of IFRS 5. Accordingly, the items presented at year-end 2014 as available for sale have been returned to the original categories in the statement of financial position and income statement.

# KEY EVENTS IN 2014





2 July

Transfer of SNS Fundcoach to  
Binck Fundcoach successfully  
completed

3 July

BinckBank introduces  
Binck turbos

21 July

Declaration of intent for sale  
of Able to BlackFin

21 July

BinckBank sells its interest  
in BeFrank to Delta Lloyd

30 July

Think Global Real Estate ETF  
product of the month at DFT

1 October

Binck France wins the Label d'Excellence  
for the seventh consecutive time

29 October

Announcement of departure of  
chairman of the executive board  
Koen Beentjes on 1 January 2015

16 December

Think ETFs wins DFT Financial Product  
of the Year Public Price

23 December

Binck best online broker in 2014  
according to the Netprofiler  
Internet Broker Survey 2014.  
Alex is number 2

July

August

September

October

November

December

9 September

Preliminary relief ruling on use of 'turbo' –  
Binck may continue to use the 'turbo' name

18 September

Appointment of three  
new supervisory directors

7 November

Cessation of sale process for Able

27 November

BinckBank wins Sijthoff price  
for best financial reporting

# Chairman's message

Dear readers,

Looking back at 2014, we can say that this was an eventful year. There were both internal and external challenges for us to deal with. Whereas in early 2014 the market and transaction volumes were at the highest levels seen in recent years, the middle of the year featured historically low volatility and therefore lower trading volumes. As the year went on however, trading volumes rose again. The major contribution to profit once again came from our online brokerage operations in 2014. We are increasingly seeing that our international presence is bearing fruit, reducing our dependence on the market in the Netherlands. This puts BinckBank in a strong position in case of a wave of consolidation. The arrival of new discounters in the market illustrates the competitive nature of the online brokerage market. In this intensely competitive market, BinckBank has succeeded in keeping its volumes, market share and margins at good levels. In addition, we were able to roll out a number of new initiatives for our customers. From an international perspective, BinckBank is working on various activities that are continually increasing its footprint in the European investment industry. BinckBank is approaching break-even point in Italy, showing that we are able to claim our market share in one of the most competitive markets in Europe.

Due to our focus on servicing private investors, we have gained a thorough understanding of their needs, and we are continually improving ways to reflect their various needs. Besides services to active investors, we also focus on independent investors with a longer-term investment horizon who do not wish to be influenced by the hectic daily ebb and flow of the market. Binck Fundcoach provides a user-friendly fund platform with a wide range of investment funds and index trackers that offers a good solution for this customer need. With the acquisition of Fundcoach in June 2014, BinckBank now reaches a large number of new investors with recurring revenues in the earnings model. BinckBank assumed formal control of the Fundcoach operations on 28 June 2014 and therefore the assets, liabilities and results are consolidated in BinckBank's financial figures with effect from that date.

BinckBank sold its 50% interest in the joint venture BeFrank to Delta Lloyd for a sum of € 19.5 million on 18 July 2014. After deduction of the carrying amount as at 18 July 2014 of € 4.0 million, the sale resulted in a book profit of € 15.5 million, which is recognised fully in the third quarter under share in results of associates and joint ventures.

Just after the end of the second quarter, BinckBank introduced the Binck turbo. Issuing investment products is a new activity for BinckBank. We are doing this in cooperation with input from our partner UBS. After thorough preparation, BinckBank can look back at a successful launch with an as yet limited range. The positive differentiating qualities of Binck turbos in the market include high liquidity, tight spreads and extensive trading hours. BinckBank plans to achieve a significant market share, and is optimistic with respect to its chances of success.

The policy pursued by Alex Asset Management in 2014 led to disappointing results for many customers. Especially those customers who started to invest with Alex Asset Management more recently will have felt that the investment result did not live up to their expectations. We are very conscious of this. After several years in which its innovative approach to asset management was praised by several parties and reviews for its positive results and returns, Alex Asset Management faced negative publicity due to disappointing results last year. Our most important targets at Alex Asset Management have always been and continue to be good investment results and a high level of customer satisfaction. We therefore understand the feelings of our customers very well, and 2014 was a disappointing year for the Alex team as well. We want to emphasise that one of the elements of asset management is that performance has to be assessed over a longer period. In the past, our investment model has also had to deal with extraordinary market conditions, after which we again succeeded in producing positive results. This is of course in the knowledge that it is impossible to draw conclusions with respect to the (near) future from this.

As a result of its redefined strategic focus on its Retail business, BinckBank has formulated new long-term targets for 2018. Three new targets have been added for 2018: customer satisfaction, a more balanced income flow and a target for the cost/income ratio. These targets have been added in order to be able to measure our progress in achieving our strategic targets more accurately. The targets for the number of transactions and assets under administration have been increased, however on the other hand the target for assets under management has been postponed to a later target date due to the poor results from Alex Asset Management.

On 7 November 2014, BinckBank announced that it has stopped the sale of its BPO (Business Process Outsourcing) and software and licensing activities, which trade under the name 'Able'. The service provision to the BPO customers will be gradually phased out, and in the meantime a good start has been made with the integration of the BPO services in the Retail organisation. A new statutory director has been appointed at Able B.V. in Reeuwijk who will be responsible for refocusing on Able's core business, namely the software and licensing operations.

In view of the expiration of terms in 2015, our supervisory board has now been strengthened. Mr Fons van Westerloo has stepped down as a supervisory director, and Ms Carla van der Weerd - Norder, Ms Hanny Kemna and Mr John van der Steen have been appointed. We very much appreciate the contribution of Mr Fons van Westerloo to the growth of BinckBank. Mr Pieter Aartsen, the member of the executive board with responsibility for Professional Services, stepped down as an executive director of BinckBank at the general meeting in April 2014. We wish to express our gratitude to Mr Pieter Aartsen for his many years of commitment and devotion as an executive director.

In conclusion, we wish to thank Mr Koen Beentjes for his many years of commitment to BinckBank. Mr Beentjes stepped down as an executive director of BinckBank on 1 January 2015. His duties were transferred to our financial director Evert-Jan Kooistra and myself during the fourth quarter of 2014. De Nederlandsche Bank and the BinckBank supervisory board have approved my appointment as acting chairman of the executive board of BinckBank. The supervisory board is currently deliberating with regard to the definitive composition of the executive board as a whole. This process is expected to be completed in mid-2015.

Our result depends heavily on the activity of our customers in the markets. Market volatility and direction are important factors. As ever, we will continue to invest in the future and quality of our business, and will continue to keep you informed regarding developments in our service provision in the year to come.

I would like to close this message by thanking all our customers, shareholders and staff for the confidence they have shown in BinckBank.

Amsterdam, 12 March 2015

BinckBank N.V.  
Vincent Germyns  
Acting chairman of the executive board



# Vision, mission, core values and strategic objectives

## Our dream for the future (Vision)

“BinckBank wants to help people achieve their financial ambitions”

Tomorrow’s BinckBank customer is looking for a reliable partner who can enable him to retain and expand his capital and provide him with the right tools to do this. BinckBank’s role is not simply to be a provider of various investment products and services, it also has a role as a navigator to offer its customers the best possible support so that they can make the right decisions for themselves. Our ambition is to assist our customers in achieving financial independence.

## Our right to exist (Mission)

Investors deserve more insight, more knowledge, more information and more service. And at low cost. We are therefore highly committed, and we push the boundaries where necessary. We want to amaze our customers so that they become our ambassadors, and therefore we make every effort to identify and meet their needs. As an independent partner, BinckBank offers its customers the opportunity to realise their financial ambitions. A high degree of customer satisfaction and continuously adding value are determining factors for our success. BinckBank strives to provide solutions for everyone consciously engaged in asset management over the entire range from active independent investing to placing assets under management.

## Our core values

### Sincerity

This is the essence of our right to exist. A sincere interest in our customers. Sincere interest in investing, visible in our investment expertise and in all the products and services we offer. Fair rates, with no hidden costs. And the will to improve, because we can always do better.

### Accessible

Providing affordable access to markets is where it all started. Then we made our investment services accessible to financial intermediaries and introduced a low-threshold alternative for asset management. With expert employees who are approachable for our customers – and for each other – regardless of their position.

### Convenience

Investing – whether you do it yourself or not – is already difficult enough. Ease of use is therefore very important. Not making things more difficult than they need to be. For instance, a user-friendly platform and expert employees who use understandable language. And by providing extensive information, also through various educational programmes to invest with greater knowledge.

### Transparency

We believe in clarity: ‘what you see, is what you get’. In other words a clear fee structure on a single page, no hidden costs and communication without small print. Also with respect to the remuneration of our executive directors or communication to customers and other stakeholders when things go against us or in difficult times.

## Our ambition

Our right to exist and our core values mean that we have a unique understanding of investors, and that we are always improving our understanding their needs. This is why we offer specific products and services for various types of investors. Our ambition is to continue to innovate and exceed our customers’ expectations. BinckBank’s ambition is to be the bank with the highest customer satisfaction in all countries in which it is established.



# Strategic objectives for BinckBank

In the autumn of 2013 BinckBank announced that it would concentrate more on its Retail core business. With the arrival of the new director of the business unit Retail in early 2014, BinckBank has reviewed its strategic objectives for its Retail business for 2018. On the basis of this review of the strategy for Retail, BinckBank's strategic objectives have been further defined.

## BinckBank has six strategic objectives for year-end 2018

### 1. More balanced income flow

BinckBank wishes to achieve a more balanced mix of income from its business operations. By 2018, BinckBank intends to achieve a mix of income whereby more than 66% of income is generated from recurring commission, interest and asset management. In the coming years, BinckBank's earnings model will thus have to be changed from a transaction based income model to a transaction, subscription and asset management based income model. In addition to the online brokerage operation, the savings and asset management businesses will be expanded further.

#### Progress in 2014

Expansion outside the online brokerage chain was already a strategic priority for BinckBank and in 2014 BinckBank successfully launched two products (Binck Fundcoach and Binck turbos), which over time should contribute to a better mix of income. Alex Asset Management, which in 2013 was the major driver behind the realisation of this objective, unfortunately produced disappointing results for its customers in 2014 and the income from asset management accordingly declined.

### 2. Customer intimacy & Operational Excellence

Since its incorporation, BinckBank has placed the customer's interest first and has achieved a high level of customer satisfaction. Our relationship with our customers however goes further than this. Customer intimacy starts from the premise that it is essential to understand the customer's needs before one can meet them. A strong relationship grows through continuous improvement of existing services and the development of new products and services in cooperation with customers. We determine our position and the agenda for the development of new products and services based on the wishes of our customers.

BinckBank's strategic objective is to use its existing infrastructure as efficiently as possible by settling as many transactions as possible and administering and/or managing the highest possible volume of assets. The central ICT infrastructure and the central back office are important starting points where all transactions are settled, including those executed in Belgium, France and Italy. Economics of scale as a result of high volume are necessary in order to be able to remain competitive in the long term. Volume can be increased in various ways: through growth of the number of accounts in existing markets, by introducing new products and services and by connecting new countries to the existing infrastructure. Operational Excellence means the continual improvement of processes, systems and people. By working on permanent improvements to its business management, BinckBank keeps its costs manageable and operational losses within acceptable limits.

#### Progress in 2014

Several initiatives were developed to bring the bank to a higher level of operational excellence in 2014. A company-wide lean six sigma programme has been rolled out, including training of personnel. BinckBank considers it important that employees from various disciplines have knowledge of terms and products in the financial world, and offers various NIBE/SVV courses and DSI registrations in several departments as strategic training opportunities. A new Product management department was formed in 2014 from which all projects will be centrally managed. This department will ensure an optimal resource planning and one of its responsibilities will be to ensure that projects are completed on time and within budget. Further progress was also made in 2014 on the development of the European base platform. This platform enabled Italy to be accessed in 2012 and the time-to-market for the introduction of new products and services to be reduced. Retail Belgium was migrated to the European base platform at the end of 2013, and preparations for the migration of the French retail business started in 2014. In 2015 and 2016, the French operations and the service to independent asset managers will be transferred to the European base platform. The intention is to have migrated all business to the European base platform by the end of 2016 in order to make the best possible use of scale benefits. BinckBank uses local branches for its foreign operations. These branches have low fixed costs, since the activities they perform are more or less restricted to front office (sales and customer service) and legal and compliance employees.

The structure of the Dutch organisation and the structure of the foreign branches were brought more in line in 2014 in order to make the organisational structure more uniform and more efficient.

### 3. Navigator role: focus on distribution

Tomorrow's BinckBank customer is looking for a reliable partner that will enable them to retain and expand their assets. BinckBank will increasingly play the role of navigator in order to provide optimal support to its customers so that they can make the right financial decisions. BinckBank will concentrate more on making its knowledge available in the fields of securities, asset management and offering new services to its customers with the help of partners, with the focus increasingly being on the distribution of services and less on the development of proprietary products. The central point here is that BinckBank will earn more from the fact that providers of new technologies and/or financial services will gain access to the BinckBank platform and its customers, with the customers having freedom of choice regarding the services they wish to use. BinckBank can add value in this way, since it has an overview of the whole value chain, both in the area of execution-only service and in asset management, and because it has its own platform and a large customer base. This presents an opportunity for providing access to third parties which will then have the possibility of offering their services within the online BinckBank environment.

This can be attractive for providers of new technologies or financial services, since these parties can focus on providing services and content without having to invest in transaction settlement, risk tooling and portfolio management. For BinckBank, this is an opportunity to expand its services to customers, further strengthen the economics of scale of the platform and, where relevant, deliver the best functionality in the market.

#### Progress in 2014

With the appointment of the new director for Retail in April 2014, the first preparatory research for this has been initiated. One example of the chosen direction is the introduction of Binck turbos. A third party was engaged as a business partner for the production of the turbos, with BinckBank concentrating on the product distribution. By keeping in touch with our customers (customer intimacy), new turbos can be rolled out with a very short time-to-market.

### 4. Strengthening the existing international footprint

BinckBank strives to achieve further growth of its online brokerage activities and expanding its services with savings and asset management activities within its existing geographical footprint (Netherlands, Belgium, France and Italy) and will re-use products and services newly developed in one country in the other countries. Increasing the number of customers and transaction volume are important parameters here. Within this strategy, a decision has been made not to start any new 'greenfield' operation in the near future. BinckBank will concentrate on the further expansion of its activities in the markets in which it currently operates.

#### Progress in 2014

In 2014, BinckBank's attention was mainly directed at offering services in the Dutch market. Competition in online brokerage was intense, and both Alex Asset Management and the attempt to dispose of the professional business Able required extensive management attention in 2014. Proportionally speaking, the foreign branches had fewer resources available for the expansion of their services. In 2015, more attention will be given to the further development of the commercial potential of the foreign branches. Given the moderate economic outlook, further geographical expansion within Europe does not appear to be advisable in the near future.

### 5. Development of the earnings model

BinckBank's earnings model will in future be based more on a good basic service at an attractive price, supplemented by services for which additional charges will apply. The basic service will consist of three service types: Zelf Beleggen (Self-directed Investing), Advies Beleggen (Investing with Advice) and Vermogensbeheer (Asset Management), which will be offered at competitive rates. This will allow customers to become acquainted with and appreciate BinckBank's products, and if they wish to have access to further investment possibilities they will be able to choose the additional services they wish to use. Personalisation of the services is the central issue, and BinckBank strives to achieve complete transparency in its charging structure for its customers, so that they know exactly what the BinckBank services cost and what they are paying for. Our product core values of accessibility (customers must have access to the investment possibilities relevant to their situation), simplicity (user-friendliness and convenience of use) and sincerity (open and transparent with respect to charges and communication) are essential features here.

## Progress in 2014

The organisation was structured in order to focus more on the further development of the earnings model in 2014 so that it will be better equipped to carry out the new strategy. A study has been initiated to identify the services for which customers are willing to pay an additional charge.

BinckBank will further develop and refine its charging methodology with the aim of positioning itself more competitively. Various research studies were started last year in this context that will be further elaborated this year.

## 6. Brand positioning

The two brands in the Netherlands (Alex and Binck) will be positioned with more mutual differentiation by focusing more on the different needs of investors. The Binck brand will focus on self-directed customers (who make their own investment decisions based on information they have obtained themselves and look for the best products and prices) and the Alex brand will focus on validators/delegators (customers who look first for advice before taking an investment decisions (validators), or customers who wish to place the entire management of their portfolio to a party (delegators)). The positioning will be based more on the way in which information and services are presented rather than on the basis of a difference in the services. The foreign branches will serve both segments under the Binck label.

## Progress in 2014

The brands were already segmented to some extent in the Netherlands in 2014 with respect to the current services (for instance, Alex Asset Management for delegators). Various studies were also started last year in this area which will be further elaborated this year.

## Constraints for implementing the strategy

### Conservative financial policy

BinckBank pursues a conservative financial policy. The aim of capital management at BinckBank is to maintain a sound solvency and liquidity position, seeking constantly to strike the right balance between the equity capital it holds, the return it can realise and the risks to which it is exposed.

### Compliance with changing legislation and regulation

BinckBank operates in regulated and supervised markets in which all stakeholders have to receive the correct service. BinckBank has to continuously meet the requirements of rapidly changing legislation and regulation in the financial sector (compliance) and is bound by the obligations attached to a banking licence.

### Corporate social responsibility

For BinckBank, corporate social responsibility (CSR) means the achieving and maintaining a durable trust in its activities. The fundamental principle in our CSR policy is to place the customer's interest first. The CSR policy is integrated in BinckBank's services and is taken into consideration in the decision-making process with regard to innovations and product renewal. The position of banks in society is an issue attracting much attention, and many initiatives and activities are coming under scrutiny. This can be seen from reports in the media, as well as in the increased pressure from politicians and regulators. BinckBank endorses the importance of the intended transparency.

## Long-term targets

As a result of its redefined strategic focus on its Retail business, BinckBank has formulated new long-term targets for 2018.

### New long-term targets for 2018

Three new targets have been added for 2018: customer satisfaction, a more balanced income flow and the cost/income ratio. These targets have been added in order to be able to measure our progress in achieving our strategic targets more accurately. The target in relation to the number of Retail brokerage transactions has been raised from 9.5 million (Retail only) in 2015 to a total number of transactions of 11 million in 2018. The target for assets under administration for brokerage (indication of transaction potential) is raised from € 12 billion (Retail only) to total assets under administration of € 21 billion. The target for assets under management in asset management has been deferred from € 3.5 billion in 2015 to € 3.5 billion in 2018.

#### Overview of new medium to long term targets in 2018:

Target	Target	Realisation year-end 2014
Customer satisfaction	> = 8 weighted average	7.1 weighted average
More balanced income flow	At least 66% of income from operational activities generated by ongoing commission, interest and asset management fees	-
Total number of transactions	11 million	8.6 million
Total assets under administration	€ 21 billion	€ 18.5 billion
Assets under management	€ 3.5 billion	€ 2.0 billion
Cost/income ratio (excluding IFRS amortisation)	< 65%	72%

#### Progress on original medium to long term targets in 2015:

Target	Target	Chance of achieving 2015 target	Realisation year-end 2014	% realised in 2014
Number of transactions Retail	9.5 million	Low	7.9 million	83%
Assets under administration Retail	€ 12 billion	High	€ 12.4 billion	103%
Italy	Break-even*	Middle	(€ 213,000)	-
Assets under management	€ 3.5 billion	Low	€ 2.0 billion	56%

\* Based on total income and direct expenses.



## Earnings model and SWOT analysis

BinckBank earns its income from its interest-rate business and its transaction processing and commission business. The earnings models for the interest-rate business and the commission business are shown in the tables below, with details of developments during the 2014 financial year in comparison to 2013 and 2012.

Net interest income	Interest income				
	Income and expense drivers	2014	2013	2012	Remarks
	<b>Interest on cash:</b> Volume of funds	●	●	●	Cash balances are lower due to more funds placed in the investment portfolio.
	Money market interest rate	●	●	●	Money market interest has fallen significantly in 2014. Interest rates are historically low and sometimes even negative.
	<b>Interest from investment portfolio:</b> Size of portfolio	●	●	●	The size of the investment portfolio increased from € 1.6 billion to € 1.9 billion in 2014.
	Capital market interest rate	●	●	●	Capital market interest rates remained extremely low in 2014. The return on the investment portfolio fell from 0.80% to 0.61% in 2014.
	<b>Interest from collateralised loans:</b> Size of portfolio	●	●	●	The size of the collateralised loan portfolio fell from € 428 million to € 361 million in 2014.
	Value of underlying financial instruments (= basis for collateralised loans)	●	●	●	The value of underlying financial instruments increased due to the stock market rally in 2014.
	Funding percentages/haircuts	●	●	●	No significant changes in policy regarding funding percentages.
	Customer risk appetite/investor sentiment	●	●	●	Investor sentiment (and therefore risk appetite) decreased, mainly during the second half of 2014, which led to a 16% decrease of the collateralised loans.
	Debit interest rate	●	●	●	No significant changes in debit interest rate in 2014.
Interest expense					
	Volume of funds entrusted	●	●	●	Volume of funds entrusted in securities accounts increased by 9% in 2014.
	Credit interest on cash in securities accounts	●	●	●	As policy, no credit interest paid on securities accounts in 2012, 2013 en 2014.
	Credit interest on cash in savings accounts	●	●	●	Credit interest on savings reduced from 0.65% to 0.25% during 2014. Interest expense was therefore lower.

● positive ● neutral ● negative

## Commission income

Income and expense drivers	2014	2013	2012	Remarks
<b>Commission income from securities transactions:</b>				
Volume of securities transactions	●	●	●	The volume of securities transactions rose 6% in 2014.
Average income per transaction	●	●	●	Average income per transaction was more or less unchanged in 2014, average of € 10 per transaction.
<b>Fees from BPO services:</b>	●	●	●	BPO-services are no longer core activities of BinckBank.
<b>Asset management fees:</b>				
Volume of AuM	●	●	●	Decrease of assets under management from € 2.1 billion in 2013 to € 2,0 billion at year-end 2014.
Asset management fee	●	●	●	Fee percentage 1% per annum incl. VAT.
Performance fee	●	●	●	Performance fee for Alex Asset Management fell from € 17.2 million in 2013 to € 0.2 million in 2014.

## Commission expense

Market fees NYSE Euronext	●	●	●	NYSE Euronext fees unchanged in 2014.
Fees for best execution platform TOM	●	●	●	TOM fees unchanged in 2014.

● positive ● neutral ● negative

## Strengths, weaknesses, opportunities and threats (SWOT)

BinckBank uses a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) to identify the main features of the organisation and the environment in which it operates. This analysis forms the basis of BinckBank's strategy. The strengths and weaknesses show the internal factors. The opportunities and threats show the external developments, events and influences to which BinckBank is exposed. The main internal and external factors are summarised in the figure below.

### Strengths

- Strong brands (Alex and Binck)
- Market leader in the Netherlands and Belgium, strong position in France
- High level of service, with customers valuing our proactive approach and the speed of service
- Sound financial position and conservative risk monitoring
- The financial position provides a solid base for product and service innovation
- Centralised back office and ICT infrastructure with extensive expertise and experience in securities transactions
- Independent player with a focus on investing in a broad sense

### Weaknesses

- Heavy dependency on volatile transaction income and a relatively small group of very active customers for online brokerage
- High fixed cost base (infrastructure)
- Still not enough volume to make optimal use of economies of scale

### Opportunities

- Private investors are increasingly choosing to manage their own financial affairs
- Increasing popularity of passive investing (ETF/Trackers), offering additional prospects for our subsidiary ThinkCapital
- Potential for earning additional return on funds entrusted by customers when money and capital market interest rates rise
- Making use of market potential and developments in online investing technology (trading applications) in Italy

### Threats

- Declining trading volumes and collateralised lending, increasing competition and price pressure for 'Zelf beleggen' (Self-directed Investing)
- Continuing low levels of interest rates in the money and capital markets
- Increased risk due to more complex legislation and regulation (costs of internal controls and compliance)
- New competitors in some cases have a faster time-to-market for introducing new services due to less legacy

# BINCKBANK IN A EUROPEAN CONTEXT

## NETHERLANDS

Population:	17 million
Number of retail transactions:	10-12 million
Online brokers:	Alex, BinckBank, Lynx, Saxo Bank, De Giro
Most traded products:	Stocks, options and other derivatives
BinckBank's market share:	Market leader
BinckBank started:	1998

## BELGIUM

Population:	11 million
Number of retail transactions:	5 million
Online brokers:	BinckBank, Keytrade, Bolero, Fortuneo en Lynx
Most traded products:	Stocks, options and warrants
BinckBank's market share:	Market leader
BinckBank started:	2006

## FRANCE

Population:	65 million
Number of Retail transactions:	30 million
Online brokers:	BinckBank, Bourse Direct, Boursorama, Fortuneo, Cortal Consors, Saxo Banque
Most traded products:	Shares (cash and SRD), certificates
BinckBank's market share:	Number 3-position*
BinckBank started:	2008

## ITALY

Population:	61 million
Number of Retail transactions:	40 million
Online brokers:	BinckBank, Fineco, IW Bank, Directa, Webank, Sella, Nuovi Investimenti
Most traded products:	Stocks and derivatives
BinckBank's market share:	< 1%
BinckBank started:	Medio 2012

\* Among online brokers



## Information for shareholders

BinckBank shares are listed on NYSE Euronext Amsterdam and since 1 March 2006 have formed part of the Amsterdam Midkap Index (AMX), with a weight of 1.50% in this index on 31 December 2014 (FY13: 1.42%).

ISIN code: NL0000335578

Reuters: BINCK.AS

Bloomberg: BINCK.NA

Options on BinckBank shares have been traded since 2006. The average number of shares traded daily in 2014 was 237,609 (2013: 310,976). BinckBank shares are currently followed by seven analysts, whose recommendations to institutional and private investors regarding BinckBank shares are shown below.

### Coverage of BinckBank shares\*

Company	Analist	Advice	Price target
ABN Amro	Michiel de Jonghe / Jan Willem Knoll	Hold	€ 7.00
ING	Albert Ploegh	Hold	€ 8.50
KBC	Matthias de Wit	Buy	€ 9.00
Kempen & Co	Reg Watson	Sell	€ 5.00
Kepler Capital Markets	Benoit Petrarque	Buy	€ 10.30
Rabo Securities	Cor Kluis	Buy	€ 9.00
SNS Securities	Lemer Salah	Hold	€ 7.20
Theodoor Gilissen	Tom Muller	Buy	€ 9.50

\* On 12 March 2015

### Key figures for BinckBank shares\*

	2014	2013	2012	2011
Earnings per share	€ 0.45	€ 0.27	€ 0.33	€ 0.46
Adjusted earnings per share	€ 0.82	€ 0.78	€ 0.76	€ 0.88
Dividend per share**	€ 0.41	€ 0.39	€ 0.45	€ 0.44
Dividend yield in % (based on year-end closing quote)	5.8%	5.1%	7.2%	5.3%
Net asset value	€ 6.20	€ 5.79	€ 6.11	€ 6.31
Year-end share price BinckBank N.V.	€ 7.05	€ 7.71	€ 6.22	€ 8.33
AMX index	636	629	534	468
P/E ratio	8.60	9.88	8.18	9.47

\* As at 31 December 2014

\*\* 2014 figures are subject to approval of the General Meeting.

## Share capital

	2014	2013	2012	2011
Authorised ordinary shares	100,000,000	100,000,000	100,000,000	100,000,000
Issued shares at previous year-end	74,500,000	74,500,000	74,500,000	74,500,000
Number of shares cancelled during the year	3,500,000	-	-	-
Issued shares at year-end	71,000,000	74,500,000	74,500,000	74,500,000
Treasury shares held at year-end	804,674	4,383,380	3,151,213	464,117
Number of priority shares	50	50	50	50
Average number of shares outstanding during the year	70,171,109	70,432,579	72,801,291	74,142,108
Market capitalisation year-end	€ 500,479,000	€ 574,395,000	€ 463,017,500	€ 620,585,000

## Share price & volumes

	2014	2013	2012	2011
Opening price	€ 7.71	€ 6.28	€ 8.34	€ 11.70
Highest price	€ 9.66	€ 8.30	€ 8.91	€ 13.16
Lowest price	€ 6.70	€ 5.69	€ 4.97	€ 6.80
Closing price	€ 7.05	€ 7.71	€ 6.22	€ 8.33
Share turnover	60,590,301	79,298,786	58,634,431	64,973,343
Turnover - high	3,223,889	4,318,415	857,520	924,395
Turnover - low	29,780	41,544	23,978	53,902
Average daily turnover	237,609	310,976	229,041	252,815

## BinckBank share movements and volumes



## BinckBank shares in 2014

The AMX Index started the year at 629 points and finished at 636 points. The BinckBank share price at the beginning of 2014 was € 7.71 and closed the year at € 7.05.

### BinckBank versus AMX



## Dividend policy

BinckBank's articles of association state that – if and to the extent the profit permits – a sum of six percent of the nominal value of the priority shares will be paid on these shares ( $50 \times € 0.10 \times 6\%$ ). The Stichting Prioriteit then determines the extent to which the remaining profit will be transferred to the reserves. The profit remaining after this addition to the reserves is at the disposal of the General Meeting. This means that the General Meeting may decide with reference to this remaining profit between distribution or addition to the reserves, or a combination of the two. Distribution may, in accordance with the relevant provisions in the articles of association of BinckBank, be made in ordinary shares instead of in cash. In order for profit to be made available to the General Meeting, the company's solvency position must in the opinion of the Stichting Prioriteit be adequate for this purpose. If taking account of this provision a profit can be put at the disposal of the General Meeting, the Stichting Prioriteit will strive to effect a distribution of 50% of the adjusted net profit.

## Dividend proposal for 2014

It will be proposed to the shareholders that a total cash dividend of € 0.41 per share should be paid for the 2014 financial year, subject to deduction of 15% dividend tax. An interim cash dividend of € 0.10 per share was distributed on 28 July 2014, so the final cash dividend proposed will be € 0.31 per share. Regarding the distribution of dividend, European banks must observe the recommendation from the European Central Bank (ECB/2015/2) published on 28 January 2015. BinckBank meets the criteria stated in this recommendation. Subject to approval by the General Meeting on 30 April 2015, the share will be quoted ex-dividend on 5 May 2015. Payment of the final dividend will be made on 8 May 2015.

## Suspension of decision to distribute capital in excess of € 200 million

In the first quarter of 2014, BinckBank announced that it intended to distribute its available Tier I capital in excess of € 200 million to shareholders, subject to this being justified in business terms. Based on an assessment of its business prospects, BinckBank does not consider that it would be prudent to distribute its available capital in excess of € 200 million at this time. This approach follows the recommendation of the European Central Bank (ECB) published on

28 January 2015 (ECB/2015/2) that a prudent policy with respect to capital distributions would be appropriate in the light of the changed economic outlook. BinckBank's decision, in the context of the above-mentioned prudence, is due in part to a decline in assets under management and accordingly a deferral of the growth target for its strategic arm Alex Asset Management. The normal dividend policy of distributing 50% of the adjusted net profit will be maintained.

## Shareholdings

The following seven shareholders own 3% or more of the BinckBank shares (as at 31 December 2014):

- Boron Investments N.V. (> 5%)
- Delta Deelnemingenfonds N.V. (> 5%)
- Navitas B.V. (> 5%)
- BNP Paribas Investment Partners SA (> 3%)
- ING Fund Management B.V. (> 3%)
- Old Mutual plc (> 3%)
- UBS Group AG (> 3%)

The shareholdings of the former and current members of the executive board of BinckBank at the end of 2014 were as follows:

- Vincent Germyns: 14,602 shares (appointed at the General Meeting on 22 April 2014)
- Evert-Jan Kooistra: 49,011 shares
- Koen Beentjes: 53,537 shares (stepped down on 1 January 2015)
- Pieter Aartsen: 16,859 shares (executive director until 22 April 2014)

## Investor relations

BinckBank considers a transparent and consistent policy with regard to communication to be essential. It maintains an open information policy for investors and others with a financial or other interest in the company in order to keep all its stakeholders as fully and promptly informed as possible regarding policy and developments at the company. BinckBank actively seeks a dialogue with its investors. This annual report is one of the means whereby it does this. All other relevant information, such as half-yearly reports, quarterly statements, analyst presentations and background information is available on the corporate website at [www.binck.com](http://www.binck.com).

BinckBank maintains contacts with actual and potential investors through one-on-one meetings (roadshows/calls) and conferences. Members of the executive board and the Investor Relations manager held around 50 meetings in 2014 with investors and potential investors from Europe and the United States. BinckBank applies a moratorium of three weeks prior to the publication of its quarterly figures and four weeks prior to publication of its annual figures. We do not hold meetings or engage in active dialogue with investors or analysts during these periods. Following publication of the first, second and third quarter results and the annual results, BinckBank organises a conference call for analysts and shareholders in which the chairman of the executive board and the CFRO give an explanation of BinckBank's results. Other interested parties can follow the conference call via a link on BinckBank's corporate website. The material presented will be published together with the press release on [www.binck.com](http://www.binck.com). All the results and key figures are available in spreadsheet form and the transcript of the conference call will be available on the corporate website. BinckBank moreover gives journalists the opportunity each quarter to receive an explanation of the results by telephone.

### Investor Relations

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Twitter: [twitter.com/BinckBank](https://twitter.com/BinckBank)



# Financial calendar 2015

## 2015

### JAN

		1	2	3	4						
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30											

### DEC

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21	22	23	24	25	26	27					
28	29	30	31								

### FEBRUARY 2015

**9** Annual results 2014

### MARCH 2015

**16** Annual report and financial statements 2014

### APRIL 2015

**30** • General Meeting 2014  
• First quarter results 2015

### MAY 2015

**5** Ex-dividend  
**6** Record date dividend  
**8** Payment of dividend

### JULY 2015

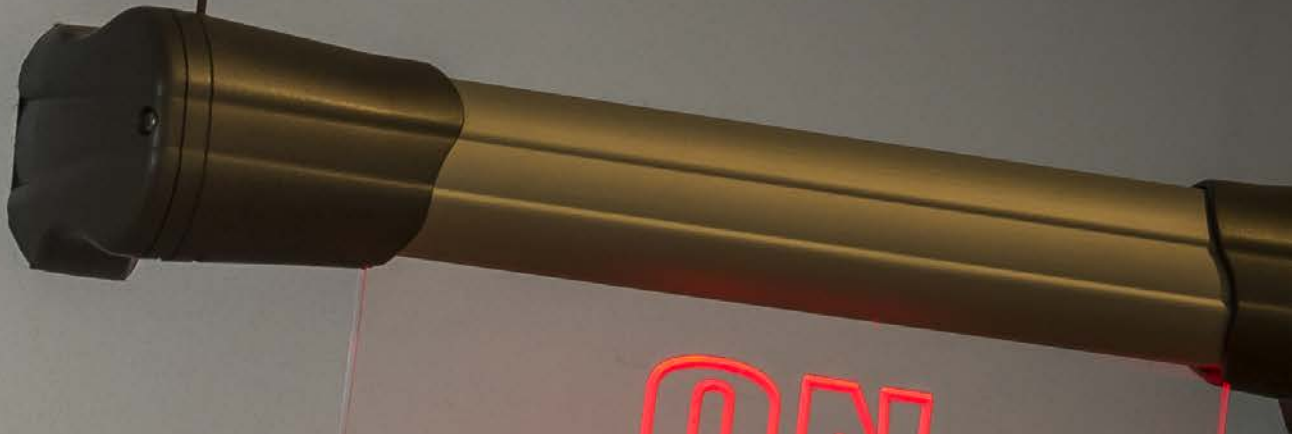
**27** Half-year results 2015

### OCTOBER 2015

**26** Third quarter results 2015

# Report of the executive board





## General information

### Adjusted net profit in 2014

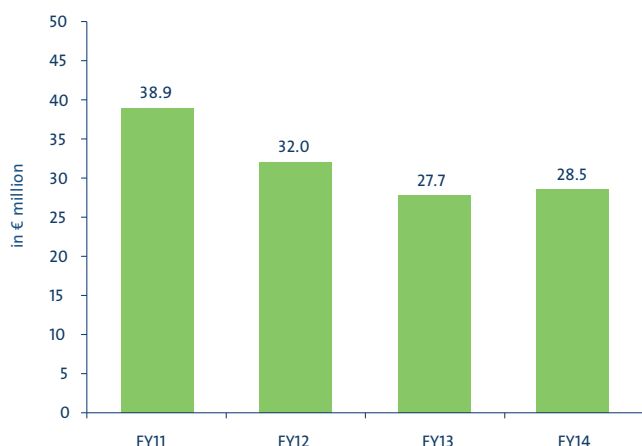
The adjusted net profit for 2014 came to € 57.5 million, which equates to € 0.82 per share. This is an increase of 4% compared to the previous year (FY13: € 55.2 million, € 0.78 per share). The higher adjusted profit is mainly due to the book profit of € 15.5 million on the sale of our 50% holding in the joint venture BeFrank. The operating profit is however lower than in the previous year, mainly due to a lower performance fee for asset management in 2014 (FY14: € 0.2 million / FY13: € 17.2 million).

The adjusted net profit is the net result to be allocated to BinckBank shareholders adjusted for IFRS depreciation and amortisation and the tax saving on the difference between the fiscal and commercial amortisation of the intangible assets and goodwill paid as a result of the acquisition of Alex. The annual dividend is determined on the basis of the adjusted net profit.

### Net interest income

Net interest income amounted to € 28.5 million in 2014. This is 3% higher than in the previous year (FY13: € 27.7 million). Due to the low level of money and capital market interest rates, the return on the investment portfolio fell further to € 12.1 million, compared to € 15.2 million in 2013. Despite lower net collateralised lending at year-end, interest income on collateralised lending rose from € 17.7 million in 2013 to € 19.7 million in 2014 due to a higher average amount of collateralised lending outstanding over the course of the year. In addition, the lower average level of customer savings and the on average lower payment of interest led to a 22% fall in interest paid on savings from € 5.4 million in 2013 to € 4.2 million in 2014.

Net interest income

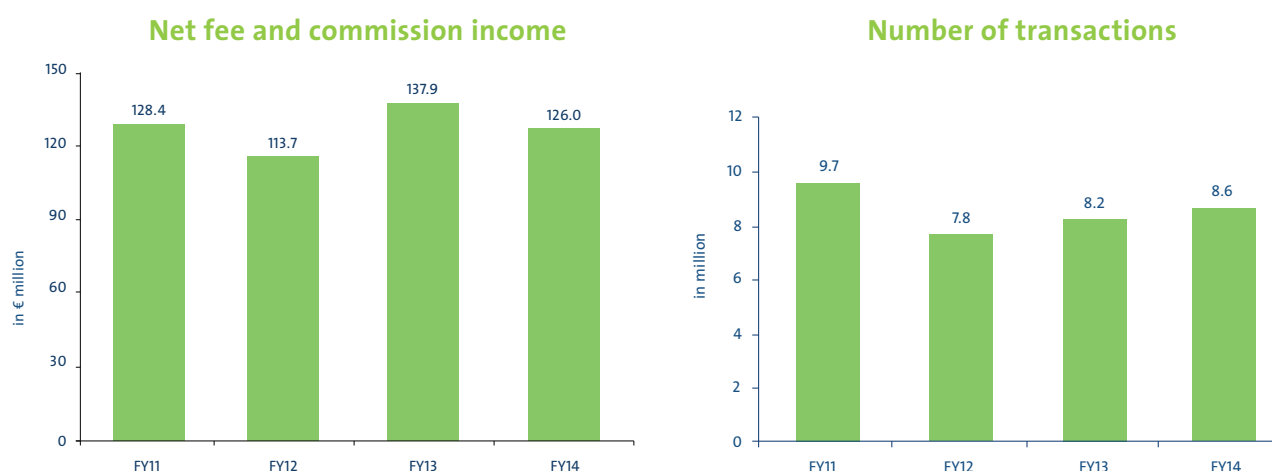


Collateralised lending



## Net fee and commission income

Despite a 6% increase in transaction volume over the year, net fee and commission income fell 9% in 2014 from € 137.9 million in 2013 to € 126.0 million in 2014. The decline is mainly due to a lower performance fee for Alex Asset Management.



## Other income

Other income remained more or less unchanged in 2014 at € 11.1 million (FY13: € 11.0 million). The Other income item consists mainly of the revenue from the subsidiary Able B.V. and IT services provided to BPO customers.

## Result from financial instruments

BinckBank introduced the Binck turbos at the beginning of the third quarter of 2014 and thus started to offer its own turbos to its customers in the Netherlands. BinckBank has concluded a joint venture agreement with UBS which bears the market risk. The revenue from Binck turbos in 2014 amounted to € 0.5 million. The other results from financial instruments mostly concern the revaluation of the receivable on DNB with respect to the deposit guarantee scheme (DSB Bank).

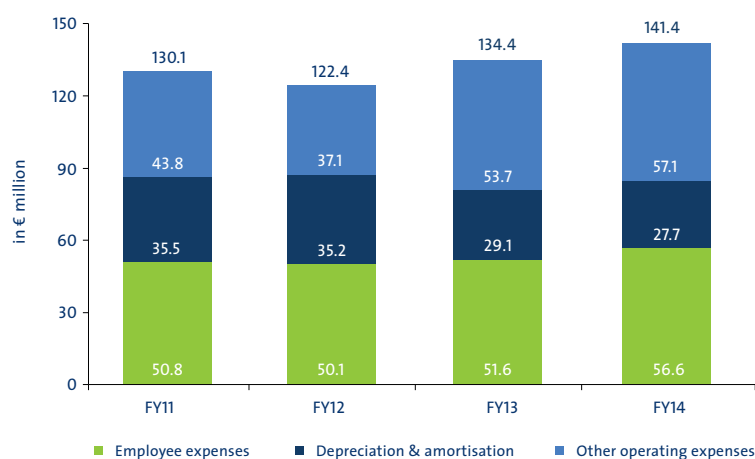
## Total operating expenses

Total operating expenses in 2014 rose 5% in comparison to the previous year to € 141.4 million (FY13: € 134.4 million). Employee expenses were up 10%, from € 51.6 million to € 56.6 million. The increase was mainly due to the rise in the average number of employees from 619 to 655 and the regular salary increase, together with some severance payments to directors and senior management. BinckBank also engaged additional personnel on a temporary basis for various ongoing projects, including compliance projects and the terminated process of the sale of Able.

Depreciation fell 5% to € 27.7 million in 2014 (FY13: € 29.1 million), as a result of lower depreciation on the data centre taken into operation in 2009. Compared to 2013, other operating expenses rose 6% in 2014 to € 57.1 million (FY13: € 53.7 million). The increase was mainly due to the payment of the three tranches of the SNS resolution levy, which amounted to € 4.0 million in 2014.



## Total operating expenses



## Share in results of associates and joint ventures

The share in the results of associates and joint ventures amounted to € 12.7 million in 2014. This is much higher than the loss of € 2.4 million in 2013. The increase is due to the sale of BeFrank. Excluding the result of this sale, the share in the results of associates and joint ventures in 2014 was € 2.8 million negative.

## Financial results for 2014

x € 1,000	FY14	FY13*	Δ
<b>Customer figures</b>			
<b>Customer accounts</b>	<b>595,506</b>	<b>551,970</b>	<b>8%</b>
Brokerage accounts	454,964	417,966	9%
Beleggersgiro accounts	2,216	2,219	0%
Asset management accounts	42,890	36,602	17%
Savings accounts	95,436	95,183	0%
<b>Number of transactions</b>	<b>8,617,490</b>	<b>8,164,978</b>	<b>6%</b>
Brokerage accounts	8,542,215	8,122,356	5%
Beleggersgiro accounts	75,275	42,622	77%
<b>Assets under administration</b>	<b>18,538,716</b>	<b>16,124,263</b>	<b>15%</b>
Brokerage accounts	18,100,625	15,629,461	16%
Beleggersgiro accounts	147,707	131,719	12%
Savings accounts	290,384	363,083	-20%
<b>Asset management</b>	<b>1,952,193</b>	<b>2,147,591</b>	<b>-9%</b>
Asset management accounts	1,952,193	2,147,591	-9%
<b>Income statement</b>			
Net interest income	28,497	27,686	3%
Net fee and commission income	125,951	137,936	-9%
Other income	11,102	11,049	0%
Result from financial instruments	351	7	4914%
Impairment of financial assets	(168)	32	-625%
<b>Total income from operating activities</b>	<b>165,733</b>	<b>176,710</b>	<b>-6%</b>
Employee expenses	56,586	51,556	10%
Depreciation and amortisation	27,675	29,107	-5%
Other operating expenses	57,124	53,715	6%
<b>Total operating expenses</b>	<b>141,385</b>	<b>134,378</b>	<b>5%</b>
<b>Result from operating activities</b>	<b>24,348</b>	<b>42,332</b>	<b>-42%</b>
Tax	(5,555)	(10,966)	-49%
Share in results of associates and joint ventures	12,674	(2,393)	-630%
Impairment of goodwill	-	(10,047)	-100%
<b>Net result</b>	<b>31,467</b>	<b>18,926</b>	<b>66%</b>
Result attributable to non-controlling interests	87	322	-73%
<b>Net result attributable to shareholders BinckBank</b>	<b>31,554</b>	<b>19,248</b>	<b>64%</b>
IFRS amortisation	21,515	21,515	0%
Fiscal goodwill amortisation	4,407	4,407	0%
Other adjustments to net result	-	10,047	-100%
<b>Adjusted net result</b>	<b>57,476</b>	<b>55,217</b>	<b>4%</b>
Average number of shares outstanding during the year	70,171,109	70,432,579	
<b>Adjusted net earnings per share (€)</b>	<b>0.82</b>	<b>0.78</b>	
Cost / income ratio excluding IFRS amortisation	72%	64%	
<b>Balance sheet &amp; capital adequacy</b>			
Balance sheet total	3,311,664	3,209,404	3%
Equity	440,247	431,631	2%
Total available capital (Tier I)	225,898	200,693	13%
Solvency ratio	37.1%	36.2%	

\* As a result of the termination of the sales process of the BPO and software & licensing activities, trading under the name "Able", the assets and liabilities of Able no longer qualify as available for sale under the requirements of IFRS 5. Accordingly, the items presented at year-end 2014 as available for sale have been returned to the original categories in the statement of financial position and income statement.

## Business unit Retail

BinckBank's services focus on online brokerage (execution-only) and asset management for private investors in the Netherlands, Belgium, France, Italy and Spain. In the Netherlands, services are provided under the brands Alex (self-directed investing and Asset Management) and Binck (self-directed investing and Fundcoach). The branch offices in Belgium, France and Italy offer their services under the Binck brand only. Under the Alex brand, the office in Spain focuses mainly on Dutch nationals who are resident in that country.

### Online brokerage

The Retail business unit offers private investors various different services in the areas of online brokerage and asset accumulation. Our largest customer group consists of independent investors who use Alex and Binck to execute their orders. Since its incorporation, BinckBank has committed itself to providing private investors convenient and affordable access to the financial markets such as in the past was only available to professional investors. Our user-friendly website is the result of years of listening to suggestions and complaints from customers and always using the latest technology available. BinckBank offers its customers a conveniently organised, extensive and fast online trading application at competitive rates with an excellent service. With its related products and services, such as the high-end trading platforms (Pro & 360), mobile applications, online seminars and detailed market information and analysis, BinckBank adds value for its more active customers.

BinckBank continually asks its customers to give their opinion of its services. In 2014, BinckBank received a score of 7.1 (2013: 7.9) in our customer satisfaction surveys (on a scale from 1 to 10). BinckBank takes the opinions of its customers very seriously and uses this input to continually improve its services.

### Key developments in 2014

The ban on distribution fees in force since 1 January 2014 has changed the Retail landscape for private investors in a way that benefits BinckBank. The charging structure for investors has become more transparent, meaning that charges are now directly comparable with the rates charged by BinckBank. Consumers who until recently took advice from their bank now have to pay explicit costs which in many cases are unpleasantly high. Both customers wishing to manage their own investments and those wishing to place their assets under management by another party choose BinckBank because of its attractive pricing and good customer service.

The transitional arrangement for the AIFM Directive came to an end in 2014. Among other things, the Directive applies to investment funds that may be offered to private customers. Only funds registered in the European Union (EU) and in a small number of countries with similar regulatory frameworks and comparable supervisory agencies may be offered to Dutch investors. In order to meet the provisions of the AIFM Directive, BinckBank has made changes to the range of funds offered to customers. The important thing is that the range of investment funds and ETFs at BinckBank is still one of the largest in the Dutch market.

### Netherlands

#### Best online broker

In December 2014 Binck was the best online broker according to the Netprofiler Internet Broker Survey in 2014. The website and the trading platform (internet) were considered to be the best by consumers. In the seven years that Netprofiler has carried out the broker survey, Binck has won the top prize six times. Binck is therefore still the best broker with a final score of 7.9.

#### Binck Fundcoach

BinckBank and SNS Bank reached agreement on the acquisition of SNS Fundcoach in November 2013. The commercial launch of Binck Fundcoach took place in April 2014, after which the customers of SNS Fundcoach were migrated to Binck Fundcoach in June. With Binck Fundcoach, BinckBank has introduced a user-friendly platform of funds with a wide range of over 500 high quality investment funds and index trackers in the Netherlands. Many of these funds are not available from the large banks. Binck Fundcoach makes it easier to search, find, analyse and purchase funds, with the help of a user-friendly selection tool that enables investors to compare different funds directly. Binck Fundcoach also offers the possibility of investing in instalments. This enables investors to purchase funds monthly in fixed instalments. With Binck Fundcoach, customers manage their own portfolios with investment funds or index trackers, saving

themselves hundreds or even thousands of euros in fees in some cases. The platform was further developed in 2014 on the basis of feedback from our customers. Examples include the option of placing limit orders, the possibility of holding positions in fractions and continuous improvements to the website. The campaign for Binck Fundcoach was started immediately after the successful migration, This led to numerous new applications each month, new customers, capital invested and regular transactions. The availability of ETFs on the platform was welcomed by the fund investors, with increasing inflow month on month.

At year-end 2014, Binck Fundcoach had more than 21,000 customers and its assets held for customers amounted to € 538 million. The feedback from customers on the platform is positive and BinckBank will invest further in the market positioning of this product in 2015.

### **Binck turbo**

BinckBank issued its first turbo in the Netherlands on 3 July 2014. A turbo allows investors to take a leveraged position to profit from a price gain or fall of underlying securities including the AEX Index, the DAX Index and Dutch and international shares. After thorough preparation, the Binck turbo has got off to a good start. BinckBank is the issuing institution, and has appointed the Swiss bank UBS as market maker. The market risk is borne by UBS. The Binck turbos are traded through the Citigroup Automated Trading System (CATS). The Binck turbo positively differentiates BinckBank in the market, with features such as tight spreads and longer trading hours in line with the European and American markets. The product was initially taken up by very active traders who already had experience with turbos. Binck turbos are exclusively available to customers of Binck and Alex in the Netherlands, which gives us an important competitive advantage. These features have contributed to the fact that only five months after the launch, a majority of the active customers prefer the Binck turbo. The Binck turbo has now grown into the second most actively traded product of its kind in the market, measured by the number of transactions. The Binck turbo has quickly become the turbo of choice for our active investors. In terms of turnover, this has led to a market share of 53% compared to the leverage products of the other providers. The introduction of the Binck turbo has been a success, with the important milestone of € 100 million (the financing level) being reached in the fourth quarter of 2014.

In September 2014 BinckBank received a favourable ruling in preliminary relief proceedings brought by BNP Paribas regarding the use of the name 'turbo'. The court ruled that turbo is a generic name and may be freely used.

In December 2014 it was announced that BNP Paribas had removed the registration of turbo as a brand name. This brought an end to the prolific increase in different names for the same investment instrument, and it is now immediately clear to investors what kind of product they are dealing with. This benefits education and explanation.

### **Improved positioning**

A number of new parties have entered the online brokerage market in the Netherlands in recent years. Generally, these parties focus only on lower charges. Experience shows that customers consider a high quality service for a reasonable price to be important, but also that there are various customer types in the markets with clearly divergent needs. BinckBank is therefore continually investing in its platform so that customers can easily make choices regarding the offering of products and services by means of various functionalities. We expect to see further differentiation in the offering in 2015 in order to increase relevance for the various segments in the market. This makes it appropriate to continue our two brands in the Netherlands. The Binck brand caters for the needs of self-directed customers. Self-directed customers are independent and make their own investments. They compare the various providers in the market, among other things with respect to convenience, service and price. Since 2013, the Alex brand focuses on customers who need an expert, committed and personal adviser or coach. Most of them take a long term view with respect to their assets.

The decision to position the Alex and Binck brands separately can be seen in the organisation. Investment is made in marketing, sales and customer service teams, all of which are easily distinguishable, and operate in line with needs of the target group for either Alex or Binck.

## Belgium

Much effort was directed towards guidance of customers on the new website in the first quarter of 2014, as a result of the migration of BinckBank Belgium to the European base platform. The platform is more user-friendly than the previous version and offers additional trading options for customers. New software for charting has been introduced that supports advanced technical analysis. Technical control of the platform has also been improved, and from now on it will be possible for BinckBank Belgium to benefit from developments rolled out by BinckBank in other countries.

## France

BinckBank France had a positive start in 2014 as sentiment among investors improved. This could be seen for example in the results of the Binck barometer, a survey of customers of BinckBank France carried out each month. The Binck barometer showed a positive reading for investor confidence in the market in 2014 in comparison to 2013. In early 2014, BinckBank was ranked the second-best investment bank in France by the leading magazine *Le Particulier* and in October 2014 BinckBank was awarded the Label d'Excellence for the seventh consecutive year.

BinckBank France organised a large number of online webinars for both customers and non-customers in 2014. The programme included more detailed study of products such as warrants and turbos, as well as technical analysis. In order to meet the wishes and needs of its customers even more effectively, BinckBank France added more than 100 new funds to its platform during the second quarter of 2014. Customers now have an even wider range of investment funds to choose from than they already had.

## Italy

BinckBank Italy had a good year, and succeeded in winning new customers in 2014. An effective marketing campaign was conducted, and partly as a result of this BinckBank Italy increased its customer base from 2,698 to 4,206. Our Italian customers are by far the most active investors at BinckBank, with each customer executing on average 100 transactions per year. The fact that active investors in Italy appreciate BinckBank's offering was shown among other things by the strong increase in transaction volume in 2014.

# Alex Asset Management

## Review of 2014

With the exception of the years 2008 and 2011, Alex Asset Management has achieved a positive return for its customers over the past years. In the years in which it achieved a positive return, Alex Asset Management has earned the following performance fees from its customers: FY09: € 2.6 million, FY10: € 2.8 million, FY12: € 4.1 million, FY13: € 17.2 million. Alex Asset Management has however realised less satisfactory results since the second quarter of 2014. This has led to complaints from customers, and customer satisfaction has declined to 4.8 on a scale of 1 to 10. The publicity regarding Alex Asset Management in the media has been negative, especially in the second half of 2014. Various media, including the *Financieel Dagblad*, have made much of the drop in performance. There have also been negative statements on the internet (investment websites and blogs) regarding Alex Asset Management. Assets under management rose in the first half of 2014 by approximately € 400 million and reached a peak of € 2.5 billion in the first quarter, only to decline in the second half of 2014 to € 1.9 billion at year-end 2014 (FY13: € 2.1 billion).

## The Alex Asset Management investment model and the market conditions

The investment strategy of Alex Asset Management is designed to preserve capital in falling markets and to increase capital in rising markets. This strategy is developed into an investment policy. In general, the policy means that part of the assets invested in shares is sold in falling markets and used to purchase bond ETFs ('exit strategy'). In rising markets, the bond ETFs are sold and shares are purchased ('entry strategy'). Alex Asset Management has applied its investment policy consistently, also in 2014. The investment policy is developed into criteria, on the basis of which Alex Asset Management decides when to exit and when to enter. Alex Asset Management monitors the markets automatically using algorithms and decides whether the relevant criteria have been met. There were several price movements during 2014 on the basis of which the algorithms gave the expected exit or entry signals. In 2014 however, these price movements were rather swiftly followed by price movements in the opposite direction, which largely offset the positive effect of the exits and entries.

Alex Asset Management added 1,600 US stocks to its investment universe at the beginning of September 2014. The portfolios of Alex Asset Management customers could from then on include shares in US companies listed on the NYSE or Nasdaq, as well as European shares. This further diversification in the customer portfolios was beneficial: the US

positions in the customer portfolios showed a stronger performance in line with the recovery in share prices in that country and the stronger dollar.

#### **Risk management and product-specific risks**

With Alex Asset Management, BinckBank distinguishes itself from traditional asset managers by applying an active investment policy combined with investment decisions and recommendations based on quantitative analysis and automated execution. The risk profile of the activities of the Alex Asset Management division is therefore different from that of the normal (execution-only) brokerage activities of BinckBank. BinckBank identifies the risk of customer claims, operational risks and the risk of reputational damage.

The asset management operations underwent rapid growth in 2013 and the first half of 2014. In just under five quarters, assets under management at Alex Asset Management rose 150% from € 1.0 billion (at year-end 2012) to € 2.5 billion in the first quarter of 2014. The less positive returns in the second half of 2014 for Alex Asset Management customers has affected the risk profile for BinckBank.

BinckBank has received a number of complaints in recent months from customers stating that they have suffered losses on their investments through the Alex Asset Management product. The Dutch Investors' Association (Vereniging voor Effectenbezitters, or 'VEB NCVB') also states it has received several complaints and has announced that it will initiate an investigation of the state of affairs at Alex Asset Management. The Vermogensmonitor has announced it is prepared to bring proceedings on behalf of customers against BinckBank with regard to Alex Asset Management. The risk of legal proceedings brought by customers of Alex Asset Management has thus increased. BinckBank has not yet received any material actions from customers in 2014, and it is as yet uncertain whether the investigation by the VEB and any potential legal measures resulting from this will have negative financial consequences for BinckBank.



## Results business unit Retail 2014

EURO amounts x 1,000	FY14	FY13	Δ
<b>Customer figures</b>			
<b>Customer accounts</b>	<b>570,918</b>	<b>528,711</b>	<b>8%</b>
<i>Brokerage accounts</i>	432,592	396,926	9%
<i>Netherlands</i>	318,444	289,668	10%
<i>Belgium</i>	59,940	56,721	6%
<i>France</i>	50,002	47,839	5%
<i>Italy</i>	4,206	2,698	56%
<i>Asset management accounts</i>	42,890	36,602	17%
<i>Savings accounts</i>	95,436	95,183	0%
<b>Number of transactions</b>	<b>7,930,847</b>	<b>7,484,091</b>	<b>6%</b>
<i>Netherlands</i>	5,431,184	5,261,490	3%
<i>Belgium</i>	833,726	786,181	6%
<i>France</i>	1,268,595	1,233,190	3%
<i>Italy</i>	397,342	203,230	96%
<b>Assets under administration</b>	<b>12,429,716</b>	<b>10,809,647</b>	<b>15%</b>
<i>Brokerage accounts</i>	12,139,332	10,446,564	16%
<i>Netherlands</i>	9,143,866	7,913,625	16%
<i>Belgium</i>	1,856,736	1,669,331	11%
<i>France</i>	686,141	626,975	9%
<i>Italy</i>	452,589	236,633	91%
<i>Savings accounts</i>	290,384	363,083	-20%
<b>Asset under management</b>	<b>1,952,193</b>	<b>2,147,591</b>	<b>-9%</b>
<i>Asset management accounts</i>	1,952,193	2,147,591	-9%
<b>Income statement</b>			
Net interest income	25,995	24,368	7%
Net fee and commission income	105,905	115,231	-8%
Net fee and commission income (transaction related)	79,631	73,982	8%
<i>Netherlands</i>	62,749	59,349	6%
<i>Belgium</i>	8,585	7,520	14%
<i>France</i>	6,988	6,534	7%
<i>Italy</i>	1,309	579	126%
Asset management fees	17,903	29,385	-39%
Net fee and commission income (other)	8,371	11,864	-29%
Other income	85	1,072	-92%
Result from financial instruments	501	-	100%
Impairment of financial assets	(165)	37	-546%
<b>Total income from operating activities</b>	<b>132,321</b>	<b>140,708</b>	<b>-6%</b>
Employee expenses	35,931	30,008	20%
Depreciation and amortisation	25,572	26,643	-4%
Other operating expenses	45,368	43,114	5%
<b>Total operating expenses</b>	<b>106,871</b>	<b>99,765</b>	<b>7%</b>
<b>Result from operating activities</b>	<b>25,450</b>	<b>40,943</b>	<b>-38%</b>

## Business unit Professional services

BinckBank started providing services to professional parties, alongside its service to private investors, in 2003. As a partner for professional parties, Professional Services provides solutions in relation to market investing, fund investing and savings. Professional Services operates in various market segments and provides services to asset managers, banks, insurance companies and pension administrators.

### Cessation of sale of Able

On 11 November 2013, BinckBank announced it was starting an investigation of the possibilities for a sale or joint venture of its non-banking activities (the BPO and software & licensing business). On 18 July 2014 BinckBank and BlackFin Capital Partners signed a letter of intent with respect to the sale process of the BPO and software & licensing business. On 7 November 2014 BinckBank and BlackFin Capital Partners halted the sale process because the necessary conditions for transfer of the BPO customers were not in place within the allotted term.

The cessation of the sale process of Able has led to BinckBank restructuring the business unit Professional Services whereby a separation has been introduced between the professional activities of BinckBank (services to independent asset managers and the BPO service provision) and the software and licensing business of the subsidiary Able B.V. of Reeuwijk. Able B.V. operates as an independent subsidiary with its own management which is tasked with providing the best possible service to software and licensing customers. The BPO services of BinckBank will be phased out over the coming years (towards 2018). A sale of Able B.V. is also an option in due course. Further information on Able B.V. is available at [www.able.eu](http://www.able.eu).

### Services to independent asset managers

BinckBank will further expand its services to independent asset managers in the coming years. Customers of independent asset managers open a tripartite account with BinckBank and authorise the asset manager to invest for their account. The asset manager manages the portfolio according to the mandate and risk profile agreed with the customer. The asset manager's customers thus always have full access to their portfolios. A specialist team on the broking desk supports the asset managers in the field of order execution. Asset managers can trade in securities around the world, as through its custody bank BinckBank uses global brokers.

BinckBank maintains the customer administration and provides for order execution for more than 110 independent asset managers in the Netherlands and Belgium. BinckBank Professional Services executed more than 680,000 securities transactions for these professionals in 2014, and had more than € 6 billion in assets under administration.

## Financial results business unit Professional Services 2014

EURO amounts x 1,000	FY14	FY13	Δ
<b>Customer figures</b>			
<b>Customer accounts</b>	<b>24,588</b>	<b>23,259</b>	<b>6%</b>
<i>Brokerage accounts</i>	22,372	21,040	6%
<i>Beleggersgiro accounts</i>	2,216	2,219	0%
<b>Number of transactions</b>	<b>686,643</b>	<b>680,887</b>	<b>1%</b>
<i>Brokerage accounts</i>	611,368	638,265	-4%
<i>Beleggersgiro accounts</i>	75,275	42,622	77%
<b>Assets under administration</b>	<b>6,109,000</b>	<b>5,314,616</b>	<b>15%</b>
<i>Brokerage accounts</i>	5,961,293	5,182,897	15%
<i>Beleggersgiro accounts</i>	147,707	131,719	12%
<b>Income statement</b>			
Net interest income	2,497	3,312	-25%
Net fee and commission income	18,408	21,935	-16%
Other income	11,176	9,621	16%
Result from financial instruments	-	-	
Impairment of financial assets	(3)	(5)	-40%
<b>Total income from operating activities</b>	<b>32,078</b>	<b>34,863</b>	<b>-8%</b>
Employee expenses	19,893	18,834	6%
Depreciation and amortisation	1,609	2,008	-20%
Other operating expenses	8,946	8,869	1%
<b>Total operating expenses</b>	<b>30,448</b>	<b>29,711</b>	<b>2%</b>
<b>Result from operating activities</b>	<b>1,630</b>	<b>5,152</b>	<b>-68%</b>

## Subsidiaries and associates

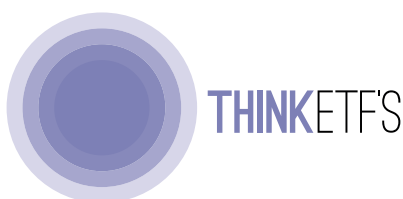
TOM is a cooperation between Optiver, IMC, ABN AMRO Clearing Bank, Nasdaq OMX and BinckBank, that came into being on 23 June 2009 after the obtaining of a licence from the AFM. BinckBank's interest as at 31 December 2014 was 25.5%. TOM Holding N.V. has two subsidiary companies, TOM Broker B.V. that provides a best-execution service to affiliated parties and TOM B.V., which has a licence to operate as a multilateral trading facility (MTF), on which equities, options and futures are traded.



It has been possible to execute equity orders from BinckBank's customers in the Netherlands, Belgium and France on TOM MTF since 2010. The execution of orders via the smart order router of TOM generates savings on exchange fees for BinckBank, while its customers now enjoy best execution for equities and derivatives orders (uniquely in Europe), and BinckBank is compliant with the European MiFID regulation.

TOM is working hard on connecting more banks to its Smart Order Router. TOM welcomed the option trading flow of ABN Amro to its platform in the fourth quarter of 2014, meaning that approximately three-quarters of private customer option flow in the Netherlands is now traded via the TOM platform.

Further information on TOM is available at [www.tomgroup.eu](http://www.tomgroup.eu).



BinckBank has had a 60% interest in ThinkCapital Holding B.V. since 9 November 2010. ThinkCapital Holding B.V. is a 100% shareholder in ThinkCapital Asset Management B.V., the manager of the Dutch issuer of Think ETFs (ThinkCapital ETF's N.V.). The interest in ThinkCapital Holding B.V. is part of BinckBank's strategy to generate more of its income from asset accumulation and thereby become less dependent on transaction-related income.

Interest in index investing among private investors is growing rapidly, alongside interest from the market regulators and the Dutch Investors' Association (VEB). The supervisors are underlining the importance of a more balanced relationship between actively and passively managed investment products. Among other things, this led to the abolition of distribution fees as of 1 January 2014, leading to a more balanced proportion of passively managed products in the portfolios of private investors. BinckBank devotes extensive attention to education in order to provide good information to private investors on ETFs and everything related thereto. This led to the launch of the ETF Academy in 2013 and its further expansion in 2014. Partly thanks to the ETF Academy, Think has now educated more than 4,000 investors via various online and offline seminars.

In October 2013 Think ETFs won the Gouden Stier award for Best Index Investor. The Think Global Equity ETF was chosen by a professional jury as Financial Product of the Year in 2013 on 19 December 2013. In 2014 Think Global Real Estate ETF won the title of Financial Product of the Month for July, and in December 2014 Think ETFs was awarded the DFT Financial Product of the Year Public Award.

Think ETFs also focuses on the institutional market for passive investment management with its products. The current offering consists of 12 ETFs designed to suit the Dutch market. Since the previous year, the Think European Equity ETF has been added to the range and the offering is expected to be expanded again in 2015. One advantage Think ETFs have over foreign providers of trackers is that Think ETFs have a Dutch legal structure and qualify for FBI (Fiscal Investment Institution) status. This allows Think ETFs, unlike the foreign providers, to distribute dividends efficiently to investors. Under the various tax treaties, this tax efficiency can be applied to equities in the various treaty countries and investors from a number of treaty countries can thus also benefit.

Think ETFs are constructed using physical replication, whereby an index is replicated so that the stocks in the index are held by the fund. Some competitors use synthetic replication, or if they use physical replication, they lend the underlying securities to third parties. These constructions however involve additional risk in the form of counterparty

risk. Think ETFs takes the view that this does not serve the investor's best interest, as the ETFs then become less transparent and complex.

Further information on Think ETFs is available at [www.thinketfs.nl](http://www.thinketfs.nl).



Able Holding B.V. has been a 100%-owned subsidiary of BinckBank since 2006. Able is a software company that develops and supplies innovative software for investments and savings (known as 'EuroPort+'). Financial institutions can use the software to administer securities transactions, transactions in investment funds and savings accounts within one single environment. Able is the market leader in its segment in the Netherlands, and supplies software under licence to various financial institutions, including BinckBank itself.

Further information on Able is available at [www.able.eu](http://www.able.eu).

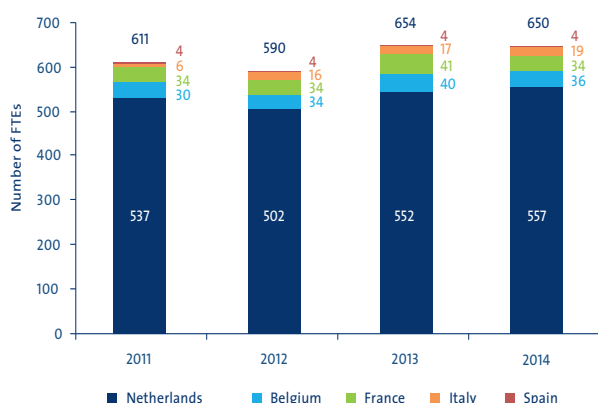
# Human Resources

## Developments in 2014

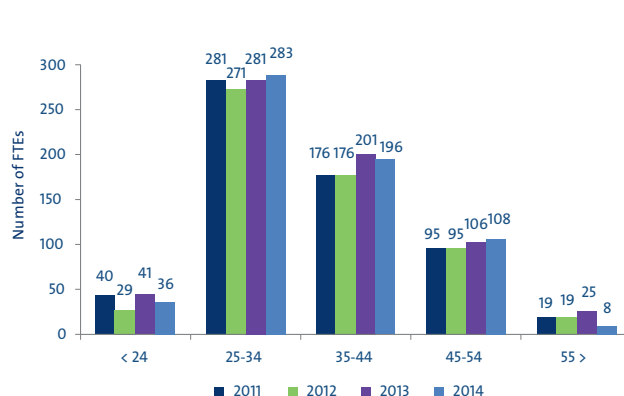
BinckBank devoted much attention to conduct, culture and ethics within its organisation in 2014. The executive board gave several presentations to employees in 2014, new modules have been developed using the online learning tool Drillster and the employee satisfaction survey was started. The elements of conduct, culture and ethics are important for maintaining an ethical organisation. Remuneration was also an important agenda item in 2014, partly in view of the introduction of the 20% bonus ceiling in 2015.

In the coming years, BinckBank will continue to focus on the development and upward mobility of talented employees since the motivation and aspirations of young people are changing rapidly. Being and continuing to be an attractive employer will become increasingly important in the future because talent, especially in the field of IT, will become more scarce.

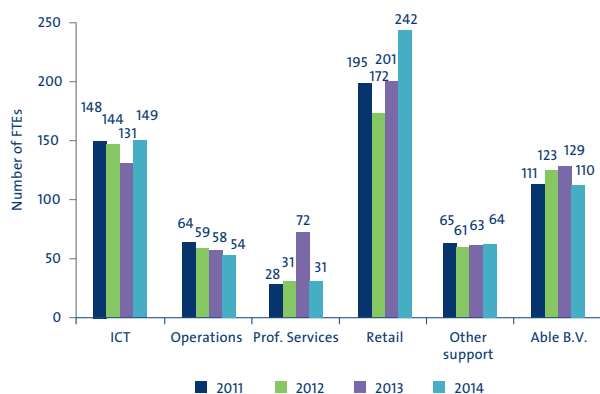
Number of FTE per country



Number of FTE per age group



Number of FTE per department



## Recruitment and selection

BinckBank filled 107 vacancies in 2014, for which there were 7,500 applicants. There were 128,000 visitors to the recruitment website "Werkenbijbinck" in 2014. The percentage of own recruitment in 2014 came to 94%, meaning that the use of external agencies could be kept to a minimum.

## Training

BinckBank offers its personnel the possibility of taking a wide variety of courses, training and workshops, including training specially developed for BinckBank employees. Investment is also made in development projects at team level. These projects are needed due to all the changes that can occur both inside and outside an organisation.



The range of training available was expanded further in 2014, also by means of lean projects focusing on sustainable customer value and making the organisation more efficient. The strategic training Lean Six Sigma, which emphasises the achievement of set targets in a structural way, is provided and a number of employees have now reached the level of expert (Black Belt). The Lean Six Sigma training will continue to be offered in 2015.

For BinckBank, it is important that employees from different disciplines are aware of the basic terminology and products in the financial world. The various Nibe/SVV courses and DSI registrations are therefore offered in various departments as strategic training.

Integrity is a crucial matter for BinckBank. The organisation has a wide range of procedures to ensure ethical conduct. Much attention was again devoted to conduct, culture and ethics in 2014. All new employees take a course on compliance and ethical behaviour. In addition to these regular courses, the executive board and Compliance organised plenary awareness sessions. In these sessions, example dilemmas are used to illustrate ethical behaviour and the importance of this for the organisation and the restoration of confidence in the financial sector.

Parallel to the awareness sessions, an e-learning course on compliance & integrity has been introduced in the online training module Drillster. Drillster facilitates the transfer of knowledge and awareness by repetition of the material over a longer period.

BinckBank developed several compliance modules for Drillster in 2014, including an Anti-Money Laundering (“AML”) module, dealing with the change in the AML policy. Among other things, the compliance modules deal with: the code of conduct, a responsible organisation, professional customer behaviour, putting the customer’s interests first and the reporting, discussion and prevention of incidents. In addition to the departments of Compliance and IT security, the executive board also gave presentations and courses to the organisation to raise the awareness of integrity among employees last year. The modules dealing with product knowledge and investing are under development and are expected to be offered to BinckBank employees in 2015.

The Drillster training module will also be installed at the branch offices of BinckBank. At the end of 2014 for example, the French language model went live in Belgium. The module is primarily intended to provide qualitative support to Belgian employees dealing with French-speaking customers.

In addition to Drillster, the Alex Academy is also developing courses for our own staff. The purpose of these courses is to increase knowledge of products among our employees. An example of this is the lunch-time seminar ‘Beleg eens wat anders dan je boterham’ which focuses on the Fundcoach product.

With all its courses and initiatives, BinckBank gives its employees the opportunity to gain extensive knowledge and skills. This contributes to the development and flourishing of our employees.

Training will become a more important strategic issue in the years to come. Firstly, in order to retain and attract good employees: training will be seen as an important benefit of employment at BinckBank. Secondly, the providing of training will assist us to maintain and further develop the level of knowledge of our employees.

## Initiatives

One good initiative created in 2014 is the mentoring programme “Help talent in the saddle”. Mentors are senior or more experienced employees who voluntarily help colleagues to use their talent optimally and give them the foundation for a career at BinckBank. The mentors took a course in 2014 which gave them tips on how to develop their coaching skills alongside their professional expertise.

Besides the mentoring programme, BinckBank decided to affiliate itself as a partner to YFINN in 2014, a network organisation and think-tank for and by young professionals working in the financial sector in the Netherlands. Within this organisation, young professionals develop into broad-based and well-informed employees with a strong network in the financial services industry. The partner proposition at YFINN means that a young professional from BinckBank is a member of the YFINN working group.

## Employee satisfaction survey

Preparations for a new employee satisfaction survey were started in 2014, with the name of the survey being changed to FABBS (For A Better Binck Survey). The change of name marks BinckBank's departure from the traditional type of survey for which a standard questionnaire is used. The survey is transparent and will be designed according to the plans and ambitions of BinckBank. Among other things, it will focus on important themes, plans, ambitions and the corporate culture. The input generated from the survey will be used for future developments.

FABBS is fully supported by the whole organisation, including the branch offices. Interviews with various groups of employees started in November and December 2014. The executive board, the management and the works council will be interviewed as separate groups. FABBS was launched in early 2015 and the results will be followed up in workshops and other initiatives.

## Absenteeism

The absenteeism rate rose slightly in 2014 compared to 2013 (3.22% in 2014 and 2.82% in 2013).

## Legislation

As a result of the taking effect of the Regulation for a controlled remuneration policy in the Wft 2014 on 1 August 2014 and the Financial Undertakings (Remuneration Policy) Act (the 'Wbfo') which came into force on 7 February 2015, BinckBank has made the preparations necessary for adjusting its remuneration policy in line with this regulation. The remuneration committee advises the supervisory board with respect to its responsibility to supervise the establishment and implementation of the BinckBank remuneration policy. The remuneration committee is provided with information and advised by the control committee, which includes the manager of Risk Management and the manager of Compliance, the HR manager and a legal expert. The remuneration committee met on four occasions in 2014.

## Preparations for the Work and Security Act and the new pensions scheme

The government's intention with the Work and Security Act is to encourage flexibility in the labour market. The Act includes changes with respect to the protection of temporary employment contracts, employment termination law and the Unemployment Act (the 'WW'). BinckBank prepared for various changes last year that became effective on 1 January 2015 and is preparing for the provisions that will come into force on 1 July 2015. Preparation for the revision of the pensions scheme was also an agenda item in 2014, enabling the introduction of an amended pension plan with effect from 1 January 2015.

## Consultation with the works council

For the works council, 2014 featured various projects. Several requests for advice and approval were dealt with by the works council in cooperation with the executive board and HR. The WC was also involved in matters that did not directly involve requests for advice or approval, but which the executive directors wished to take the opportunity to discuss with the WC.

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# BINCK FUND COACH

Snel aan de slag

 **BINCK**

# Corporate social responsibility

## Introduction

Corporate social responsibility (CSR) is an integrated vision of sustainable business operation. CSR involves a consideration of the various social and economic effects of every business decision, taking account of the interests of stakeholders. Every business decision does in fact affect the stakeholders in a company. These include customers, shareholders, employees and suppliers, but also society in general.

Various studies show that consumers consider confidence in the products and services provided by banks to be of great importance. This has been an element of BinckBank's DNA ever since its incorporation. The customer's interest comes first. The following issues are the most important to consumers with respect to corporate social responsibility by the banks:

- Customer contact and customer service
- Customer orientation: putting the customer's interests first
- Clarity with respect to products and conditions

In short, customer confidence is a key issue for us. High quality customer contact, customer orientation and transparency form the basis of our CSR policy.

## Reporting and the Global Reporting Initiative (GRI)

The GRI guidelines stand for the Global Reporting Initiative guidelines. The United Nations has issued these guidelines to assist businesses in their reporting in the area of sustainability. BinckBank does not publish a separate sustainability report. BinckBank prefers to include a separate section on CSR in its annual report. The publication of a separate sustainability report revealed that there is extensive overlap between the annual report and the GRI guidelines relevant to BinckBank, such as the description of strategy, the section on risk and the HR policy. Furthermore, a large number of GRI indicators defined specifically for financial services providers have little or no relevance in BinckBank's case. For instance, our geographical area of operation concerns countries within the European Union, where issues relating to human rights, poor working conditions and other social matters do not play a role. BinckBank's investment policy is moreover clearly defined. BinckBank provides credit to private investors for the purpose of purchasing securities, and thus does not have to deal with ethical or social considerations involved in lending to companies. BinckBank applies an exclusion policy for the asset accumulation product of Alex Asset Management, with the intention of avoiding investment in companies that contravene the principles of the UN Global Compact.

## Definition, focus and approach

From its public position as a bank for investors, BinckBank applies the guidelines of the Dutch Banking Association ('NVB') as formulated in early September 2014, in which financial education is an important principle. This increases the knowledge of consumers with respect to financial decisions. BinckBank devotes extensive attention to this, and has integrated social aspects in the services it provides to its customers as far as possible. This starts with our trinity of a stable platform, excellent customer service and competitive rates with no hidden costs. This threefold combination adds value for various groups of investors. BinckBank has a thorough understanding of investors and is succeeding in developing more suitable products and services for the various types of investor. These types include for instance the hyperactive traders, the investors who want to invest independently but avoid the daily volatility of the market or the investors who prefer to place the investment of their assets in the hands of another party.

BinckBank's approach to CSR consists of the five principles for the direction of BinckBank.

## The five CSR principles for Binck's direction



### Pillar: Integration in products

#### Abolition of distribution fees is a signal for renewal: Binck Fundcoach & Binck turbo

The abolition of distribution fees at the beginning of 2014 was reason for BinckBank to introduce a number of changes. For the group of investors with a longer term horizon, BinckBank introduced Binck Fundcoach. There is large demand for investing in funds in the market. With Binck Fundcoach, BinckBank customers gain access to a range of high quality investment funds and index trackers with a user-friendly selection tool. Besides convenience, BinckBank follows the open architecture principle whereby investors can choose themselves from a wide and high quality range of investment funds. This differentiates BinckBank from the trend at the large banks where the offering is limited and proprietary funds are promoted above others. In BinckBank's view, this is a development that is not in the interests of private investors. Customers want to be able to choose from the best funds available.

For active investors, BinckBank launched its own Binck turbo in July 2014. The Binck turbo was added to the existing range of leverage products. The development of the Binck turbo was based on the principle of adding value for investors. The aim is that active investors who are aware of the risks will choose the Binck turbo on the basis of the product's performance. This led to a tight spread and more extensive trading hours that correspond to the opening times of the US markets. The advantage of a tight spread is particularly important. The financial driving licence for turbo investors was also introduced in addition to the already existing licences for complex and non-complex products. The introduction of the Binck turbo was successful and the response from our customers has been positive. In just six months, the Binck turbo has grown into the most-used turbo among our customers.

#### Best execution with Smart Order Router

The tight spread for the Binck turbo is not an isolated feature. It is part of the strategy of developing services that add value for private investors. The best execution service offered through the Smart Order Router of TOM Broker is also a practical example of this. Thanks to the TOM Smart Order Router, price formation on Euronext is compared for our customers with the prices on TOM MTF and also prices on Bats Chi-X since 2014.

Private investors ultimately trade at the best price that is found. The monthly statistics on the TOM website quantify the benefits for private investors.



## Pillar: Sustainable products and services

The promotion of sustainable investing is one of the priorities in BinckBank's CSR policy. This point is explicitly mentioned in the guidelines of the NVB. With the acquisition of Fundcoach, assets under management in sustainable investment funds have doubled to € 62 million. The sustainable index tracker from Think ETFs has also grown to € 59 million under management.

### Exclusion policy

With respect to the prohibition of cluster munitions, BinckBank has formulated a policy endorsed by a majority of the fund providers. The other fund providers confirm that they will not invest in prohibited names on a quarterly basis.

### Alex Asset Management

In collaboration with Sustainalytics, Alex Asset Management screens the universe of stocks in which the model invests on a quarterly basis. An additional screening was carried out initially when the universe was expanded to include the American markets. By means of this screening, Alex Asset Management intends to avoid investing in companies that contravene the principles of the UN Global Compact. Moreover, Alex Asset Management does not invest in companies involved in the arms trade. The result of the screening by Sustainalytics for Alex Asset Management led to two companies in Europe and fourteen companies in America being excluded as potential investments. Alex Asset Management moreover did not have positions in the companies concerned.

## Pillar: Customer value, dialogue and involvement

Dialogue with customers and customer satisfaction

BinckBank attaches much value to its continuous dialogue with customers, part of which concerns listening closely to the various needs of investors. This also helps BinckBank to classify customer groups better and tailor its products and services in order to meet the needs of the various investor groups. We use various channels and sources for the conduct of this dialogue, including:

- Customer panels and surveys: Our employees are regularly involved in discussions with a customer panel. These sessions are held both regularly and on an ad hoc basis. At ad hoc meetings for example, new applications such as the use of new mobile applications are put before a customer panel. The regular surveys cover all aspects of our service provision, with diverse subjects including user-friendliness, product development, issues affecting investors, customer service and also brand experience.
- Customer satisfaction survey: Customer surveys are carried out on a quarterly basis, using a different customer group each time. This means that every customer has the opportunity to give us feedback on our services at least once a year. The findings of these surveys count towards the achievement of the targets for the executive board, with a target score of 8. In 2014 the overall score for customer satisfaction was 7.1.

By far the most customer contacts occur through customer service. The customer service department in the Netherlands deals with 150,000 phone calls and around 75,000 e-mails each year. Our response to questions through social media, known as web care, was further professionalised this year. Our customer service employees go through a strict selection procedure and an intensive training and guidance process. This approach means that our customer service department is able to answer and resolve issues during the first contact in more than 90 percent of cases.

### Education is becoming increasingly important.

BinckBank wants to transfer knowledge of investing as extensively as possible. For our customers, we do this by offering financial education in the form of interactive webinars and master classes, but also by operating a financial driving licence. The mission of the investment trainers at the Alex Academy is to get customers to invest more effectively. BinckBank organises webinars in the Netherlands, Belgium and France involving around 35,000 participants each year. For active investors, we offer the Binck Beursvloer, whereby active customers have live contact with a team of professional traders. These activities are intentionally offered free of charge, since BinckBank is prepared to invest in the knowledge of its customers. It does this based on the conviction that knowledge and insight into behaviour are important elements in making better investments.

## Interactive webinars by country

	Webinars	Participants
Netherlands	69	25.000
Belgium	180	10.000
France	96	1.500

## Internet security

The cyber hygiene of the equipment used by customers is becoming an increasingly important issue. This is partly because older operating systems are no longer provided with security updates. BinckBank continually reminds its customers of the importance of a secure PC environment, including informing them of the free and effective virus scanners that are available. Obviously, BinckBank devotes continuous attention to the security of its own network environment. Developments in this area are continually ongoing, and BinckBank monitors whether its security is still up to date with the latest standards on a permanent basis.

BinckBank introduced Two Steps Verification in 2014. Two Steps Verification means that the customer logs in initially with his user name and password and then requests a code via an SMS with which he can log in to the customer site. This double verification offers an extra security measure for logging in. Also known as Two Factor Authentication, this is an important addition to our existing security measures. BinckBank is also part of the group that developed the Trusted Networks Initiative in 2014. This application makes it possible to close part of our websites temporarily in order to avert an attack on our websites.

## Community investment

Financial education is the guiding principle with respect to community investment. BinckBank wants to see consumers making better financial decisions independently. Education has a key role here. BinckBank therefore supports the following initiatives of the introduction of the NIBUD Geldexamen in primary schools in Amsterdam and the IEX Scholenstrijd for senior general secondary education and pre-university education students with economics in the syllabus.

## Pillar: Ambition, organisation and targets

This pillar is explained in our CSR policy document which is available at our website [www.binck.com](http://www.binck.com).

## Pillar: Operational management

The following usage indicators relate to the operational management of BinckBank in the Netherlands. Due to their limited size and amount of material used, the offices in Belgium, France and Italy have been left out of consideration.

	2014	2013	Remarks
Paper	10,042 kg	11,695 kg	Double-sided printing
Energy	1,290 MWh	1,276 MWh	103% green electricity and 30 MWh (2.3%) self-generated solar energy
Water	3,608 m <sup>3</sup>	3,295 m <sup>3</sup>	-

## Paper

As in previous years, BinckBank uses only sustainable paper. BinckBank strives to use certified paper as far as possible. This means that we know that 100% of the paper used for commercial printing is FSC.

## Energy and water

Energy usage at Barbara Strozziilaan in the period from November 2013 to the end of October 2014 was 1,290 MWh. 100% of this was certified green energy; 2.3% originated from our own solar panels.

The air conditioning in our office on Barbara Strozziilaan is connected to the Nuon network, which delivers cooling from the water in the Nieuwe Meer. With this cold water, Nuon provides sustainable cooling for the BinckBank offices. The system uses approximately 70% less CO<sub>2</sub> than conventional cooling technology.

BinckBank selected Equinix as its datacentre in 2010. For BinckBank, Equinix's leading energy programme was an important consideration in the selection. Equinix is the first datacentre in Europe and the first company in the Netherlands with ISO 50001 certification, the new global standard for energy management. This policy contributes to the use of sustainable technologies whereby significant energy savings are achieved, so that the customers of Equinix can materially reduce their CO2 footprint. It is not possible to specify this per business involved. Equinix has previously obtained ISO 14001 certification (for environmental management). The ISO 14001 certification establishes the elements companies need to achieve an effective environmentally-friendly management system.

## Events and outlook for 2015

### Chairman of the executive board steps down as of 1 January 2015

The Chairman of the executive board of BinckBank, Mr Koen Beentjes, stepped down as a director of BinckBank as of 1 January 2015. His duties were transferred to Messrs Vincent Germyns and Evert-Jan Kooistra during the fourth quarter of 2014. The BinckBank supervisory board and De Nederlandsche Bank have approved the appointment of Mr Vincent Germyns as acting chairman of the executive board. The supervisory board is currently deliberating with regard to the definitive composition and allocation of duties of the entire executive board for the coming years, a process which is expected to be completed in mid-2015.

### Supervisory directors stepping down

Messrs C.J.M. Scholtes and J.K. Brouwer will step down as supervisory directors of BinckBank after the close of the General Meeting (GM) on 30 April 2015, as they will have completed their appointed terms. After the 2015 GM the BinckBank supervisory board will consist of Messrs L. Deuzeman, J.W.T. van der Steen, Ms C. van der Weerd-Norder and Ms J.M.A. Kemna.

### Alex Asset Management

There was negative publicity with regard to the Alex Asset Management product in January 2015. Assets under management at the end of January 2015 stood at € 1.907 billion. The decline in assets under management of € 45 million in January 2015 includes customer withdrawals amounting to € 126 million and positive returns in the month of € 81 million.

BinckBank has received an increasing number of complaints in recent months from customers stating that they have suffered losses on their investments through the Alex Asset Management product. The Dutch Investors' Association (Vereniging voor Effectenbezitters, or 'VEB NCVB') also states it has received several complaints and has announced that it will initiate an investigation of the state of affairs at Alex Asset Management. The lobby group Vermogensmonitor has announced it is prepared to bring proceedings on behalf of customers against BinckBank with regard to Alex Asset Management. The risk of legal proceedings brought by customers of Alex Asset Management has thus increased. BinckBank has not yet received any material actions from customers in 2014, and it is as yet uncertain whether the investigation by the VEB and any potential legal measures resulting from this will have negative financial consequences for BinckBank.

### Suspension of decision to distribute capital in excess of € 200 million

In the first quarter of 2014, BinckBank announced that it intended to distribute its available Tier I capital in excess of € 200 million to shareholders, subject to this being justified in business terms. Based on an assessment of its business prospects, BinckBank does not consider that it would be prudent to distribute its available capital in excess of € 200 million at this time. This approach follows the recommendation of the European Central Bank (ECB) published on 28 January 2015 (ECB/2015/2) that a prudent policy with respect to capital distributions would be appropriate in the light of the changed economic outlook. BinckBank's decision, in the context of the above-mentioned prudence, is due in part to a decline in assets under management and accordingly a deferral of the growth target for its strategic arm Alex Asset Management.

### Outlook 2015

Our result depends heavily on the activity of our customers in the markets. Market volatility and direction are important factors. These are difficult to estimate, and therefore BinckBank will not issue any detailed forecast.

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Mr Evert-Jan Kooistra and Mr Vincent Germyns



## Executive board members

### Vincent Germyns, acting chairman

(1973 – Belgian nationality)

Vincent has been a member of the BinckBank executive board since 2014. He was appointed director of Retail at the General Meeting of 22 April 2014 for a term of four years. As director of Retail, Vincent is responsible for the Retail branches, Product Management and ICT Product Development. After the departure of Koen Beentjes as a director of BinckBank under its articles of association on 1 January 2015, Vincent was appointed as acting chairman of the executive board of BinckBank by the supervisory board on 13 November 2014.



In his former position, Vincent led BinckBank's international expansion. He was responsible for the direction of the foreign offices in Belgium, France, Spain and Italy. Vincent studied at the Royal Military Academy in Brussels and the Catholic University of Leuven. Earlier in his career he was employed at KBC Asset Management in Belgium.

Number of BinckBank shares held at year-end 2014: 14,602

### Evert-Jan M. Kooistra, executive director and CFRO

(1968 – Dutch nationality)

Evert-Jan has been an executive director and chief financial & risk officer (CFRO) of BinckBank since 2008. He was reappointed as a director under the articles of association of BinckBank at the General Meeting of Shareholders on 23 April 2012 for a term of four years. Evert-Jan is responsible for the second-line functions of Finance & Control, Risk Management and Legal and the support units: Financial Administration & Reporting, Treasury & ALM and Operations (Back Office).



Evert-Jan studied business economics at the Erasmus University in Rotterdam, and is a certified public accountant. He has more than 20 years' experience in the financial field, including periods of employment at PriceWaterhouseCoopers and Shell. Most recently he was financial director at the US company International Game Technology.

Evert-Jan was also a supervisory director of Exact Holding N.V. until 20 February 2015.

Number of BinckBank shares held at year-end 2014: 49,011



## **Koen N. Beentjes, former chairman of the executive board**

(1961 – Dutch nationality)

Koen has been an executive director under BinckBank's articles of association since 2009, and was reappointed at the General Meeting of Shareholders on 22 April 2013 for a term of four years. On 13 November 2014, Koen transferred his responsibilities as chairman to the new acting board chairman Vincent Germyns. In his role as chairman of the executive board, Koen was responsible for the commercial business Able and the services to independent asset managers (collectively, Professional services), the Retail organisation (temporarily), ICT Operations, Legal & Compliance, the Internal Audit Department (IAD), Human Resources, Investor Relations and Public Relations.

After almost six years Koen stepped down as an executive director of BinckBank under its articles of association on 1 January 2015.

Number of BinckBank shares held at year-end 2014: 53,537



## **Pieter Aartsen, former executive director**

(1964 – Dutch nationality)

Pieter was an executive director of BinckBank from 2006, and was responsible for the commercial business Able in 2014. Pieter did not make himself available for a new term as an executive director at the General Meeting of 22 April 2014 and ceased to be employed at BinckBank in November 2014.

Number of BinckBank shares held at year-end 2014: 16,859





Risk management

# Introduction

## Scope

The sections on Risk Management, Capital Management and Liquidity Management contain background information and explanation of the way in which BinckBank has structured and controls its organisation. The tables moreover provide insight into the identified risks and the relevant capital maintained. The disclosures on risk management, capital management and liquidity management are divided as follows:

- Risk management: This section describes how BinckBank identifies its risks, assesses them and takes appropriate measures. It describes BinckBank's risk strategy, governance, procedures and developments in the previous financial year.
- Capital management: This section provides information on BinckBank's strategy in relation to its available capital and capital requirement in both qualitative and quantitative terms.
- Liquidity management: This section describes the liquidity risk management framework, and the liquidity risk and funding profile of BinckBank.

This section also contains mandatory disclosures pursuant to the Financial Supervision Act (the Wft), the Dutch Civil Code (BW) Book 2 Title 9 and IFRS. To the extent applicable, BinckBank has moreover followed the recommendations from the Enhanced Disclosure Task Force (EDTF) in the composition of its disclosures. Parts of this section have been audited by the external auditor for correspondence with requirements arising from IFRS. These parts are specifically designated as having been audited.

## Pillar III disclosures

The Pillar III information was included in the annual report for the first time in 2013. The Pillar III information provides more extensive disclosure of information connected with risk management and capital adequacy in a single report. The purpose of the Pillar III disclosures is to inform current and future stakeholders as to how BinckBank deals with risk management and capital adequacy.

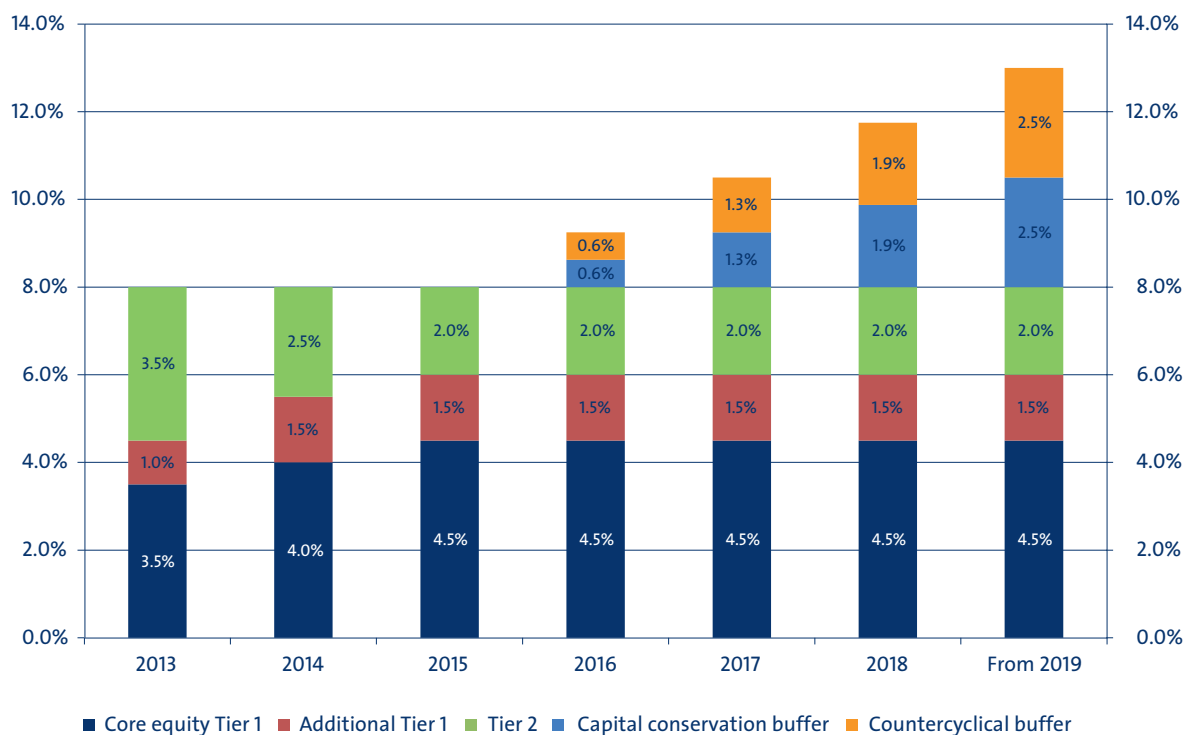
The information to be provided under Pillar III is prepared in accordance with the Capital Requirements Directives that in the Netherlands is adopted in the Wft.

## The Basel III framework

The Capital Requirements Directive (CRD IV) took effect on 1 January 2014. The CRR (Capital Requirements Regulation) concerns European regulation that is effective directly. It takes precedence over national legislation, which does not have to be amended for it to take effect. The CRD IV gives guidelines that will have to be reflected in national legislation and a certain degree of flexibility has been allowed for national supervisors with respect to implementation. The introduction of CRD IV and CRR is a response to the weaknesses in the banking system identified during the financial crisis (2008-2011). The new regulation is primarily designed to increase the capital buffers of banks, and to improve the quality of these buffers. Moreover, new requirements are introduced to safeguard the liquidity position of banks.

The above-mentioned regulation is also collectively known as Basel III and among other things sets requirements for the capital instruments that banks must hold. Basel III sets conditions for long-term funding and requirements for the amount of cash held by banks. Basel III also includes measures to limit the effects of leverage, and sets stricter requirements for the quality of capital instruments qualifying as Tier I or Tier II capital. Banks will also be obliged to maintain a capital conservation buffer to enable them to resist future periods of stress. Lastly, Basel III introduces an anti-cyclical buffer that allows national supervisors to require banks to hold additional capital during periods of rapid growth in lending.

The timeline for the introduction of the capital requirements is shown below:



The Basel III framework contains capital requirements for banks. The objective of this framework is to give guidelines to banks whereby they can establish the minimum amount of capital they must hold to absorb unexpected losses as a result of the financial and operational risks to which they are exposed.

The Basel III framework uses the 'three pillar' principle. Pillar I describes the minimum capital requirements, Pillar II deals with internal measurement of capital adequacy and the supervision of this, and Pillar III addresses publication of capital adequacy and risk management with the aim of encouraging market discipline.

## Differences in risk perception between IFRS and Basel III

Risk perception depends on the purpose for which the risk exposure is calculated: IFRS-EU is mainly used for the measurement of financial results and balance sheet positions. Under IFRS-EU, the balance sheet positions are usually shown in order of liquidity at the gross value per category of financial product. These statements do not take account of differences in creditworthiness or collateral or security received.

The Basel III regulations and core capital are more suitable for risk measurement, since the purpose of the Basel III reporting is to present a risk-weighted description of the bank's balance sheet and to ensure that adequate capital buffers are maintained for losses, both expected and unexpected. Account is taken of collateral and other securities provided on which the bank can call if the counterparty defaults.

## Scope of supervision

BinckBank is subject to prudential supervision by De Nederlandsche Bank (DNB). The entities consolidated by BinckBank in accordance with IFRS and Basel III are listed in the table below.

Consolidation base	IFRS	Basel II
BinckBank NV including foreign branches	yes	yes
Binck Bewaarbedrijf B.V.	yes	yes*
ThinkCapital Holding B.V.	yes	yes*
ThinkCapital Asset Management B.V.	yes	yes*
Able Holding B.V.	yes	no
Able B.V.	yes	no
Fintegration B.V.	yes	no

\* Belongs to the prudential consolidation base but not consolidated under application of article 19 CRR.

The IFRS consolidation base for BinckBank is established in accordance with IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements, IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures. All companies over which BinckBank has direct or indirect power to influence financial and operational policy for the purpose of obtaining gains from the operations are part of BinckBank's consolidation base and are fully consolidated.

On the introduction of CRD IV DNB has withdrawn all existing waivers and reassessed the situation for each company. Able B.V. and its subsidiaries do not carry out any licensed financial business and are not part of the prudential consolidation base. This mainly affects the capital requirement for operational risk. In the determination of the risk-weighted assets under CRD IV, the net asset value of these subsidiary companies is weighted at 1250%. After having obtained the approval of DNB, BinckBank has chosen to apply article 19 of the CRR for Binck Bewaarbedrijf B.V., ThinkCapital Holding B.V. and ThinkCapital Asset Management B.V. whereby these companies are not included in the prudential consolidation base. In the determination of the risk-weighted assets under CRD IV, the net asset value of these subsidiary companies is weighted at 250%.

## EDTF recommendations for financial disclosures

The Enhanced Disclosure Task Force (EDTF), formed in 2012, has set itself the objective of strengthening and clarifying the disclosures of financial institutions with respect to risk. The EDTF issued 32 recommendations for improving risk disclosures on 29 October 2012. BinckBank has committed to adopting these recommendations as far as possible and to include the recommended information in its annual report.

# Risk management

## Introduction

This section lists the key developments in the area of risk management, administrative organisation and internal control. Areas of improvement identified by internal reviews, audits carried out by the internal or external auditor and audits conducted by the supervisor received particular attention from the executive board.

## Developments in risk and internal control in 2014

### Governance structure

A number of changes occurred at board level, involving both the executive board and the supervisory board. Vincent Germyns was appointed as an executive director at the General Meeting of 22 April 2014, and Pieter Aartsen did not extend his term. In addition, Koen Beentjes announced his departure as of 1 January 2015 on 29 October 2014. Mr Germyns took over the role of chairman of the executive board from Mr Beentjes on a temporary basis. From the supervisory board, Mr Deuzeman was temporarily appointed as a delegated supervisory director until such time as the new composition of the executive board becomes official. Mr Van Westerloo's term as a supervisory director came to an end at the General Meeting of 22 April 2014. Mr Van der Steen, Ms Van der Weerd-Norder and Ms Kemna were appointed as supervisory directors of BinckBank at the Extraordinary Meeting of 18 September 2014.

BinckBank invested in its internal controls and implemented various improvements in 2014. The governance framework was strengthened in a number of respects, including the risk management framework.

### Risk management

The implementation of the improved risk management framework with the associated policy and systems took place in the first half of 2014, thus improving the oversight and management of risks within the organisation. The governance framework itself was also developed further during 2014. The management of the framework is the responsibility of the Risk Management department.

### Business continuity management

In 2014 BinckBank tested the crisis management and business continuity plans formulated in 2013, in which various crisis scenarios were recognised, and applied improvements where this was necessary. BinckBank has formulated additional plans for each scenario designed to keep the bank operating during a crisis. Like all medium-sized financial institutions in the Netherlands, BinckBank has also formulated a financial recovery plan, which describes the measures BinckBank can take to recover from a financial or other crisis on its own initiative.

### Information technology and security

BinckBank is aware of the various threats and risks in the area of information technology and security and focuses continually on identifying and mitigating risks in this area. In 2014 BinckBank invested further in optimisation in the area of information technology and security and implemented improvements in order to manage changes more effectively. This involves the preparation of test risk analyses, test strategy and the approach to testing. At least two contingency tests are conducted each year of the migration of production to the contingency environment. These occurred in 2014. The contingency test involves a technical and operational migration of the entire BinckBank environment, with simulation that the external data centre is not available due to a calamity. The test established that critical systems were successfully migrated within the set standards and timeframes.

Cybercrime could be a threat to BinckBank and its customers. BinckBank accordingly follows developments in cybercrime with close interest. Cybercrime is continually developing, and recent developments have led BinckBank to decide to take further measures in order to protect our customers from cybercrime, including the introduction and further roll-out of Two Steps Verification for customers. BinckBank customers now receive an SMS in order to be able to log in. This prevents passwords being stolen from the customer's computer and used for misuse of the online brokerage account. BinckBank has moreover further strengthened the logging and monitoring of the websites so that potential cybercrime attacks against our customers can be addressed earlier and more effectively.

## Compliance function

Last year, BinckBank invested heavily in the compliance function, and the tasks and responsibilities of compliance were organised in the governance framework in more detail. The compliance framework was further implemented throughout the organisation (including the branch offices) in 2014. The management model for the compliance function at the branch offices was changed in 2014, so that these officers are now hierarchically managed by the Group Compliance manager with an operational reporting line to the first-line management of the branch. Compliance played a major role in the implementation of supporting systems (monitoring) and the raising of awareness throughout the organisation in 2014.

## Monitoring of cash transactions

On the basis of its banking licence, BinckBank is responsible for monitoring financial transactions. The aim of this monitoring is to combat money laundering and the funding of terrorism.

The French supervisor ACP (part of Banque de France) carried out a follow-up investigation at the branch office in France in 2014 as a result of the findings of its previous investigation in 2012 in relation to the control measures in place for the prevention of money laundering and the funding of terrorism. All the findings and requests for procedural changes resulting from both investigations will be resolved in the course of 2015. Partly due to an investigation by DNB in 2013, BinckBank invested heavily in people, systems and processes in 2014 that relate to the monitoring of customers and financial transactions in relation to the Money Laundering and Terrorist Financing (Prevention) Act (the Wwft) and the Sanctions Act (the Sw). The most important improvement concerns the further implementation and optimisation of the new transaction monitoring system acquired in 2013 whereby we can more effectively meet the requirements of increasingly strict supervision of compliance with applicable legislation and regulation with respect to the monitoring of cash transactions in all the countries in which BinckBank operates.

## Duty of care

The Belgian Authority for Financial Services and Markets (FSMA) carried out a sector-wide thematic review of the duty of care in 2014. The review focused on the extent to which the rules relating to the assessment of the suitability of the service provided (duty of care) were being observed, and the publicity relating to the financial instruments being offered. The review devoted attention particularly to investment services provided over the Internet. As a result of the review, the FSMA established a number of shortcomings at BinckBank's branch office in Belgium which will be addressed in 2015. In order to ensure an integrated approach, BinckBank is taking note of the relevance of the findings for the services it provides in all countries in which it operates.

## Transaction reporting

The AFM carried out an audit of the reporting of securities transactions at BinckBank on 26 October 2014 due to the fact that BinckBank was not in full compliance with its obligations in this respect. The results of the audit were generally positive. The AFM stated among other things that it appreciated BinckBank's transparency with regard to omissions in the securities transaction reporting. The AFM also stated that BinckBank has good oversight of all the transaction flows to be reported, the departments concerned and their role in the securities transaction reporting process. The AFM's audit led to an investigation of possible contraventions of Article 4:90(e) Wft. The result of this investigation and any follow-up action is expected in the course of 2015.

BinckBank is currently engaged in a further organisational change to an overall, consistent and structural control of the transaction reporting process.

## Developments in the risk profile associated with Alex Asset Management

The asset management operations underwent rapid growth in 2013 and the first half of 2014. In just under five quarters, assets under management at Alex Asset Management rose 150% from € 1.0 billion (at year-end 2012) to € 2.5 billion in the first quarter of 2014. The less positive returns in the second half of 2014 for Alex Asset Management customers has affected the risk profile for BinckBank. The assets under management declined by 7% in 2014, from € 2.1 billion to € 2.0 billion at year-end 2014.



## Management of foreign branch offices

BinckBank has four branch offices abroad, with its offices in Belgium and France accounting for the majority of its foreign activities. The office in Spain is concerned solely with marketing and account management. The foreign branches have their own internal control function. These internal control functions at the branch offices received further training. In 2014 in the implementation of new and existing policy in relation to risk management and internal control. The foreign internal control functions have a functional reporting line to the corporate internal control department (part of the Risk Management department) in the Netherlands.

## Internal Audit Department (IAD)

The Quality Review Regulations of the Dutch Institute of Internal Auditors (IIA) prescribe that an internal audit department must have an external review of the existing system of quality control conducted at least once every five years. Under these regulations, the quality review is directed by the College Quality Review Internal Auditors. The aim is to issue a statement regarding the extent to which the design and operation of the internal system of quality controls meets generally accepted professional standards. These standards are established in the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the IIA. BinckBank's IAD had a quality review conducted in November 2014, also on the basis of the standards of the Netherlands Institute of Chartered Accountants (the NBA) and the professional association of IT auditors in the Netherlands (Norea). The result of the quality review is that BinckBank's IAD meets the generally accepted professional standards of the IIA, the NBA and Norea.

## Overview of risk management at BinckBank

BinckBank conducts its business on the basis of an appropriate balance between risk and return, and strives to accept risks in a conscious and responsible way. We also strive to achieve a moderate risk profile. BinckBank has a governance risk and compliance (GRC) framework, whereby the risk profile is managed on the basis of previously established risk criteria.

## BinckBank's risk profile

BinckBank has a fundamentally different risk profile from that of a traditional Dutch bank. The typical banking operations of BinckBank are relatively simple, and concern the provision of loans collateralised by portfolios of liquid securities (collateralised lending), the provision of payment services to fixed contra-accounts at other banking institutions, automated asset management and the interest-rate business relating to the assets entrusted by our customers. One of BinckBank's core businesses, the execution of securities transactions, is however a complex process. Each year, BinckBank processes millions of transactions for a large number of accounts in a very large number of financial products on several trading platforms through brokers and stock exchange memberships. Together with the high level of dependence on ICT, this forms a relatively high inherent operational risk. BinckBank devotes extensive attention to risk management. The core business of automated asset management is heavily dependent on market developments and the way in which the models react to these developments.

Adequate control measures, analysis, reporting and information systems form part of the risk management process. The annual establishment of the level of risk appetite, the identification of risks and the introduction and adjustment of relevant control measures are part of a continuous process at BinckBank. Risk management is moreover affected by changing market conditions and the increasing complexity of legislation and regulation. BinckBank started to issue turbos in 2014. Issuing products on its own book and for its own risk is a new activity for BinckBank. Much of the operational activities for this product have been outsourced to our experienced partner UBS. One of the major risks, the market risk, is mitigated due to a full economic hedge. There is in addition a counterparty risk with respect to UBS, which is mitigated to a certain amount by means of collateral.

## Risk appetite at BinckBank

Risk appetite is the degree to which BinckBank is prepared to accept risk during the conduct of its business in order to achieve its objectives. Risk appetite involves a balance between risk and return, and is a core element of BinckBank's business. Commercial interests and returns are weighed against the risks involved. For BinckBank, risk appetite is a dynamic process rather than a static measure that continually evolves to meet changing internal and external circumstances.

The company's risk culture and the 'tone at the top' are determining factors for the dynamic at BinckBank. The executive board considers external perceptions as well when determining its level of risk appetite: How does BinckBank want to be seen by key stakeholders, such as customers, shareholders, employees and supervisors, and what are their expectations with respect to the risk profile, the risk appetite and the return? The executive board of BinckBank has

formed an impression of this from a combination of various information sources and during its numerous discussions with its stakeholders. Risk appetite is the most important parameter in the BinckBank risk management system and forms the basic principle for the company's risk management. The executive board determines the level of risk appetite at least once a year, and adjusts this in the interim in the light of significant changes if necessary. The executive board's risk appetite is submitted to the supervisory board for approval each year in December. The risk appetite is then reflected in a risk dashboard whereby quantitative standards are set. This enables assessment of whether BinckBank has remained within its own risk appetite. Breaches of the established risk appetite are discussed at meetings of the governance committee. The duties and responsibilities of the various governance committees are described in more detail in the section "Governance committees".

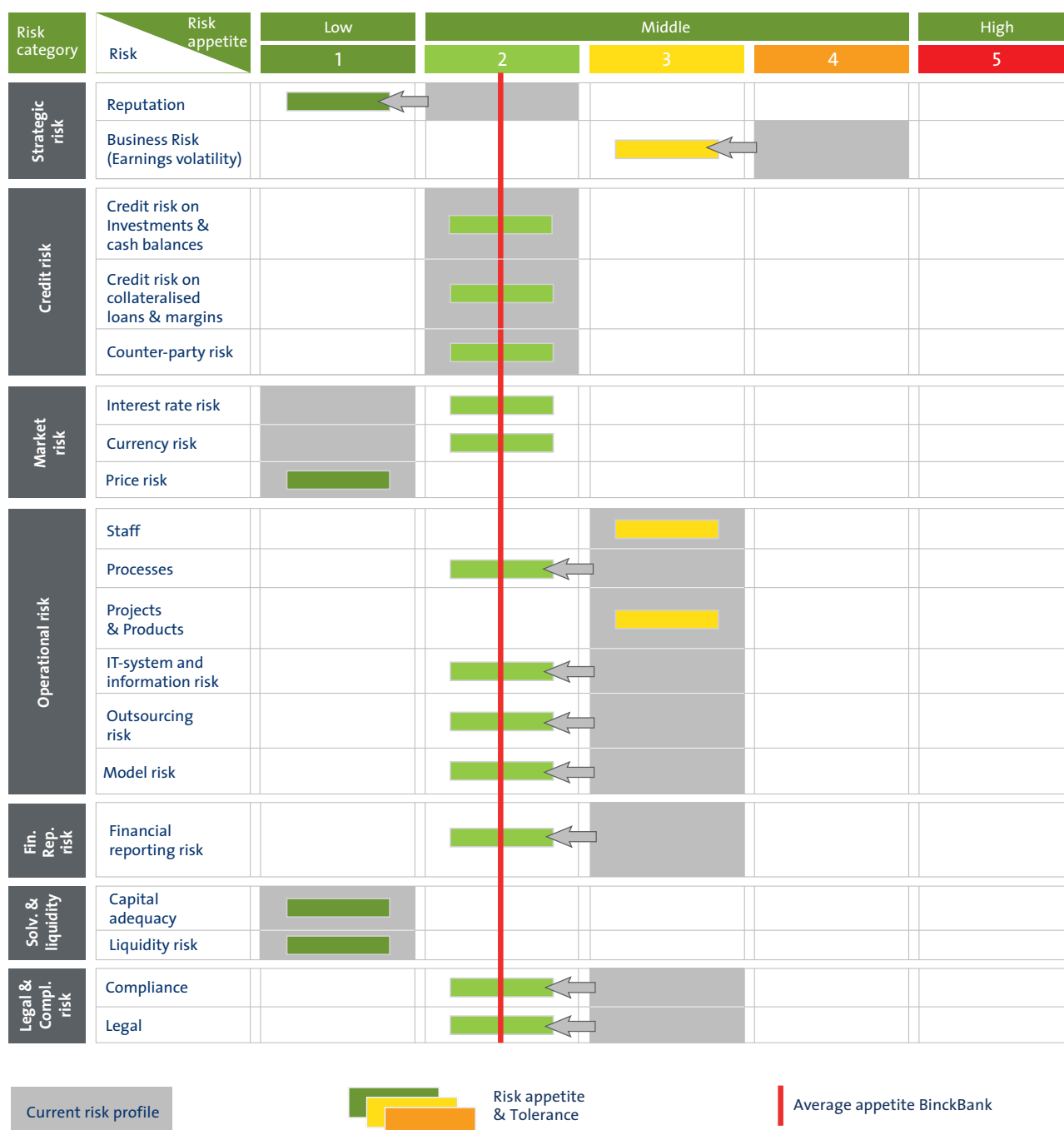
Like other banking institutions, BinckBank depends on the confidence of private customers. The absolute size of its equity, its market listing and large number of customers makes BinckBank open to questions relating to issues of trust. BinckBank is aware of this, and accordingly has adopted a low level of risk appetite (1 on a scale of 1 to 5) with regard to its reputation, capital adequacy (or solvency) and liquidity position. The level of risk appetite for business risk, credit risk, market risk, operational risk, financial reporting risk and legal and compliance risk ranges from 2 to 3.

The following table shows the level of risk appetite per category of risk against the background of the current risk profile of the business activities. The average desired risk profile is 2.0 (on a scale of 1 to 5) and the average current risk profile of 2.3 is slightly higher than the desired profile. For certain risk categories, BinckBank's risk appetite differs from the current risk profile. In cases where the current risk profile is higher than the established risk profile, the executive board and the managers concerned have taken measures to return the profile to within the desired risk appetite. Since BinckBank is a continually developing organisation that operates in a dynamic and complex environment, the desired risk profile and the current risk profile are almost never completely aligned. The strength of the system in use therefore is more as a management tool than in the absolute score (which is sometimes discretionary) on the dashboard, which essentially is conceptual.

## Risk appetite and current risk profile per risk category

### Quantification of risk categories with KRI and KPI

Where possible, BinckBank has elaborated and quantified its risk appetite in Key Risk Indicators (KRI) and Key Performance Indicators (KPI) that reflect BinckBank's risk profile as closely as possible. Account is taken of the efficiency of the indicators, so that they can be applied effectively in the departments and units concerned and so that they use existing systems and data sources. The selection of the KRIs and KPIs also takes account of the complexity and measurability of the indicators. Where possible, BinckBank has selected simple and measurable indicators. The risk dashboard is continually improved on the basis of new information.



## Strategic risk

Strategic risk is broken down into reputational risk and business risk. The good reputation of the Alex brand suffered in 2014, mainly as a result of the developments within asset management. This has led to a change in the reputational risk profile to 'middle' (2). The desired risk profile for reputational risk is however unchanged at 'low' (1), since the trust of customers must not be compromised.

The executive board considers that business risk (earnings volatility) is too high, since BinckBank is still too dependent on income from securities transactions. Over the longer term therefore, BinckBank wishes to create a more stable earnings flow and to become less dependent on transaction-related income. The asset management activities were therefore intensified in 2013. The previous growth of the asset management activities came to a halt in the second half of 2014 and this business actually subsequently contracted, meaning that there has been no further improvement in the earnings model since 2013. Furthermore, efforts to generate more return from the asset side of the balance sheet has not yet led to any actual result. The desired risk profile for business risk has therefore not been realised.

## Credit risk

Credit risk breaks down into risks on investments and cash, collateralised loans and margin, and counterparty risk. BinckBank has a middle (2) desired risk profile for credit risk in its investment portfolio. This translates into a long-term credit rating of at least single A for purchases in the investment portfolio and a low capital requirement. BinckBank limits its credit risk by means of adequate diversification of its investments.

The desired risk profile for collateralised lending and margin risk is also 'middle' (2). BinckBank wishes to avoid a situation in which it has an uncovered credit exposure to its customers and is therefore exposed to credit risk on its customers. BinckBank limits the credit risk on its customers by actively monitoring collateralised lending and requiring adequate security for the loans it provides. For BinckBank, counterparty risk concerns the risk it itself incurs on counterparties in financial transactions. If a counterparty defaults after a price has been agreed for the purchase or sale of securities but actual settlement of the transaction has not yet taken place, BinckBank is exposed to the risk that a similar transaction can only be effected on less favourable terms. This risk exclusively concerns transactions effected by BinckBank for its own account and risk, such as the purchase of bonds for its investment portfolio and OTC transactions.

## Market risk

BinckBank's market risk is divided into currency risk and interest-rate risk. BinckBank does not take active trading positions in foreign currencies, but is exposed to exchange-rate movements as a result of its operational activities. The desired risk profile for currency risk is set at 'middle' (level 2). BinckBank does not have a trading portfolio, however it has a large investment portfolio. Longer fixed-interest periods and maturities of bonds increases the exposure of the investment portfolio to movements in market interest rates. This means a higher market risk for interest-rate movements. On the other hand, interest income is fixed for a longer period, which leads to lower business risk. Longer fixed-interest periods in the investment portfolio have a reverse effect on interest-rate and business risk.

## Operational risk

Due to the nature of its business, BinckBank has an average inherent operational risk. Operational risk is determined by the large number of complex administrative entries that have to be processed daily, the fact the communication with customers is primarily via internet or telephone, and the fact that software has to be regularly updated due to various circumstances. Many unexpected events may also occur in BinckBank's operational processes which result in losses or prevent achievement of targets. Processes, systems, models and people may fail to perform as intended, there may be instances of fraud, and day-to-day processes may be disturbed by accidents or system faults (IT risk). The desired risk profile for operational risk is set at 'middle' (3). Within operational risk, the risk profiles of 'Processes', 'IT systems & information risk', 'Outsourcing risk' and 'Model risk' fall outside the desired risk appetite. Actions necessary to bring these risk profiles within the risk appetite have been established, but not yet fully implemented.

## Financial reporting risk

The large number and complexity of requirements for reporting to the market, governments and regulators have led to an increase in 'Financial reporting risk'. The current risk profile of 'middle' (3) has to be brought back to the desired risk profile of 'middle' (2) in 2015 by means of further strengthening of the reporting function in the Financial administration and reporting department.

## Solvency and liquidity risk

BinckBank's very low risk appetite with respect to solvency and liquidity is reflected in a minimum internal Pillar I capital ratio of 15%. As at 31 December 2014, BinckBank had a comfortable capital ratio of 37.1% (2013: 36.2%) and thereby meets its desired risk profile. BinckBank reassessed the adequacy of its capital and liquidity position at the end of December 2014, and its conclusion is that its total available capital of € 226 million and its liquidity position are at present sufficient to cover the risks associated with the conduct of its business. BinckBank does not have a lending business (other than for providing collateralised loans), which results in a liquidity surplus. This surplus is placed in liquid and highly-rated bonds which can be used for securities lending transactions. BinckBank remained within its desired risk profile with respect to liquidity in 2014.

## Legal and compliance risks

The increasing and extensive changes to legislation and regulation for financial institutions are a challenge for small and medium-sized banks. BinckBank strives to comply with all existing, changing and new legislation and regulation in a manner that is commercially responsible. Various actions initiated in 2013 (professionalisation of the compliance functions, elaboration of the compliance framework, implementation of systems, raising awareness) were further developed in 2014 in order to reduce the current risk profile of 'middle' (3) for compliance to within the desired risk profile of 'middle' (2). Although most of these actions were implemented in 2014, a number of actions will be completed in 2015. The risk profile at year-end 2014 is thus unchanged at 'middle' (3).

## Governance risk compliance framework

BinckBank further refined its internal governance structure in 2014. BinckBank operates on the basis of the three lines of defence principle (3LoD). The 3LoD principle goes further than the organisational structure and the designation of roles. In our view, it is a fundamentally different way of operating (cooperating) and thinking, and thus contributes to strengthening the risk culture, taking responsibility for the management of risks and internal control and ultimately to the further optimisation and integration of the GRC functions. In this structure, the first line consists of operational management and support units which are responsible and answerable for the evaluation, management and mitigation of risks. The first line departments are supported and monitored by specialist second line departments such as Risk Management, Finance & Control, Legal and Compliance which are among other things responsible for the infrastructure, methodologies and guidelines. The Internal audit department (IAD) forms the third line of defence, which by means of a risk-based approach provides additional certainty to the executive board and the supervisory board regarding the effectiveness of the organisation's evaluation and management of risks, including the way in which the first and second lines of defence operate. This additional assurance function includes all the elements of an organisation's risk management framework: meaning risk identification, risk assessment and responses to reports of risk-related information. The supervisory board and its sub-committees (the audit committee, the risk and product development committee and the remuneration committee) together with the external auditor form the last link in the governance risk compliance framework.

## Organisation of risk management at executive board level

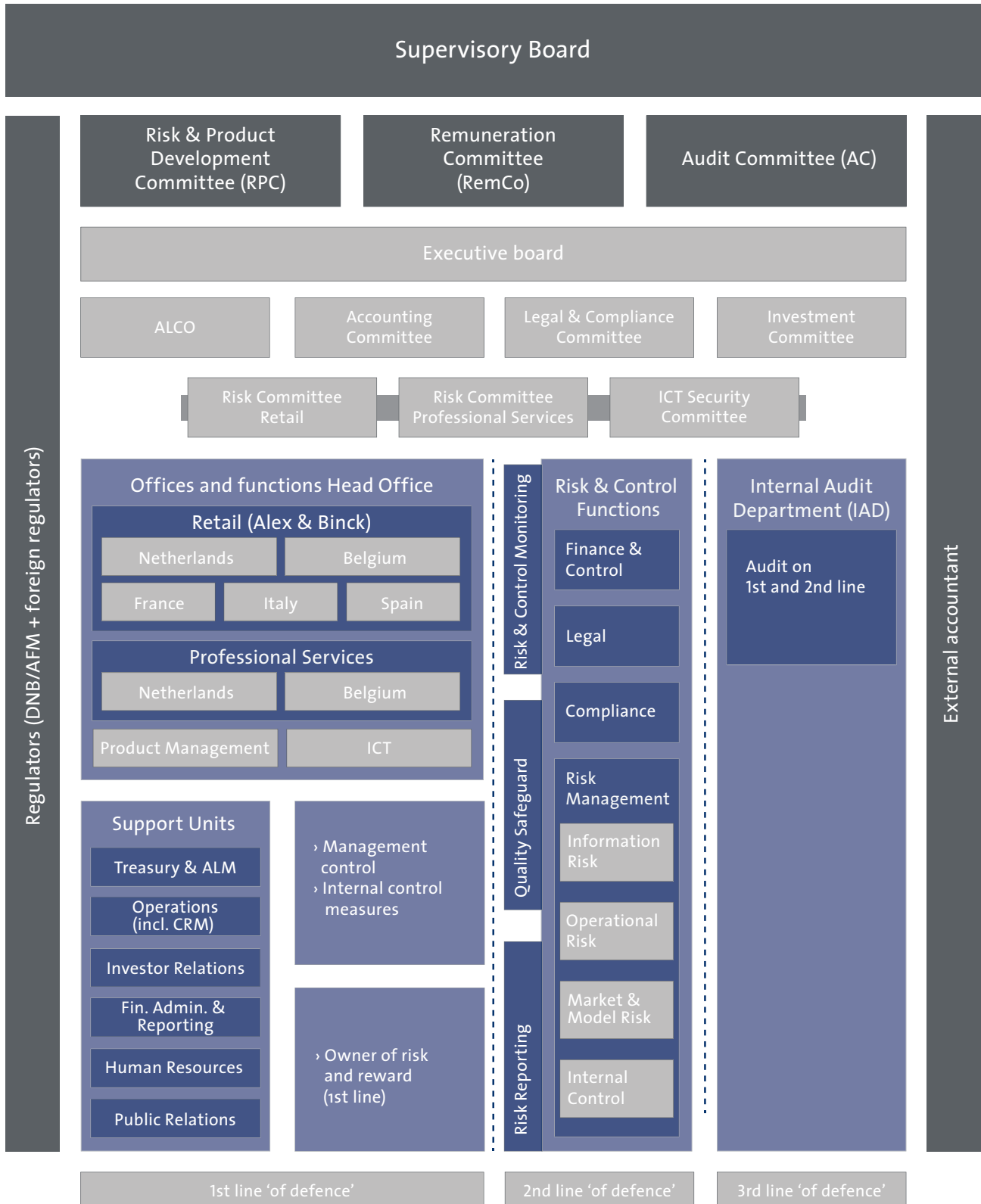
The executive board, and within the executive board primarily the chairman of the executive board, is responsible for establishing, implementing, monitoring and as necessary adjusting the Company's overall risk policy. The risk appetite is proposed by the executive board and submitted to the supervisory board for approval at least once a year. Significant changes to the risk appetite in the interim are also submitted to the supervisory board for approval. Within the executive board, the chief financial & risk officer (CFRO) is responsible for preparing board resolutions with regard to risk management. The CFRO is involved in a timely manner in the preparation of resolutions that are of material significance for the risk profile of the Company, in particular where these resolutions may lead to a deviation from the risk appetite approved by the supervisory board. The executive board ensures that risk management is adequately structured in order that the board is aware of material risks to which the Company is exposed in sufficiently good time that these risks can be controlled. Decisions that could materially affect the risk profile, capital allocation or liquidity requirement are taken by the executive board.

The executive board of BinckBank consisted of three directors in 2014: the director of Retail, the chairman (CEO) and the chief financial & risk officer (CFRO). The director of Retail was primarily responsible for the first line risk management at the Retail branches, Product Management and ICT Product Development. The chairman (CEO) was responsible for the first line risk management at the commercial business Able and the services provided to independent asset managers (collectively the business unit Professional Services), ICT Operations and until the General Meeting of 2014 for the Retail organisation. He also managed the second line functions of Legal and Compliance and the third line function of the Internal Audit Department (IAD). The CEO was moreover responsible for the support departments of Human Resources, Investor Relations & Public Relations. The chief financial & risk officer (CFRO) was responsible for the second line Finance & Control and Risk Management departments. The CFRO was also responsible for the support departments of Financial Administration & Reporting, Operations (Back Office) and Treasury & ALM. Each of the second and third line departments has its own charter which defines its duties and responsibilities in relation to risk management. These charters have been coordinated to avoid both duplications and gaps in the risk management mechanisms. The independence of the various positions and departments is also safeguarded by this separation.

Mr Beentjes left the Company on 1 January 2015. The supervisory board is deliberating with respect to the definitive structure and functional composition of the executive board. During this temporary period, Mr Germyns is fulfilling the role of chairman and Mr Deuzeman is acting as a delegated supervisory director.

## Risk management departments and governance committees

BinckBank has an organisational structure in which segregation of duties is safeguarded in the structure of the organisation (based on the three lines of defence principle) and in its ICT systems (user rights). There are also a number of governance committees (executive board subcommittees) whose members include representatives of the executive board and the first and second lines who are closely involved in the management of certain risks. The governance committees operate under articles of association that are approved by the executive board and can issue mandates for individual departments. Monitoring of the risk appetite is carried out by the relevant governance committees, the most important of which are described below.



## First line of defence

The first line of defence consists of the business units Retail in the countries (NL, BE, FR, IT and SP) and Professional Services, Product Management, ICT and the support units; Treasury & ALM, Financial Administration & Reporting, Operations (Back Office), Human Resources, Investor Relations & Public Relations. The management of the business units and the support units is primarily responsible for the implementation of the risk management activities that are embedded in the business processes. The first line is supported and monitored by second line specialist staff departments.

## Second line of defence

### Risk Management

Risk Management is in the second line of defence and monitors the correct application of policy and the existence and operation of the risk control measures. The department has four different disciplines: information risk, operational risk, model and market risk and internal control. In the context of the management of operational risk, the Risk Management department carries out regular internal audits of the operational processes and reports its findings to the governance committees. On behalf of the CFRO and the ALCO, it also monitors compliance with the mandates given to Treasury & ALM. The Risk management department formulates BinckBank's information security policy and reports on compliance with the policy to the CFRO. The Risk Management department also maintains BinckBank's governance structure and is responsible for the documentation thereof. This department is ultimately the responsibility of the CFRO.

### Finance & Control

Finance & Control is responsible for the timely and complete administration and reporting of financial data to internal and external stakeholders. This includes mandatory reporting to national and international regulatory agencies. The Finance & Control department reports directly to the CFRO.

### Legal

Legal reports to the CFRO and notifies and advises with respect to the application of relevant legislation and regulation. Legal is also involved in dispute resolution, as well as the preparation and assessment of legal documentation. In the performance of its duties, Legal also focuses on the management of legal risks, for example liability risks. The Legal manager performs the role of Corporate Secretary. The Corporate Secretary has the possibility of escalation to the chairman of the executive board.

### Compliance

Compliance reports to the chairman of the executive board. In the context of risk management, Compliance is responsible for the monitoring of compliance with the relevant codes of conduct and the observance of relevant legislation and regulation. Compliance focuses mainly on the management of integrity risk and prevention of risks of conflicts of interest. BinckBank emphasises values such as integrity and reliability through its code of conduct, insider trading regulations and whistle-blower's scheme. The manager of Compliance has the possibility of escalation to the chairman of the audit committee. The activities of Compliance concern the following areas: service provision and duty of care, prevention of market abuse, combating money laundering and the financing of terrorism, prevention of fraud and incidents, preventing conflicts of interest, safeguarding the privacy and integrity of employees, and cultural and conduct issues.

## Third line of defence

### Internal audit department (IAD)

In line with the definition of internal auditing by the Institute of Internal Auditors, the mission of IAD is to provide independent and objective certainty. The purpose of the IAD is to perform assurance tasks in order to add value to and improve the functioning of the internal organisation. The IAD's activities focus on achieving organisational targets by means of a systematic and disciplined approach to the evaluation and improvement of the effectiveness of risk management in the first and second lines, control and governance processes. The IAD provides additional assurance with respect to:

- The effective operation of the control mechanisms in the first and second lines;
- The reliability and integrity of the financial and operational information and reporting;
- The safeguarding of assets;
- Compliance with relevant legislation and regulation.



The investigations by the IAD focus on the design, existence and operation of:

- The quality and effectiveness of the operation of the governance framework;
- The risk management and control within the organisation and processes;
- The automated systems and the control measures surrounding and embedded in these systems.

In addition to scheduled audits, audits may be conducted on the request of the management and/or the audit committee. The scope or operating area of the IAD includes all activities carried out under the responsibility of BinckBank. Joint ventures and associates are independent entities with their own licence and fall outside the (direct) area of operation of the IAD. The IAD reports to the executive board of BinckBank; within the executive board, the IAD portfolio is the responsibility of the chairman of the executive board. Its formal reporting line is directly to the chairman of BinckBank's audit committee. The IAD's independence is safeguarded by this double reporting line, and the fact that it is separate from the first and second lines and the daily internal control reporting line.

## Governance committees

### Asset and Liability Committee (ALCO)

The ALCO monitors all the risks affecting BinckBank's balance sheet. The ALCO is mainly concerned with the management of liquidity risk, credit risk and market risk (interest-rate risk and currency risk), and also assesses BinckBank's liquidity and capital adequacy. This committee also sets the investment policy for the interest-rate business. This concerns matters such as allocation of freely available funds across the investment portfolio and determination of the cash position to be held, approval of counterparties and policy in relation to advance funding for customer portfolios. Regarding the funds to be held in cash, the items dealt with include the placement of call loans, the ratings to be observed in this respect and the maximum exposure per counterparty and per sector.

### Accounting committee

Financial reporting and disclosure risk are monitored by the accounting committee. This body focuses on the management of risks associated with accounting processes, manuals, policies, provisions and the application of new accounting standards (IFRS). The timeliness, interpretation of and compliance with the rules regarding external reporting and reporting to supervisors are also monitored. One of its main duties is the establishment of accounting policies.

### Investment committee

The investment committee supervises the implementation of the investment policy of the product Alex Asset Management. The investment committee assesses changes to the investment policy and approves these where necessary.

### Legal & compliance committee

The aim of the legal & compliance committee is to monitor and manage the legal risks and compliance risks for BinckBank. It discusses matters such as new legislation and regulation and amendments to the terms and conditions, policy documents and relevant changes to the manual and incoming and pending claims. KRIs in the field of compliance reviews and monitors are also discussed and the business units are requested to tighten the controls of their processes where necessary.

### Risk committee Retail & Risk committee Professional Services

The risk committees monitor the operational risks for the business unit in question. At the end of 2014 the committees for the two business units Retail and Professional Services were combined in one Risk committee, since there was extensive overlap between the two committees. The principal tasks of the Risk committee include decision-making on sound and controlled operation, coordination and promotion of operational risk control and design of the main business processes. The Risk committee also advises the executive board regarding approval of the introduction of new products.

The ICT security committee was also merged into the Risk committee Retail in 2014. The Risk committee therefore focuses on the management of risks associated with information security and the security of the ICT processes. Its important tasks are the taking of decisions regarding network and logical access security, vulnerability management, back-up processes and raising awareness of risk in the field of information security. The committee also advises the executive board with respect to resolutions relating to strategic and tactical policy in the area of information security.

## Supervision of activities

### Supervisory board

The supervisory board discusses the strategy and the risks associated with the business each year, and, on the basis of reports, assesses the structure and operation of the internal risk management and control systems. Supervision of the provision of financial information by the company is the responsibility of the supervisory board. The executive board submits the risk appetite to the supervisory board for approval each year. The supervisory board has three sub-committees: the audit committee, the remuneration committee and the risk and product development committee.

### Audit committee

The audit committee is responsible for overseeing the design and operation of the system of internal control and risk management measures, and for monitoring the implementation of the external auditor's recommendations and the functioning of the internal audit department.

### Remuneration committee

The remuneration committee advises the supervisory board on matters including the remuneration of the executive board and advises on the remuneration of designated persons within the senior management (Identified Staff) and employees in the control functions. With respect to these resolutions, the remuneration committee considers BinckBank's risk appetite and the long-term interests of the shareholders, investors and all other stakeholders of BinckBank.

### Risk and product development committee

The risk and product development committee advises the supervisory board on matters including the risk profile and the risk appetite of BinckBank. It also monitors the adequacy of the liquidity and the capital, as well as establishing, testing and analysing new products or changes to existing products and services with regard to the duty of care towards the customer. The risk and product development committee is moreover responsible for identifying, analysing and advising on all the other material risks affecting BinckBank.

## Relevant risks and control measures

The risks which are relevant to BinckBank are discussed briefly below. The identification, analysis and assessment of risks, the design and implementation of related control measures and stress testing form a continuous process at BinckBank.

### Business risk

International economic and cyclical factors and political conditions influence financial markets around the world, and consequently also affect the operating result of BinckBank. In addition, there are various factors such as loss of customers, fluctuating trading volumes and order values and price pressure due to competition, that could result in a fall in income for BinckBank. BinckBank operates in a highly competitive environment in which its competitors, often large financial institutions, have well-established brands and greater financial resources. BinckBank is also seeing further increasing competition from smaller online brokers which compete aggressively on price. BinckBank makes great efforts and substantial investments in its ICT platform and its products and services in order to attract new customers and retain existing customers. BinckBank's financial position and result can also be adversely affected by unfortunate business decisions, poor execution of business decisions or inadequate response to changes in the business climate in general or in the markets relevant to the company in particular.

BinckBank had to deal with a sideways market in its home market in 2014, and a volatile last quarter led to an increase in the AEX of more than 5%. This resulted in higher trading volumes for online brokerage in 2014. The Dutch market is moreover becoming more competitive. Other forms of commission income such as custody fees and kickback commissions are also under pressure due to public criticism and changing legislation and regulation. The abolition of distribution fees took effect on 1 January 2014, which has a negative effect on fee and commission income. In addition, net interest income is also under pressure due to the low level of interest rates in the money and capital markets.

The BinckBank executive board recognises the higher level of business risk for the Dutch retail brokerage business and is therefore investing in expanding its offering to include asset management services, thus orienting the earnings model towards the management and administration of assets. Over time, this should lead to more stable income flows and thus mitigate the increased business risk inherent in the Retail brokerage business.

The growth of the asset management business however slowed in 2014. Assets under management declined over one year from € 2.1 billion to € 2.0 billion. This was partly due to the sideways markets, in which the automated investment model generated a less favourable performance.

Due to changed circumstances in the areas of sustainability, regulation, funding and market development the strategic objectives of BinckBank, including the underlying principles and assumptions, will be regularly evaluated and updated if needed. The criterion for this will be the risk appetite of BinckBank. Decisions with regard to strategic objectives or changes thereto are taken by the executive board and approved by the supervisory board.

### Reputational risk

For BinckBank, the trust of its customers is essential and BinckBank therefore strives to minimise risks that could damage its reputation as far as possible. Like other banking institutions, BinckBank depends on the trust of private customers.

Various customer surveys are carried out each year in order to measure customer satisfaction and brand recognition. The results of these analyses are the drivers of our continuing efforts to provide a high-quality service and add value for our customers. BinckBank also follows the development of its share price closely. Large price fluctuations may be an indication of or lead to negative publicity. In the event of large price fluctuations or negative publicity, an investigation is carried out to establish the cause and, if necessary, a representative is designated to explain the cause or potential cause in a press release in order to pre-empt any damaging speculation.

### Credit risk

Credit risk is the risk of a counterparty and/or issuing institution involved in trading in or issuing a financial instrument defaulting on an obligation and thus harming BinckBank financially. Credit risk relates to items included in the balance sheet under cash, banks, financial assets and loans and receivables. These items mainly concern the assessment of the counterparty's creditworthiness, taking account of available collateral such as for collateralised lending. BinckBank's

credit risk can be subdivided into credit risk on cash and investments, credit risk on outstanding collateralised loans/margin obligations/SRD obligations and counterparty risk. How BinckBank manages these risks is described below.

## Credit risk on cash and investments

BinckBank deals with the funds entrusted to it by its customers prudently. Funds entrusted, or customer deposits that are not used for collateralised lending, are partly held in cash with the remainder being invested through the investment portfolio. Lending is conducted in a responsible manner in accordance with the established risk appetite. BinckBank's objective with its investment portfolio is to place its surplus liquidity in the market in such a way as to optimise the interest margin between the cost of raising the funds and the proceeds of placing them, consistent with the company's risk appetite. Credit risk on cash and investments is monitored closely by the Treasury department, which reports daily to the CFRO and the Risk Management department and gives account of its activities to the ALCO on a regular basis. Investments are made within a system of counterparty limits set in advance by the ALCO. Cash balances are placed in the money market and the capital market with central governments, regional governments if guaranteed by central government, central banks and other credit institutions with a credit rating equal to or better than single A (Fitch or equivalent) with a stable outlook. The money market loans have maturities varying from 1 day to 1 month. The capital market loans have maturities of up to 3 years. The agreements and limits with regard to placing funds in the money and capital markets are established in a limits system established by the ALCO. Lending to counterparties by the Treasury & ALM department is governed by strict rules and is subject to internally set limits on both the amount and maturities of loans to approved counterparties. The resultant credit risk is monitored via regular credit reviews. BinckBank's relatively low risk appetite with regard to credit risk is demonstrated by our policy of investing only in relatively safe and liquid instruments, most of which are eligible as collateral at the European Central Bank (ECB).

## Credit risk on outstanding collateralised loans/margin obligations

BinckBank offers customers loans against securities collateral in various forms. Advances can be used to cover margin requirements or to purchase securities. In both cases, BinckBank is exposed to (potential) credit risk with respect to the customer. Given the nature of the loans and the surplus collateral received the credit risk is limited. In the case of lending against securities collateral, the amount of credit advanced depends on the liquidity and price of the security in question. The loan facility for all products that qualify for collateralised lending is determined in accordance with the guidelines set by the ALCO, taking account of the limits set in section 152 of the Market Conduct Supervision (Financial Institutions) Decree (*Besluit gedragstoezicht financiële ondernemingen*, or 'Bgfo'). BinckBank applies a minimum haircut of 30% on equities and 20% on bonds. BinckBank has retained the right towards its customers to adjust the advance against securities collateral at any time without prior notice. Authorised limits can be translated into a maximum available spending limit (ASL). This spending limit is expressed as a cover ratio whereby the minimum requirement reflects a cover ratio of 1. The degree to which the customer exceeds this ratio expresses the relative surplus cover in relation to the minimum requirement. Additional cover can be obtained by providing bank guarantees, collateral in the form of securities or by increasing the cash balance. If the cover ratio falls below 1, the customer enters the deficit procedure. If the cover ratio falls to nil, the customer enters the collection procedure.

Monitoring of credit risk is conducted by the Credit Risk Management department, which is part of Operations. This department uses automated systems to monitor the loans provided on the basis of real-time prices. The credit risk therefore resides in movements in value of the collateral received. Credit Risk Management watches in particular for undesirable concentration within customer portfolios, known as concentration risk. Concentration risk is a form of credit risk, and occurs in relation to customers with collateralised loans and customers with margin requirements on derivatives positions. Concentration risk is higher for customers with an undiversified investment portfolio because there is greater dependence on one or a few issuers. If an issuer were to default, the consequences would be significantly more serious than if the credit had been provided on a more diversified portfolio. The Credit Risk Management department monitors for excessive concentrations in customer portfolios on a daily basis. Measures are taken in line with policy if necessary to limit excessive concentrations. If there is excessive concentration, a decision may be taken to reduce the loan provided to the customer in question. In addition, the ALCO may decide to limit the concentration risk associated with a specific stock by reducing the advance provided against the stock in question. Collateralised lending has fallen by 15.7% since the end of 2013, from € 428 million to € 361 million at the end of 2014.

Margin is a financial sum that the writer (or seller) of an unsecured option or future must deposit as security for the risk of his position. Margin is a form of guarantee for potential losses arising as a result of the obligations assumed by the investor. This does not mean that the financial risks are limited to the size of these obligations. There is therefore the

risk that the margin maintained by the customer will not be adequate in relation to the obligation he has assumed. The Credit Risk Management department analyses the market movements on a daily basis and updates the margin percentages for all stocks at least once a month, and may adjust this percentage immediately in case of extreme price volatility. The Risk Management monitors these adjustments.

#### **BinckBank deficit procedure**

The credit risk on collateralised lending and margin requirements is monitored by BinckBank's credit risk systems. Customers with a collateralised lending and/or margin agreement are monitored by the Credit Risk Management (CRM) department with respect to their available spending limit (ASL). The ASL is the balance of the weighted value of the securities received from the customer less the customer's obligations in the form of collateralised lending and margin requirements. There is a shortfall in the ASL if the securities in the customer's portfolio no longer provide adequate cover for the customer's obligations.

BinckBank checks for each customer whether the securities adequately cover the collateralised loans and/or margin requirements (margin and current orders) on a daily basis. As soon as a negative ASL is identified, the deficit procedure is initiated. Use of a deficit procedure is a legal requirement. Depending on the reason, a customer with a negative ASL must make up the shortfall within one to five business days. If the customer's ASL is still negative on the last day on which the shortfall must be made up, BinckBank will start to close the customer's securities positions on its own initiative. Securities positions will be closed until the ASL in the customer's account is returned to a positive value.

#### **Provisions for non-performing loans**

Provisions for non-performing collateralised loans are determined on an individual basis and there are no collective provisions. The amount of the provision depends on the repayment terms agreed with the customer. The total provision as at 31 December 2014 was € 0.5 million (2013: € 0.4 million). In the event that the CRM department is unable to recover the debt, the case is handed to a collection agency.

#### **Counterparty risk**

The Treasury & ALM department effects transactions for BinckBank's account and risk. This involves counterparty risk. The ALCO approves the counterparty limits and the Risk Management department monitors that these limits are observed.

The vast majority of equities transactions effected by BinckBank are for the account and risk of customers (online brokerage), for which BinckBank incurs no counterparty risk. These transactions are mainly effected on regulated or other markets such as NYSE, Euronext and TOM MTF, whereby use is made of a central counterparty (CCP). This means that the counterparty risk for customers is low.

## Maximum credit risk

The table below presents the maximum credit risk associated with the various financial instruments. The maximum credit risk is shown gross, without taking account of the effects of credit risk mitigation provided by set-off agreements and the collateral that has been furnished. The maximum credit risk in derivative positions for the account and risk of customers is shown by the margin requirement as described above, and is not included in the table below.

x € 1,000	2014	2013
<b>Credit risk</b>		
Cash and balances at central banks	72,427	309,638
Banks	156,013	169,735
Financial assets held for trading	8,209	70
Financial assets designated at fair value through profit and loss	15,942	19,130
Available-for-sale financial assets	1,389,146	1,582,146
Held-to maturity financial assets	545,108	-
Loans and receivables	498,908	428,180
	2,685,753	2,508,899
Guarantees	2,304	2,729
<b>Total</b>	<b>2,688,057</b>	<b>2,511,628</b>
The quality of the loans and advances and the provision for bad debts are shown in the tables below:		
Not yet due	498,684	428,142
Past due	705	441
<b>Total</b>	<b>499,389</b>	<b>428,583</b>
Bad debt provision	(481)	(403)
<b>Net loans and receivables</b>	<b>498,908</b>	<b>428,180</b>
Past due items are residual items remaining after realisation of the collateral (securities and bank guarantees). The provision is formed on a case-by-case basis.		
Loans and receivables by percentage covered:		
Money-market loans	138,000	-
< 25% of the value of the collateral	80,905	80,935
between 25% and 50% of the value of the collateral	111,688	103,252
between 50% and 75% of the value of the collateral	157,527	196,127
> 75% of the value of the collateral	10,564	47,828
Past due	705	441
<b>Total</b>	<b>499,389</b>	<b>428,583</b>
There are no items in arrears or for which provisions have been recognised in any of the other categories of financial assets.		
<i>Loans and receivables under renewed contracts</i>		
In the case of existing loans and receivables, it is possible for renewed contracts to be concluded with customers. The new contracts are, however, periodically assessed for compliance and to determine whether future payment is probable.		
Loans and receivables under renewed contracts	52	35

## Risk concentration per economic sector

The following table presents the credit risk by economic sector.

<b>Risk concentration per economic sector as at 31 December 2014</b>	<b>Central banks</b>	<b>Financial instituti- ons</b>	<b>Govern- ment/ government guaranteed</b>	<b>Private individu- als</b>	<b>Other private sector</b>	<b>Total</b>
x € 1,000						
Cash and balances at central banks	72,427	-	-	-	-	72,427
Banks	25,544	130,469	-	-	-	156,013
Financial assets held for trading	-	8,110	-	-	99	8,209
Financial assets designated at fair value through profit and loss	-	-	-	-	15,942	15,942
Available-for-sale financial assets	-	915,522	473,624	-	-	1,389,146
Held-to maturity financial assets	-	213,078	332,030	-	-	545,108
Loans and receivables	-	-	138,000	360,908	-	498,908
	<b>97,971</b>	<b>1,267,179</b>	<b>943,654</b>	<b>360,908</b>	<b>16,041</b>	<b>2,685,753</b>
Guarantees	-	-	-	1,343	961	2,304
<b>Total</b>	<b>97,971</b>	<b>1,267,179</b>	<b>943,654</b>	<b>362,251</b>	<b>17,002</b>	<b>2,688,057</b>
<b>Risk concentration per economic sector as at 31 December 2013</b>	<b>Central banks</b>	<b>Financial instituti- ons</b>	<b>Govern- ment/ government guaranteed</b>	<b>Private individu- als</b>	<b>Other private sector</b>	<b>Total</b>
x € 1,000						
Cash and balances at central banks	309,638	-	-	-	-	309,638
Banks	22,885	146,850	-	-	-	169,735
Financial assets held for trading	-	-	-	-	70	70
Financial assets designated at fair value through profit and loss	-	-	-	-	19,130	19,130
Available-for-sale financial assets	-	755,335	826,811	-	-	1,582,146
Held-to maturity financial assets	-	-	-	-	-	-
Loans and receivables	-	-	-	428,180	-	428,180
	<b>332,523</b>	<b>902,185</b>	<b>826,811</b>	<b>428,180</b>	<b>19,200</b>	<b>2,508,899</b>
Guarantees	-	-	-	2,409	320	2,729
<b>Total</b>	<b>332,523</b>	<b>902,185</b>	<b>826,811</b>	<b>430,589</b>	<b>19,520</b>	<b>2,511,628</b>



## Risk categories of financial assets

Assessment of the creditworthiness of the financial assets and liabilities is based on credit ratings provided by rating agencies. Cash and loans to banks are classified on the basis of the short-term credit ratings of rating agencies. The item Unrated banks concerns the remaining receivable arising from the execution of the deposit guarantee scheme in relation to DSB. For the investment portfolio, the long-term rating is used. Loans and receivables concern loans provided against securities collateral to private individuals and SME customers. These items are not rated by rating agencies. Collateralised lending is not assessed on the basis of a rating, but on the quality of the collateral in securities.

Risk categories of financial assets as at 31 December 2014	Short-term rating		Long-term rating				Unrated	Total
	F1 or higher	F2 or lower	AAA	Between AA+ en AA-	Between A+ en A-	BBB+		
x € 1,000								
Cash and balances at central banks	72,427	-	-	-	-	-	-	72,427
Banks	144,411	8,279	-	-	-	-	3,323	156,013
Financial assets held for trading	-	-	-	-	-	-	8,209	8,209
Financial assets designated at fair value through profit and loss	-	-	-	-	-	-	15,942	15,942
Available-for-sale financial assets	-	-	466,979	562,350	334,537	25,280	-	1,389,146
Held-to maturity financial assets	-	-	313,283	210,302	-	-	21,523	545,108
Loans and receivables	-	-	-	-	-	-	498,908	498,908
<b>Total</b>	<b>216,838</b>	<b>8,279</b>	<b>780,262</b>	<b>772,652</b>	<b>334,537</b>	<b>25,280</b>	<b>547,905</b>	<b>2,685,753</b>
Risk categories of financial assets as at 31 December 2013	Short-term rating		Long-term rating				Unrated	Total
	F1 or higher	F2 or lower	AAA	Between AA+ en AA-	Between A+ en A-	BBB+		
x € 1,000								
Cash and balances at central banks	309,638	-	-	-	-	-	-	309,638
Banks	160,970	639	-	-	-	-	8,126	169,735
Financial assets held for trading	-	-	-	-	-	-	70	70
Financial assets designated at fair value through profit and loss	-	-	-	-	-	-	19,130	19,130
Available-for-sale financial assets	-	-	847,974	463,247	141,169	25,501	104,255	1,582,146
Held-to maturity financial assets	-	-	-	-	-	-	-	-
Loans and receivables	-	-	-	-	-	-	428,180	428,180
<b>Total</b>	<b>470,608</b>	<b>639</b>	<b>847,974</b>	<b>463,247</b>	<b>141,169</b>	<b>25,501</b>	<b>559,761</b>	<b>2,508,899</b>

## Risk concentration per country

The following table presents the credit risk, analysed by country.

<b>Geographical distribution as at 31 December 2014</b>	<b>Supra- national</b>	<b>Nether- lands</b>	<b>Germany</b>	<b>Belgium</b>	<b>France</b>	<b>Other EU countries</b>	<b>Non-EU countries</b>	<b>Total</b>
x € 1,000								
Cash and balances at central banks	-	67,268	-	3,357	1,053	749	-	72,427
Banks	-	96,811	-	2,408	636	35,882	20,276	156,013
Financial assets held for trading	-	-	-	-	99	-	8,110	8,209
Financial assets designated at fair value through profit and loss	-	-	-	-	15,942	-	-	15,942
Available-for-sale financial assets	21,820	134,444	723,774	57,223	76,772	211,687	163,426	1,389,146
Held-to maturity financial assets	-	4,999	515,440	-	-	-	24,669	545,108
Loans and receivables	-	465,730	3,490	4,241	1,140	20,257	4,050	498,908
<b>Total</b>	<b>21,820</b>	<b>769,252</b>	<b>1,242,704</b>	<b>67,229</b>	<b>95,642</b>	<b>268,575</b>	<b>220,531</b>	<b>2,685,753</b>
% distribution	1%	28%	46%	3%	4%	10%	8%	100%
<b>Geographical distribution as at 31 December 2013</b>	<b>Supra- national</b>	<b>Nether- lands</b>	<b>Germany</b>	<b>Belgium</b>	<b>France</b>	<b>Other EU countries</b>	<b>Non-EU countries</b>	<b>Total</b>
x € 1,000								
Cash and balances at central banks	-	304,733	-	3,352	1,053	500	-	309,638
Banks	-	129,080	-	4,535	3,843	22,929	9,348	169,735
Financial assets held for trading	-	-	-	-	70	-	-	70
Financial assets designated at fair value through profit and loss	-	-	-	-	19,130	-	-	19,130
Available-for-sale financial assets	13,530	142,547	1,160,361	52,253	29,007	117,551	66,897	1,582,146
Held-to maturity financial assets	-	-	-	-	-	-	-	-
Loans and receivables	-	392,024	2,641	4,314	480	8,760	19,961	428,180
<b>Total</b>	<b>13,530</b>	<b>968,384</b>	<b>1,163,002</b>	<b>64,454</b>	<b>53,583</b>	<b>149,740</b>	<b>96,206</b>	<b>2,508,899</b>
% distribution	1%	39%	46%	3%	2%	6%	3%	100%

## Capital requirement credit risk

### Pillar I - Standardised Approach to credit risk

All balance sheet items have been reassessed in the light of prevailing regulation on the introduction of CRD IV. A number of differences were identified in comparison to the regulation under Basel II, including the already mentioned adjustment to the prudential consolidation base, a new capital requirement of 4% for the derived risk on central counterparties (CCPs) and other minor differences. In view of these differences, we have adjusted the comparative figures in the table below in accordance with the new insights. Under CRD IV, BinckBank still applies the standardised approach under Pillar I. The capital requirement for credit risk under Pillar I rose 28.8% compared to 2013, from € 23.1 million to € 29.7 million. The main reason for this is an increase in credit risk in the investment portfolio, due to the expansion of investments in senior financials as a result of a changed investment policy.

The credit risk according to the standardised approach is shown in the tables below.

### Kredietrisico standardised approach

Credit risk standardised approach as at 31 December 2014 x € 1,000	Risk weight											Credit risk mitigation		Risk weighted assets	Capital requirement (8%)
	0%	4%	10%	20%	50%	75%	100%	150%	250%	1250%		Substitution	Collateral		
Exposures to central governments or central banks	266.853	-	-	-	-	-	-	-	626	-	-	3.323	-	1.565	125
Exposures to regional governments or local authorities	770.573	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	21.873	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to financial institutions	-	48.087	-	210.725	331.356	-	-	3.378	-	-	-	(3.323)	-	209.829	16.786
Exposures to corporates	-	-	-	-	-	-	242.439	-	-	-	-	-	(241.776)	663	53
Retail exposures	-	-	-	-	-	582.984	-	-	-	-	-	(3.047)	(579.451)	365	29
Overdue items	-	-	-	-	-	-	44	-	-	-	-	-	-	44	4
Exposures in the form of covered bonds	-	-	611.758	-	-	-	-	-	-	-	-	-	-	61.176	4.894
Exposures to institutions and corporates with a short-term	91.778	-	-	92.658	1.410	-	1.517	-	-	-	-	3.047	-	21.518	1.721
Equity exposures	-	-	-	-	-	-	-	-	2.528	623	-	-	-	14.108	1.129
Other items	3.459	-	-	-	-	-	61.660	-	-	-	-	-	-	61.660	4.933
<b>Total</b>	<b>1.154.536</b>	<b>48.087</b>	<b>611.758</b>	<b>303.383</b>	<b>332.766</b>	<b>582.984</b>	<b>305.660</b>	<b>3.378</b>	<b>3.154</b>	<b>623</b>	<b>-</b>	<b>(821.227)</b>	<b>370.928</b>	<b>29.674</b>	

Credit risk standardised approach as at 31 December 2013 x € 1,000	Risk weight										Credit risk mitigation		Risk weighted assets	Capital requirement (8%)
	0%	4%	10%	20%	50%	75%	100%	150%	250%	1250%	Substitution	Collateral		
Claims or contingent claims on central governments or central banks	1,128,257		-	-	25,736	-	-				8,125	-	12,868	1,029
Claims or contingent claims on regional governments or local authorities	714		-	-	-	-	-				-	-	-	-
Claims on international organisations	13,488		-	-	-	-	-				-	-	-	-
Claims or contingent claims on financial enterprises and financial institutions	24,560		-	286,991	137,741	-	-				(3,193)	-	126,240	10,099
Claims or contingent claims on corporate clients	-		-	-	-	-	-				-	-	-	-
Claims or contingent claims on private individuals and SMEs	334,373		-	-	-	453,834	-				(4,932)	(432,745)	12,117	970
Overdue items	-		-	-	-	-	-				-	-	-	-
Claims in the form of covered bonds	-		472,422	-	-	-	-				-	-	47,242	3,779
Other receivables	1,163		-	-	-	-	77,450		4,947		-	-	89,818	7,185
<b>Total</b>	<b>1,502,555</b>	<b>-</b>	<b>472,422</b>	<b>286,991</b>	<b>163,477</b>	<b>453,834</b>	<b>77,450</b>	<b>-</b>	<b>4,947</b>	<b>-</b>	<b>-</b>	<b>(432,745)</b>	<b>288,285</b>	<b>23,062</b>

The following types of exposure are included in the categories:

- Exposures to central governments or central banks
  - Investments in bonds issued or guaranteed by central governments;
  - Liquid assets and monetary cash reserves held at central banks and the European Central Bank (ECB);
  - Deferred tax assets.
- Exposures to regional governments or local authorities
  - Investments in bonds issued or guaranteed by regional governments;
  - Short-term loans to regional governments.
- Exposures to multilateral development banks
  - Investments in bonds issued or guaranteed by multilateral development banks.
- Exposures to financial institutions
  - Investments in bonds issued or guaranteed by senior financials with a weight of 20 - 50%;
  - Cash held with a weight of 20 - 150%;
  - Exposures arising from the DGS with respect to DSB.
  - Exposures to companies, private individuals and smaller parties arise from collateralised lending, derivatives positions and issued guarantees. The risk weight for these parties has a lower capital requirement due to application of credit risk mitigation due to underlying collateral. BinckBank also provides limited loans secured by unlisted investment funds, which do not qualify for credit risk mitigation. Under the standardised approach, a capital requirement must be held for these loans to private individuals.
- Exposures in the form of covered bonds
  - Investments in covered bonds meeting the requirements of Article 129 CRR. A reduced risk weight is allocated to these claims.
- Exposures to institutions and corporates with a short-term
  - Securities transactions not yet settled
  - Cash held with a weight of 20 - 150%;
  - BinckBank also provides credit to retail customers on the basis of bank guarantees issued by third parties. The 50% and 100% weighting factor category includes loans to these private individuals secured by a bank guarantee.

## Pillar II

The capital requirement for credit risk under Pillar II breaks down into risk from margin requirements and concentrations in credit and margin risk.

## Margin risk

On the basis of the margin risk, BinckBank assesses on a monthly basis the impact of credit risk on BinckBank customers of an immediate decline in the markets in which these customers trade. BinckBank developed a new model for the calculation of its margin risk in 2014 that takes account of historical volatility and expected volatility. Both positive and negative price movements can affect margin risk. The new model also takes account of the quality of the collateral provided for collateralised lending and margins. In determining the recovery ratio, account is taken of the size of the shortfall. Experience in recent years shows that most customers repay any shortfall within one month, and often this percentage is actually 100%. The new model came into full operation on 30 June 2014. The margin risk as at 31 December 2014 stood at € 5.0 million.

## Concentration risk

The capital requirement for concentration risk under Pillar II takes account of concentrations in outstanding loans and margin requirements. For the calculation of its concentration risk, BinckBank developed a new model in 2013 that takes account of the quality of the collateral for collateralised lending and margins and of historical volatility and assumptions with respect to the future volatility of the underlying shares. The capital for concentration risk came to € 1.0 million on 31 December 2013, and also amounted to € 1.0 million on 31 December 2014.

## Market risk

BinckBank's market risk consists of interest-rate risk and currency risk. Interest-rate risk is the risk of movements in interest rates and the effect thereof on the financial position and/or the result of BinckBank. Currency risk is the risk of fluctuations in the value of items denominated in foreign currency as a result of movements in exchange rates and the effect of this on the financial position and/or the result of BinckBank.

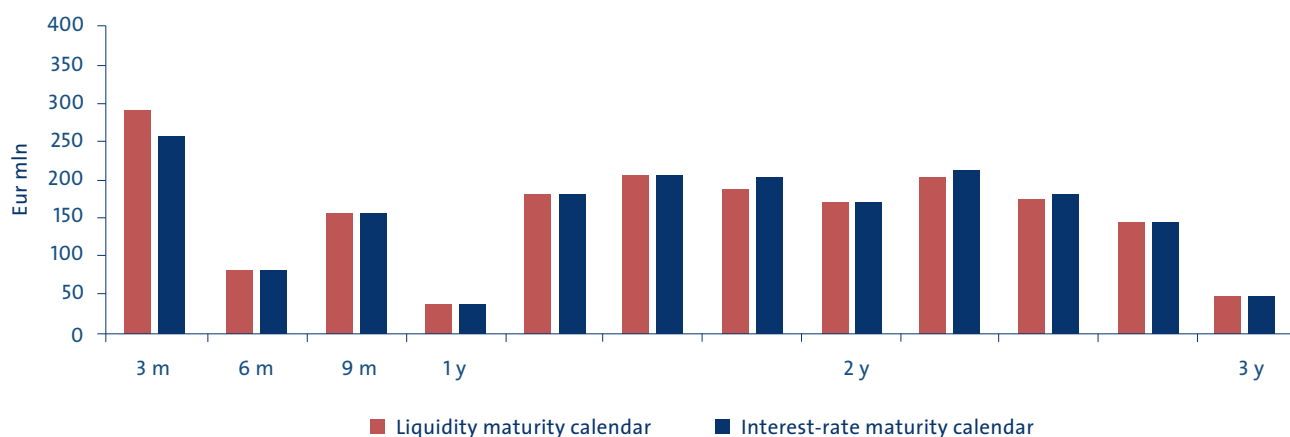
## Interest-rate risk

Interest-rate risk is the risk of movements in interest rates and the effect thereof on the financial position and/or the result of BinckBank.

Duration schedule as at December 2014	< 1 month	> 1 month < 1 year	> 1 year < 2 year	> 2 year < 5 year	> 5 year	Non- interest bearing	Total
x € 1,000							
<b>Assets</b>							
Cash and balances at central banks	72,427	-	-	-	-	-	72,427
Banks	156,013	-	-	-	-	-	156,013
Financial assets held for trading	-	-	-	-	-	8,209	8,209
Financial assets designated at fair value through profit and loss	-	-	-	-	-	15,942	15,942
Available-for-sale financial assets	92,337	477,572	644,146	175,091	-	-	1,389,146
Held-to maturity financial assets	-	-	127,919	417,189	-	-	545,108
Loans and receivables	498,908	-	-	-	-	-	498,908
<b>Total</b>	<b>819,685</b>	<b>477,572</b>	<b>772,065</b>	<b>592,280</b>	<b>-</b>	<b>24,151</b>	<b>2,685,753</b>
<b>Liabilities</b>							
Banks	25,587	-	-	-	-	-	25,587
Financial liabilities held for trading	-	-	-	-	-	8,290	8,290
Financial liabilities designated at fair value through profit and loss	-	-	-	-	-	139	139
Due to customers	2,545,420	-	-	-	-	-	2,545,420
<b>Total</b>	<b>2,571,007</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,429</b>	<b>2,579,436</b>

Duration schedule as at December 2013	< 1 month	> 1 month < 1 year	> 1 year < 2 year	> 2 year < 5 year	> 5 year	Non- interest bearing	Total
x € 1,000							
<b>Assets</b>							
Cash and balances at central banks	309,638	-	-	-	-	-	309,638
Banks	161,609	-	-	-	-	8,126	169,735
Financial assets held for trading	-	-	-	-	-	70	70
Financial assets designated at fair value through profit and loss	-	-	-	-	-	19,130	19,130
Available-for-sale financial assets	126,045	515,806	444,639	495,656	-	-	1,582,146
Held-to maturity financial assets	-	-	-	-	-	-	-
Loans and receivables	428,180	-	-	-	-	-	428,180
<b>Total</b>	<b>1,025,472</b>	<b>515,806</b>	<b>444,639</b>	<b>495,656</b>	<b>-</b>	<b>27,326</b>	<b>2,508,899</b>
<b>Liabilities</b>							
Banks	15,034	-	-	-	-	-	15,034
Financial liabilities held for trading	-	-	-	-	-	486	486
Financial liabilities designated at fair value through profit and loss	-	-	-	-	-	704	704
Customer deposits	2,335,640	-	-	-	-	-	2,335,640
<b>Total</b>	<b>2,350,674</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,190</b>	<b>2,351,864</b>

BinckBank manages the effect of interest-rate movements on its results and own funds by means of tolerance levels and monthly interest-rate risk reporting to the ALCO. Interest-rate exposure is mainly the result of the composition of BinckBank's investment portfolio. A distinction is made between the duration schedule and the liquidity schedule. The duration schedule shows the maturity dates of the portfolio over time. This means that the maturity date determines the interest-rate exposure of the portfolio.



The above figure shows that the duration schedule is nearly the same as the liquidity schedule. Any differences are due to the limited investments in variable interest bonds. The difference between the duration and liquidity schedules is expressed in the interest-rate sensitivity of the interest income and the movements in value of the investment portfolio respectively. A reduction in duration leads to a lower interest-rate sensitivity of the value of the investment portfolio, but it creates additional interest-rate sensitivity for the interest income. A parallel move in interest rates will have more effect on interest income in the short term due to the volume of the interest bonds than on the value of the investment portfolio.

## Interest-rate risk on the result

BinckBank does not operate a trading portfolio, however it is still exposed to movements in interest rates due to the loans and investments it places in the market. Interest-rate risk exists because of the possibility that changes in market interest rates can have a negative effect on future profitability. A gradual movement in market interest rates (the yield curve) has an effect on the future interest income from collateralised lending and the investment portfolio, and on the interest BinckBank pays on savings and brokerage accounts. BinckBank manages this risk in relation to its banking operations by actively matching the maturities of its assets and liabilities within specified limits. The effect of a gradual movement in interest rates on BinckBank's profitability is determined using an Earnings-at-Risk model. The Earnings-at-Risk model measures the impact of interest-rate risk on the adjusted net result by calculating the effect on expected interest income and interest expense on the basis of a gradual change in market interest rates of +/- 1% and +/- 2% over a period of one year. This clearly expresses the interest-rate exposure of BinckBank's result. The Treasury & ALM department reports the results and any breaches of the tolerance level to the ALCO on a monthly basis. The results of the Earnings-at-Risk model are shown in the table below, whereby the impact is based on the result over the 2014 financial year.

Sensitivity analysis of interest-rate result	Effect on the result	
	31 December 2014	31 December 2013
Gradual parallel yield-curve movement in basis points	x € 1,000	x € 1,000
<b>Over a period of 1 year</b>		
+200 basis points	3,137	3,888
+100 basis points	1,569	1,944
-100 basis points	(1,120)	(1,437)
-200 basis points	(1,318)	(1,902)
<b>Over a period of 2 years</b>		
+200 basis points	17,891	18,173
+100 basis points	8,946	9,087
-100 basis points	(3,789)	(6,388)
-200 basis points	(4,106)	(7,353)

## Interest-rate risk on capital

The interest-rate risk on capital takes account of sudden changes to the yield curve (interest-rate shocks) that could negatively affect the value of the investment portfolio. BinckBank has an investment portfolio consisting of fixed and variable interest securities that is diversified across various maturities. The investment portfolio is held in the banking book and is classified as financial assets available for sale (AFS) or as held-to maturity financial assets (HTM). The AFS part of the investment portfolio is carried at fair value. This means that changes in value due for instance to interest-rate shocks will affect BinckBank's equity. The HTM part of the investment portfolio is carried at amortised cost.

The effect on equity of an interest-rate shock of 100 basis points is shown in the table below (before tax):

Sensitivity analysis of interest-rate result	Effect on capital	
	31 December 2014	31 December 2013
Sudden parallel yield-curve movement	x € 1,000	x € 1,000
+100 basis points	(15,281)	(18,511)
-100 basis points	15,281	18,511

## Currency risk

Currency risk is the risk presented by movements in the value of items denominated in foreign currencies due to movements in exchange rates. It is BinckBank's policy not to take active foreign-exchange trading positions. Currency positions can therefore only arise as a result of the facilitation of customer transactions. The policy is to hedge currency positions arising from operating activities on the same day they occur. The Treasury & ALM department hedges currency positions during the day up until 22:00 hours. Currency positions arising after 22:00 hours are hedged on the next subsequent trading day. BinckBank considers this risk on currency positions to be accepted risk.



## Capital requirement for market risk

The capital requirement for market risk is expressed under Pillar I (currency risk) and Pillar II (interest-rate risk). The capital requirement for market risk under Pillar I at year-end 2014 stood at € 20,000 (2013: € 84,000). BinckBank held capital for market risk in the investment portfolio under Pillar II at the end of 2014 in an amount of € 2.7 million. The capital requirement has risen due to an increase in the duration of the investment portfolio from 1.17 years as at 31 December 2013 to 1.40 years at the end of 2014.

## Operational risk

The risks arising from operational activities are classed as operational risks. Losses due to operational risk are unavoidable. Operational risk is generally the result of deficiencies in the daily processing and settlement of transactions with customers or other parties or in the procedures and measures designed to ensure prompt detection of errors, quantitative or qualitative deficiencies or limitations in human resources, deficient decision-making due to inadequate management information and non-compliance with internal control procedures. BinckBank is insured with third parties for many forms of foreseeable losses as a result of operational risk. BinckBank has a capital reserve for operational risk as prescribed by law as a buffer for uninsured (unforeseeable) losses.

BinckBank uses the standardised approach (SA) to calculate its operational risk under Pillar I. Under the SA, the operating income in the three preceding financial years is divided into various business lines with pre-set capital requirements of between 12% and 18%. After the taking effect of CRD IV DNB has withdrawn all existing waivers and reassessed the situation for each company. Able B.V. and its subsidiaries do not carry out any licensed financial business and are not part of the prudential consolidation base. This has led to a reduction in the capital requirement for operational risk.

### Standardised Approach as at 31 December 2014 (New prudential consolidation scope)

Business Line	Operational income			Risk weighting	Capital requirement
	2012	2013	2014		
Retail Brokerage	99,996	101,788	98,933	12%	12,029
Retail Banking	31,914	27,634	28,479	12%	3,521
Agency Services	5,393	8,764	7,082	15%	1,062
Asset Management	10,768	29,385	20,407	12%	2,422
<b>Total</b>	<b>148,071</b>	<b>167,571</b>	<b>154,901</b>		<b>19,034</b>

### Standardised Approach as at 31 December 2013

Business Line	Operational income			Risk weighting	Capital requirement
	2011	2012	2013		
Retail Brokerage	126,659	99,995	101,723	12%	13,135
Retail Banking	38,907	32,024	27,686	12%	3,944
Agency Services	12,219	14,742	17,075	15%	2,202
Asset Management	5,790	10,951	30,226	12%	1,879
<b>Total</b>	<b>183,575</b>	<b>157,712</b>	<b>176,710</b>		<b>21,160</b>

BinckBank's management applied the following parameters with respect to potential and actual operational losses in 2014. The internal target is for annual losses on normal activities due to operational risks not to exceed 1% of the total income from operational activities. This consists of:

- The financial result of out-trades and reimbursement of customers; and
- Other direct loss due to faults in ICT systems, automated information processing and operating processes.

In 2014 these losses amounted to 0.34% of total gross fee and commission income, compared to 0.54% in 2013.

## Management of operational risk

Operational risk at BinckBank is generally the result of deficiencies in the daily processing and settlement of transactions with customers or other parties, faulty systems or models, deficiencies in the procedures and measures designed to ensure prompt detection of errors, insufficient investment in and maintenance of the ICT systems, quantitative or qualitative deficiencies or limitations in human resources, deficient decision-making due to inadequate management information and failure to comply correctly with internal control procedures. The assessment and control system for operational risk at BinckBank meets the following conditions:

- Establishment of clearly allocated responsibilities;
- Measurement, assessment and adjustment of current operational risk in the various risk committees;
- Maintenance and reporting of the loss database to the various risk committees.
- The results of the periodic checks are discussed monthly by the risk committees and additionally an annual risk assessment is conducted on the instruction of the executive board by the directors of the business units and the heads of the support departments.

Operational risk management is built into the structure of the organisation, which embodies a number of the internal control measures and principles that BinckBank uses to manage operational risk. Ineffective controls with respect to operational risk are assessed on a monthly basis and decisions are taken by the relevant risk committees whether additional measures are needed as appropriate. In addition, a Risk Dashboard is discussed which shows the key indicators providing signals of the development of operational risks over time. This includes an indicator relating to ICT concerning system outage during the month (percentage uptime during market hours, norm = 99.9%) versus the previous period. These operational risk indicators are quantified in the risk dashboard and are divided into the following areas: people, processes, projects & products, ICT system & information risk and outsourcing risk.

Important elements for the management of operational risk include:

- Locate the responsibility for managing operational risk as close as possible to the processes themselves, i.e. with the line management;
- Record the operating processes, risk management processes and organisational structure and their interrelationship in writing;
- Embed procedures for reporting and escalation to management;
- Implement controls within each process chain to ensure accurate information, together with performance and risk indicators;
- Learn from incidents and errors. Where possible, record the details of incidents that resulted (or could have resulted) in losses and compare the records against the findings of risk assessments;
- Automated recording and execution of transactions with associated audit trails. Daily transaction and position reconciliation, including reporting to management;
- Procedures for staff recruitment and mentoring and segregation of duties and job descriptions for all employees and departments;
- Clear reporting lines, recording of required management information and periodic internal consultation;
- Internal controls and internal audit investigations;
- Compulsory 'dual control' principle for representation and contractual binding of the company;
- Maintain a capital buffer for losses arising from unforeseen (uninsured) events and check the adequacy of the buffer with regular stress testing; and
- Maintain an insurance portfolio including directors' liability insurance, company liability insurance, inventory insurance, buildings insurance and consequential loss insurance policies.

## Management of ICT risk

Since the business activities of BinckBank depend heavily on ICT, a significant proportion of the operational risk concerns ICT risk. Deficiencies in ICT can constitute a significant threat to the critical business processes and the service provided to customers. ICT risks can therefore indirectly pose a threat to BinckBank's financial position and result. To reduce this risk, a large number of control measures have been implemented in the following areas: organisation and policy, information risk management, incident and problem management, testing, change and configuration management and continuity.

## Organisation and policy

This concerns first, the risk that the ICT policy and ICT organisation inadequately reflects the organisational strategy and second, the risks that the ICT organisation and ICT policy are not (or not adequately) structured and formulated to reflect the business processes and the existing information and data processing so that the processes and the provision of information are not adequately supported.

BinckBank has an ICT Governance model. The ICT Governance is evaluated periodically and updated as necessary. BinckBank has also formulated an information security policy that is actively conveyed throughout the organisation. Policy principles have been formulated for all significant ICT risk control measures such as system availability, incident settlement, problems and system changes which are measured and reported monthly to the various risk committees using Key Performance Indicators.

BinckBank has a compulsory confidentiality, integrity and availability (CIA) classification for all its ICT systems as an element of governance. ICT measures are taken using the CIA classification to ensure that the desired quality requirements can be met.

## Information risk management

As an internet bank, BinckBank is by definition exposed to a significant inherent risk of external fraud. The objective of security management is to prevent unauthorised users from accessing information. BinckBank has a variety of measures in place with respect to its infrastructure, systems, applications and data. Information security is seen as a company-wide responsibility. The responsibilities are established in the strategic information security policy (the security governance). Information risk management sets the frameworks in the strategic and tactical information security policy, and monitors that this policy is correctly applied. The first line of defence is responsible for the security of BinckBank's systems, applications and data, with due observance of the policy frameworks.

In order to further increase the security of its platform, a start was made in 2013 with investing in a better Security Incident and Event Management system (SIEM), and this project was completed in 2014. SIEM continually monitors the security of the BinckBank network.

An important element of this policy is a regular penetration test, in which BinckBank invites a third party to attempt to break into its systems using the latest techniques and methods. The results of this test are discussed by the risk committees, and can lead to a further tightening of policy and/or controls.

## Incident and problem management

Incident and problem management focuses on the prevention of the risk of failures as a result of which the service cannot (or cannot sufficiently) be restored, of structural errors in the ICT infrastructure and ensuring that incidents and problems are dealt with correctly, completely and in a timely manner. BinckBank mitigates this risk by means of an incident management procedure that ensures that every ICT incident is analysed and prioritised, and that incidents with a high level of urgency and impact are escalated appropriately. Reports are also prepared on incidents and failures on a monthly basis.

## Test, change and configuration management

BinckBank updates its systems and programmes in line with new technological developments, new legislation and regulation, internal information requirements and the needs of its customers. BinckBank is thus exposed to the risks of incorrectly and/or incompletely developed programmes, unauthorised changes to the ICT infrastructure, inadequate provision of information concerning the ICT infrastructure and incorrect or incomplete responses to change requests or failure to deal with change requests in good time. This is managed by means of an established change management process, which among other things stipulates that only personnel from the ICT Operation and Management department are authorised to implement approved changes to the production processes. BinckBank also has various separate development, testing and acceptance environments at its disposal for the introduction of new software releases. Before changes to production processes can be implemented, the changes concerned must have completed the test management procedure and have been approved by the test manager. Investment was made in improving technology, IT capacity and load and performance testing in 2014. The number of software releases was also increased so that structural changes can be implemented more quickly.

## Business Continuity Management

The availability of critical services and the security of visitors and employees are of the highest importance to BinckBank. BinckBank is aware that like any other business, it has to deal with potential threats that could disrupt its critical business processes. BinckBank has implemented an adequate business continuity management process to ensure the availability of critical services. Business continuity management (BCM) is part of the overall risk management framework and is positioned as a central function within the business. The BCM managers report to the directors of their business units, who in turn are members of the Business Continuity Council (BC Council) led by the chairman of the executive board. The BC Council meets at least once per quarter. In case of a disaster, this council acts as the crisis team and operates on the basis of a clearly defined and tested crisis management process.

The risk that the continuity of the (critical) business processes could be threatened as a result of the unavailability of the ICT infrastructure (including applications and systems) is mitigated as follows:

1. To ensure the continuity of the conduct of its business, BinckBank has placed its ICT production systems with an external data centre that has made provisions against the effects of heat, fire, theft, damage, loss of electrical power and natural disasters. The data centres have obtained all the required certifications.
2. In addition, in order to secure its business-critical data BinckBank uses back-ups and real-time synchronisation of data to an external contingency location. A daily check is carried out to establish that critical back-ups have functioned properly and in the event of failures an assessment is made to determine whether further action is necessary.
3. A report to management on the performance and availability of the systems is produced on a monthly basis.
4. Special monitoring software is also used to continually monitor the availability and performance of critical systems.
5. BinckBank has prepared a business continuity plan on the basis of a business impact and risk analysis. BinckBank has a contingency facility and conducts a contingency test at least twice a year.

A business impact and risk analysis is conducted each year to establish which processes are business-critical, what the recovery targets are and the resources (people, systems, data flows, premises and suppliers) on which these processes depend. In the risk analysis, the process owners establish the relevant threat scenarios and the additional measures that will be needed to mitigate risk to an acceptable level. The BC Council formulates a continuity strategy on the basis of the business impact and risk analysis. This is developed into plans that are implemented under the supervision of the business continuity managers. Existing business continuity plans (BCPs) are amended or new BCPs are formulated on the basis of the new strategy. A generic or a specific plan is developed for each feasible threat scenario. BinckBank tests various scenarios and measures annually. The BC Council sets the test calendar, the test standards, evaluates these standards and initiates any further measures for improvement.

## Legal and compliance risk

BinckBank places a high priority on integrity and reliability, and emphasises this by means of its code of conduct, house rules, insider trading regulations and whistle-blower's scheme. Claims and complaints are seen as important indicators that are discussed by the legal and compliance committee. Legal and compliance risk is part of the risk framework.

The Compliance department lists and analyses the risks, also on the basis of the applicable rules. Recommendations are then made for the control of these risks by means of internal policy and procedures. Compliance agrees action plans with the management on the basis of the prioritised risks and recommendations. Compliance monitors the progress of the action plans and reports on this. Developments in legislation and regulation, the current control of high risks and action plans form the basis for the annual policy plan and the activities of Compliance. Compliance acts on the basis of defined reporting lines and an escalation procedure. Compliance is responsible for making enquiries among managers and the executive board promptly and accurately in order to ensure that BinckBank's activities continue to comply with applicable legislation and regulation. BinckBank has procedures in place for whistle-blowers and mandatory reporting of suspicious transactions, and has a Security Officer and a Privacy Officer.

## Product-specific risks

In addition to general risks, BinckBank identifies product-specific risks. This concerns risks that are inextricably linked to a specific type of activity or product offered by BinckBank. Additional measures are in place to mitigate product-specific risk for the management of the risk of the activities of Alex Asset Management. These risks are explained in further detail below. Binck also introduced the Binck turbo in 2014.

## Risk management at Alex Asset Management

Under the Alex label, BinckBank offers asset management and advisory services in its business unit Retail in addition to execution-only services. After rapid growth in 2013, assets under management declined in 2014 by 7% from € 2.1 billion to € 2.0 billion at year end.

With Alex Asset Management, BinckBank distinguishes itself from traditional asset managers by operating an active investment policy combined with investment decisions and recommendations based on quantitative analysis. The risk profile of Alex Asset Management is different from that of the normal execution-only business of BinckBank. The potential risks identified can be divided into risks associated with the duty of care, operational risk and reputational risk. The guidelines regarding the duty of care are stricter for asset management than they are for execution-only services, and place an additional responsibility on the asset manager. BinckBank meets these additional requirements by establishing a customer's investment profile prior to the provision of its service by means of a digital intake procedure and obtaining the approval of the customer in digital form. BinckBank asks its asset management customers to update their investment profile once a year. BinckBank checks daily to establish that the customer's portfolio is in line with market developments and whether it corresponds to the established investment profile and objectives. Transactions are executed automatically to expand or reduce positions if this is advisable. This process is fully automated. The operational risks mainly concern heavy reliance on the ICT systems, decision models and the accuracy of data used such as prices, traded volumes and corporate actions that affect prices. The controls system is adjusted to reflect this. BinckBank conducts a large number of tests on a daily basis and regularly tests that the decision models are still operating in accordance with the criteria. The reputation of Alex Asset Management and therefore BinckBank could be harmed if customers feel that their interests are not properly protected. This perception could arise if returns are disappointing or as a result of unclear communication and negative publicity.

## Turbos

The issuance of products for its own account and risk is a new departure for BinckBank. After careful preparation in which all the potential risks were identified and mitigated, BinckBank started to issue Binck turbos under the Binck label halfway through the year. Much of the operational activities for this product have been outsourced to our experienced partner UBS. One of the major risks, the market risk, is mitigated due to a full economic hedge. There is in addition a counterparty risk with respect to UBS, which is mitigated to a certain amount by means of collateral.

## Capital management

The aim of capital management at BinckBank is to maintain a sound solvency position, seeking to strike the right balance between the equity capital it holds and the risks to which it is exposed. Capital management makes an increasingly important contribution to a systematic analysis of and improvement to the risk and return of BinckBank's activities. In the design of its capital structure, BinckBank takes account of the thresholds set by DNB, the Wft, European regulation and its own internal requirements with respect to capital adequacy.

### Capital strategy and internal capital targets

In the first quarter of 2014, BinckBank reviewed its capital strategy and capital requirements under Basel III (CRD IV/ CRR) for Pillar I, Pillar II, the expected Leverage Ratio and the Large Exposures Regulation and concluded that a capital holding of € 200 million is sufficient, given the current size, complexity and risk profile of its business operations to cover the risks to which BinckBank is exposed and to fund its business operations in the short term. Based on an assessment of its business prospects, BinckBank does not consider it to be prudent to distribute its available capital in excess of € 200 million at this time. This approach follows the recommendation of the European Central Bank (ECB) published on 28 January 2015 (ECB/2015/2) that a prudent policy with respect to capital distributions would be appropriate in the light of the changed economic outlook. BinckBank's decision, in the context of the above-mentioned prudence, is due in part to a decline in assets under management and accordingly a deferral of the growth target for its strategic arm Alex Asset Management. The normal dividend policy of distributing 50% of the adjusted net profit will be maintained.

## Capital structure

BinckBank holds capital to cover the risks it incurs as a result of the conduct of its business. The amount and quality of the capital reserved is determined on the basis of IFRS and the provisions established in the Basel III regulation.

### Calculation of equity capital and available Tier 1 capital

BinckBank's equity capital consists of its paid-up and issued share capital, the share premium reserve, the fair value reserve, retained earnings, the result in the current financial year (adjusted for the interim dividend previously distributed) and the value of the non-controlling interests. Treasury shares are deducted from capital equity. For the calculation of the core capital, the items of goodwill (adjusted for deferred taxation), intangible assets, non-controlling interests, unappropriated profit in the current financial year and reserves for future distribution of dividend and capital are deducted from equity. The equity capital is moreover adjusted for prudent valuation on assets carried at fair value in the balance sheet. The analysis of the composition of equity capital and core capital as at 31 December 2014 is shown in the table below.

## Calculation of capital requirement (Basel II)

x € 1,000	31 December 2014	31 December 2013
Issued share capital	7,100	7,450
Share premium reserve	361,379	373,422
Treasury shares	(5,570)	(30,340)
Fair value reserve	3,777	2,124
Retained earnings	41,787	59,720
Unappropriated profit	31,554	19,248
Non-controlling interests	220	7
<b>Total equity</b>	<b>440,247</b>	<b>431,631</b>
Less: goodwill	(144,882)	(142,882)
Plus: deferred tax liabilities related to goodwill	25,029	21,432
Less: other intangible assets	(68,353)	(90,118)
Less: prudent valuation adjustment	(1,389)	-
Less: Non-controlling interests	(220)	-
Less: proposed dividend	(22,010)	(19,370)
Less: result current year adjusted for interim dividend and proposed final dividend	(2,524)	-
<b>Total available capital - (A) - Tier I</b>	<b>225,898</b>	<b>200,693</b>

BinckBank's capital position as at 31 December 2014 was sound. BinckBank's total equity at the end of December 2014 stood at € 440.2 million (year-end 2013: € 431.6 million). Tier 1 capital at year-end amounted to € 225.9 million (2013: 200.7 million).

## Calculation of capital requirement under Pillar I and Pillar II

CRD IV/CRR provides guidelines for the calculation of the Pillar I capital that according to the supervisors a bank must hold for credit risk, market risk and operational risk. CRD IV/CRR permits various approaches for the implementation of the requirements under Pillar I with regard to credit risk, market risk, settlement risk and operational risk. BinckBank uses the standardised approach for credit risk, market risk and settlement risk, using risk weights and techniques to mitigate credit risk as stated in the regulation. BinckBank also uses the standardised approach for operational risk, whereby it calculates required capital based on the average operational income per business line over the preceding three financial years.

The second Pillar concerns the process whereby banks assess the adequacy of their equity, known as the Internal Capital Adequacy Assessment Process (ICAAP). BinckBank uses the complementary method to determine its ICAAP capital, whereby capital in addition to the prescribed minimum capital requirement under Pillar I must be retained for complementary risks acknowledged by BinckBank (Pillar II). The ICAAP is used by BinckBank to determine its internal regulatory capital (or ICAAP capital). The relationship between the available capital and the ICAAP capital is shown in the solvency ratio (Pillar II). During 2014, BinckBank used a minimum capital requirement for the Pillar II capital ratio of 15%.

### Pillar I capital requirement

BinckBank reassessed its capital adequacy as at 31 December 2014. This revealed that the total Pillar I capital requirement as at 31 December 2014 has increased by 10.0% to € 48.7 million. The increase was mainly due to the increased size of the investment portfolio, changes to the investment policy and the associated credit risk.



## Pillar II capital requirement

The total capital required under Pillar II rose by 8.3% in 2014 to € 10.1 million. The capital requirement for interest-rate risk has increased due to a longer fixed-interest duration in the investment portfolio. The duration of the portfolio rose from 1.17 years to 1.40 at year-end 2014. In addition, the size of the portfolio increased from € 1.6 billion to € 1.9 billion at year-end 2014. Concentration risk measures the risks of losses from customers with skewed portfolios that are concentrated in specific stocks (or their associated derivatives). The capital requirement for concentration risk as at 31 December 2014 came to € 1.0 million, which corresponds to the reserve as at 31 December 2013. The capital requirement for margin risk arises from the size of the unsecured claims on customers that would ensue after a decline in the securities markets. Partly due to large positions held by a few customers, the margin risk rose from € 3.4 million at year-end 2013 to € 5.0 million at year-end 2014. The capital requirement for counterparty risk remained unchanged at € 0.5 million (2013: € 0.5 million).

In total, the capital required under Pillars I and II in 2014 rose 9.7% to € 58.8 million. The capital ratio rose to 37.1% (FY13: 36.2%).

x € 1,000	31 December 2014	31 December 2013
<b>Total available capital - (A) - Tier I</b>	<b>225,898</b>	<b>200,693</b>
Credit risk - Pillar I	29,674	23,062
Market risk (=currency risk)	20	84
Operational risk	19,034	21,160
<b>Total required capital (B) - Pillar I</b>	<b>48,728</b>	<b>44,306</b>
Interest-rate risk	2,679	4,207
Liquidity risk	943	240
Credit risk - Pillar II	6,461	4,863
Concentration risk	1,000	1,000
Margin risk	4,961	3,363
Counterparty risk	500	500
<b>Total required capital - Pillar II</b>	<b>10,083</b>	<b>9,310</b>
<b>Total required capital (C) - Pillar I + II</b>	<b>58,811</b>	<b>53,616</b>
<b>Capital surplus - Pilar I + II (=A-C)</b>	<b>167,087</b>	<b>147,077</b>
<b>BIS-ratio (=A/B * 8%)</b>	<b>37.1%</b>	<b>36.2%</b>
<b>Solvency ratio (=A/C * 8%)</b>	<b>30.7%</b>	<b>29.9%</b>

## Capital adequacy and results of stress tests for BinckBank

BinckBank conducts regular stress tests to evaluate the scale of the risks involved in extreme events with a change in one or several parameters. Stress testing is an integral part of risk management and as such is mandatory under the CRD IV/CRR. The purpose of a stress test is to express the risks of extreme events in terms of financial loss. The likelihood and effect of this in the context of the risk appetite will lead to an evaluation of the risks accepted, and whether measures should be taken to mitigate the risk or additional capital should be reserved.

Under Pillar II, stress testing is mandatory to assess the effect on available Tier I capital of all types of risk to which the bank is exposed. If the outcome of an extreme but to some extent feasible stress scenario leads to a Pillar I capital ratio of less than 15%, BinckBank will no longer meet its own internal capital requirement. In this case BinckBank will have to take appropriate action in the form of risk-mitigating measures such as policy changes or insurance, or by reducing the risk profile of its existing activities.

The stress tests for BinckBank concern the following items in the balance sheet:

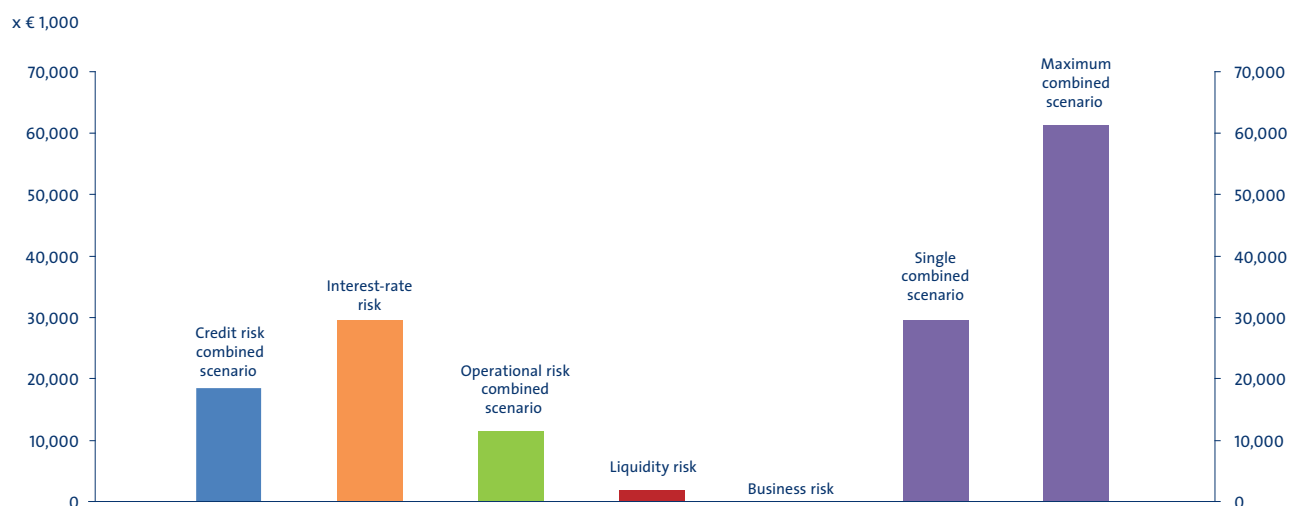
Business Line	Stress test credit risk		Stress test interest-rate risk	Stress test liquidity risk	Stress test business risk
	Investment portfolio	Customer portfolios			
<i>Assets</i>					
Cash and balances at central banks	X			X	X
Banks	X			X	X
Loans and receivables		X			X
Bonds and other fixed-income securities	X		X	X	X
Derivatives positions held on behalf of customers		X			X
<i>Liabilities</i>					
Due to customers	X		X	X	X
Revaluation reserve	X		X	X	X
Derivatives positions held on behalf of customers		X			X

The financial impact resulting from stress tests is defined as the direct negative effect on BinckBank's core capital. The expected financial effect before tax is calculated for each individual stress test and the effect of this on capital adequacy expressed in the Pillar I capital ratio and the Pillar II capital ratio. If the capital requirement changes as a result of a stress test, this is expressed as a second-round effect. This clearly shows the ultimate effect of a stress test once all factors have been taken into account.

## Results of recent stress tests and maximum stress scenario

For the calculation of the maximum stress scenario, it is important to understand that there is a difference between stress scenarios and stress testing. A stress test is a single test for one particular event and thus a change in one single parameter. A stress scenario is a set of stress tests that together form a scenario. The maximum stress scenario is based on a set of extreme events that could lead to financial losses for BinckBank. Various stress tests have been developed for each risk category to enable management to assess the scale of the risk involved in extreme but realistic situations. The individual stress tests are not complementary, since not all events can occur simultaneously, so that a stress scenario is compiled for each risk category. The various results of the stress scenarios for each risk category are combined into a maximum stress scenario for the testing of capital adequacy. The following figure on the next page shows the size of the maximum combined scenario spread across the various risk categories.

## Maximum combined scenario per risk category



## Maximum stress scenario

The most extreme stress scenario calculated by BinckBank for the purpose of capital management is explained in more detail below. The scenario involves the following assumptions: Increasing uncertainty regarding the creditworthiness of European countries leads to a two-step rating downgrade by well-known rating agencies for the bonds BinckBank holds in its investment portfolio. Interest rates rise by 200 basis points due to uncertainty over inflation and the markets come under pressure and undergo a sudden and extreme decline. Confidence in BinckBank is damaged due to a system breakdown on a busy trading day. The competition benefits from this and goes on the attack, leading to immediate withdrawal of 30% of the funds entrusted. BinckBank is forced to sell part of its investment portfolio at a loss. Very active customers also close their accounts, and both fee and commission income and interest-rate margins come under pressure.

The capital loss under the maximum combined stress scenario comes to € 62 million as at 31 December 2014 (31 December 2013: € 78 million), reducing the amount of available (core) capital to € 164.0 million. The second round effect shows that the effects of the stress scenario affect the capital requirement. In other words, the forced liquidation of part of the investment portfolio would change the capital requirement for credit and interest-rate risk. Credit risk would decline first, as a result of the forced liquidation of the investment portfolio, however it would also increase due to the two-step credit downgrade. These two effects offset each other, leading to a situation in which the capital requirement for credit risk under Pillar I would fall from € 29.7 million to € 11.1 million. Under the maximum combined scenario, both the total available capital and the Pillar I & II capital requirements would decline. The table below shows the development of the capital adequacy after the most extreme stress scenario has actually occurred, including the related second-round effects.

## Solvency ratios under Pillar I & Pillar II

x € 1,000	31 December 2014	Max. combined stress	Impact
<b>Total available capital</b>	<b>225,898</b>	<b>164,041</b>	<b>-27%</b>
<b>Total required capital Pillar I+II</b>	<b>58,811</b>	<b>37,710</b>	<b>-36%</b>
<b>Pillar I required capital</b>	<b>48,728</b>	<b>30,108</b>	<b>-38%</b>
Credit risk	29,674	11,073	-63%
Market risk	20	1	-95%
Operational risk	19,034	19,034	0%
<b>Pillar II required capital</b>	<b>10,083</b>	<b>7,602</b>	<b>-25%</b>
Interest-rate risk	2,679	1,730	-35%
Liquidity risk	943	652	-31%
Total credit risk Pillar II	6,461	5,220	-19%
<i>Concentration risk*</i>	<i>1,000</i>	<i>1,000</i>	<i>0%</i>
<i>Margin risk*</i>	<i>4,961</i>	<i>3,720</i>	<i>-25%</i>
<i>Counterparty risk*</i>	<i>500</i>	<i>500</i>	<i>0%</i>
<b>Excess / insufficient capital (Pillar I)</b>	<b>177,170</b>	<b>133,933</b>	<b>-24%</b>
<b>Excess / insufficient capital (Pillar II)</b>	<b>167,087</b>	<b>126,331</b>	<b>-24%</b>
<b>Pilaar I BIS ratio</b>	<b>37.1%</b>	<b>43.6%</b>	
<b>Pilaar II Solvency ratio</b>	<b>30.7%</b>	<b>34.8%</b>	

\* Including second-round effects

## Capital position in event of maximum stress

Based on the second-round effect, BinckBank has established that its capital is also adequate under the maximum stress scenario. The Pillar I capital ratio rose to 43.6%, meaning that no additional or mitigating measures are necessary. One can therefore conclude that the capital position would still be adequate under the maximum combined stress scenario, and our own internal standard of at least 15% under Pillar I would be maintained.



Liquidity management





# Introduction

Besides solvency, liquidity is also extremely important for a bank. This section is therefore devoted to liquidity management at BinckBank. Liquidity risk is the risk that BinckBank will not be able to meet its payment obligations. BinckBank adopts a prudent policy with regard to liquidity risk that is designed to ensure that demand by its customers for their cash can be met at all times. At year-end 2014 BinckBank had an ample position in immediately callable liquid assets of € 177 million (excluding deposits and cash reserves held at central banks). This represents 7% of the total funds entrusted. There have been no materially significant incidents with regard to liquidity during the 2014 financial year and there have been no reasons to adjust our liquidity policy.

## Liquidity profile of BinckBank

BinckBank is an online bank for investors. BinckBank's services focus on the processing of securities orders placed by customers, the offering of a savings product and asset management services. Due to the nature of its operations, BinckBank's business model involves a large liquidity surplus. Customers with an account at BinckBank mostly do not invest 100% of their assets, they always hold part of their assets in cash in their brokerage account or savings account. Because it has no active lending or mortgage business, BinckBank's business model is not the same as that of most Dutch (retail) banks. BinckBank does provide loans based on securities as collateral (collateralised lending) and it places its remaining liquidity surplus in the market by means of an investment portfolio. Since historically the size of the customer funds entrusted far exceeds that of the collateralised lending, BinckBank has a natural liquidity surplus and no funding requirement. The absence of (long-term) loans in combination with the liquidity surplus arising from customer funds is the basis of BinckBank's funding policy. BinckBank has no need to attract other long or short term funding. The funds held by BinckBank's customers can be called upon at any time. BinckBank does not offer its customers deposits whereby cash is deposited for longer periods.

Limited predictability in the long term and short-term effects on the liquidity position are features of the securities brokerage business. Most securities transactions are settled within three days of the transaction date. This means that the main focus of liquidity policy is on managing liquidity in the short term.

BinckBank's liquidity surplus appears in the balance sheet in two different types of asset:

1. Cash and Banks: 5% to 10% of the funds entrusted (excluding mandatory reserve deposits) is held in cash at other banks in order to fund BinckBank's daily operations. BinckBank can call on these funds immediately. BinckBank can also place cash in the money market for periods of up to one month, subject to established counterparty limits.
2. Financial assets: the majority of the liquidity surplus is invested in the proprietary investment portfolio. BinckBank invests mainly in liquid bonds of high credit quality with a maximum remaining term to maturity of three years.

Available funding (customer deposits) are also used to finance:

3. Loans and receivables: a proportion of the customer funds is used to fund the collateralised loans provided by BinckBank.
4. Financing of settlement and collateral obligations: trading operations by customers means that BinckBank has to hold cash or bonds with various brokers/custodians in order to cover settlement and margin obligations.



## Value of undiscounted liabilities classified by remaining contractual maturity

Remaining contractual maturity of liabilities (undiscounted) as at 31 December 2014 x € 1,000	On demand	< 3 months	> 3 months < 1 year	> 1 year < 5 year	> 5 years	Total
<b>Liabilities</b>						
Banks	25,587	-	-	-	-	25,587
Due to customers	2,546,029	-	-	-	-	2,546,029
Financial liabilities held for trading	-	177	-	-	8,113	8,290
Financial liabilities designated at fair value through profit and loss	-	139	-	-	-	139
<b>Total</b>	<b>2,571,616</b>	<b>316</b>	<b>-</b>	<b>-</b>	<b>8,113</b>	<b>2,580,045</b>
<b>Remaining contractual maturity of liabilities (undiscounted) as at 31 December 2013 x € 1,000</b>	<b>On demand</b>	<b>&lt; 3 months</b>	<b>&gt; 3 months &lt; 1 year</b>	<b>&gt; 1 year &lt; 5 year</b>	<b>&gt; 5 years</b>	<b>Total</b>
<b>Liabilities</b>						
Banks	15,034	-	-	-	-	15,034
Due to customers	2,336,696	-	-	-	-	2,336,696
Financial liabilities held for trading	-	486	-	-	-	486
Financial liabilities designated at fair value through profit and loss	-	704	-	-	-	704
<b>Total</b>	<b>2,351,730</b>	<b>1,190</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,352,920</b>

If customers withdraw their assets en masse or customer assets are used collectively to invest, there is a risk that BinckBank will be unable to meet its obligations to creditors. BinckBank's liquidity risk policy therefore focuses primarily on managing this aspect of liquidity risk.

It is unusual for banks to achieve complete maturity matching of assets and liabilities because transactions are frequently not predictable and are also extremely diverse in nature. The maturities of assets and liabilities and the scope for replacing interest-bearing liabilities as and when they mature in an economically acceptable manner are important factors in the assessment of the bank's liquidity and the extent to which the bank is exposed to movements in interest rates and exchange rates.

## Fair value of financial assets and liabilities based on expected remaining maturity

Items maturing within one week are treated as being available on demand. Customer deposits are treated as available on demand in the table. In practice, a longer maturity is allocated to these products. The positions as at year end are representative of the positions during the year. In addition, the loan facilities and possibilities for liquidation of the interest-bearing securities are shown. This concerns securities which can be traded in an active market or used as collateral for marginal lending from DNB.

Maturity calendar as at 31 december 2014 x € 1,000	On demand	< 3 months	> 3 months < 1 year	> 1 year < 5 year	> 5 years	Total
<b>Assets</b>						
Cash and balances at central banks	72,427	-	-	-	-	72,427
Banks	152,690	-	-	-	3,323	156,013
Financial assets held for trading	-	8,209	-	-	-	8,209
Financial assets designated at fair value through profit and loss	-	15,942	-	-	-	15,942
Available-for-sale financial assets	-	190,612	346,911	851,623	-	1,389,146
Held-to-maturity financial assets	-	-	-	545,108	-	545,108
Loans and receivables	498,908	-	-	-	-	498,908
	<b>724,025</b>	<b>214,763</b>	<b>346,911</b>	<b>1,396,731</b>	<b>3,323</b>	<b>2,685,753</b>
Guarantees	-	-	9	729	1,566	2,304
	<b>724,025</b>	<b>214,763</b>	<b>346,920</b>	<b>1,397,460</b>	<b>4,889</b>	<b>2,688,057</b>
<b>Liabilities</b>						
Banks	25,587	-	-	-	-	25,587
Financial assets held for trading	-	177	-	-	8,113	8,290
Financial liabilities designated at fair value through profit and loss	-	139	-	-	-	139
Due to customers	2,545,420	-	-	-	-	2,545,420
	<b>2,571,007</b>	<b>316</b>	<b>-</b>	<b>-</b>	<b>8,113</b>	<b>2,579,436</b>
<b>Liquidity surplus / deficit on basis of contractual maturities</b>	<b>(1,846,982)</b>	<b>206,337</b>	<b>346,920</b>	<b>1,397,460</b>	<b>4,886</b>	<b>108,621</b>
Credit, lending facilities and possibilities for liquidation	1,934,254	(190,612)	(346,911)	(1,396,731)	-	-
<b>Liquidity surplus / deficit taking account of credit, lending facilities and possibilities for liquidation</b>	<b>87,272</b>	<b>15,725</b>	<b>9</b>	<b>729</b>	<b>4,886</b>	<b>108,621</b>

<b>Maturity calendar as at 31 December 2013</b> x € 1,000	On demand	< 3 months	> 3 months < 1 year	> 1 year < 5 year	> 5 years	Total
<b>Assets</b>						
Cash and balances at central banks	44,638	265,000	-	-	-	309,638
Banks	161,609	-	-	8,126	-	169,735
Financial assets held for trading	-	70	-	-	-	70
Financial assets designated at fair value through profit and loss	-	19,130	-	-	-	19,130
Available-for-sale financial assets	-	209,347	429,504	943,295	-	1,582,146
Held-to-maturity financial assets	-	-	-	-	-	-
Loans and receivables	428,180	-	-	-	-	428,180
	<b>634,427</b>	<b>493,547</b>	<b>429,504</b>	<b>951,421</b>	<b>-</b>	<b>2,508,899</b>
Guarantees	-	-	-	738	1,991	2,729
	<b>634,427</b>	<b>493,547</b>	<b>429,504</b>	<b>952,159</b>	<b>1,991</b>	<b>2,511,628</b>
<b>Liabilities</b>						
Banks	15,034	-	-	-	-	15,034
Financial assets held for trading	-	486	-	-	-	486
Financial liabilities designated at fair value through profit and loss	-	704	-	-	-	704
Due to customers	2,335,640	-	-	-	-	2,335,640
	<b>2,350,674</b>	<b>1,190</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,351,864</b>
<b>Liquidity surplus / deficit on basis of contractual maturities</b>	<b>(1,716,247)</b>	<b>492,357</b>	<b>429,504</b>	<b>952,159</b>	<b>1,991</b>	<b>159,764</b>
Credit, lending facilities and possibilities for liquidation	1,582,146	(209,347)	(429,504)	(943,295)	-	-
<b>Liquidity surplus / deficit taking account of credit, lending facilities and possibilities for liquidation</b>	<b>(134,101)</b>	<b>283,010</b>	<b>-</b>	<b>8,864</b>	<b>1,991</b>	<b>159,764</b>

# Liquidity risk management

To avoid a situation in which it faces a liquidity shortfall, BinckBank has taken various management measures. The most important of these are:

## Organisational

The BinckBank executive board determines the risk appetite with regard to liquidity risk on an annual basis. The risk appetite with regard to liquidity is set by the board at 'very low' (1 on a scale of 1 to 5). The board's very low risk appetite with regard to liquidity risk is based on:

- The liquidity characteristics of the business model, which chiefly concerns the execution of securities transactions and the size of the immediately callable funds entrusted;
- The fact that inability to meet its obligations to customers or third parties promptly could seriously damage confidence in BinckBank and thereby constitute a threat to BinckBank's continuity; and
- BinckBank needs to avoid a situation in which it is forced to sell its assets at unfavourable market prices and thereby suffer losses.

BinckBank's risk appetite regarding liquidity risk is demonstrated by the high liquidity position in its balance sheet. BinckBank has no need for external funding and places its liquidity surplus in liquid assets. BinckBank funds its assets exclusively with funds entrusted by customers, which is a stable source of funding. The risk appetite regarding liquidity is also a major factor in BinckBank's policy with respect to its investment portfolio. The investments must be of high credit quality, liquid and directly eligible as collateral with the central bank and/or other banks. The Treasury & ALM department does not operate as a commercial department, in the sense that there is no direct link between the financial results of the Treasury & ALM department and the remuneration of its employees.

The number of officers involved in liquidity management at BinckBank is relatively low, and they are all at senior level. Communication lines are short, and decisions can be taken extremely quickly. The main officers involved are: the CFRO, the manager of Risk Management, the manager of Treasury & ALM, the cash manager and the group controller. The senior officers concerned have extensive knowledge of the liquidity aspects of BinckBank's business model, the drivers of liquidity and the liquidity aspects of the available assets and liabilities. BinckBank's liquidity risk policy corresponds to the risk appetite with regard to liquidity risk in relation to the liquidity aspects of the business model. Clear mandates are in place with regard to the management of cash, placements in the money market and the management of the investment portfolio. The frameworks for permitted investments by the Treasury & ALM department are established in mandates. The Risk Management department and the ALCO monitor that none of the mandates are exceeded.

The liquidity value of the assets is monitored on the basis of established criteria. The securities in the investment portfolio and the criteria for the liquidity value of the assets are discussed by the ALCO on a monthly basis.

## Intraday monitoring

Outgoing payment traffic is monitored continuously. The Treasury & ALM department reports the status of incoming and outgoing payment traffic to senior management on a daily basis. In stress situations, payment traffic can be monitored on an hourly basis. The Treasury & ALM department receives statements of the transfers effected for customers four times a day, and the liquidity forecast is adjusted on this basis. The liquidity position is determined daily and a projection is made for the next three days (T+3), which is then tested against the internal liquidity target. Liquidity reports are sent to the executive board and the members of the ALCO. Treasury & ALM monitors the cash inflow and outflow. In case of heavy cash outflow, an escalation procedure to the executive board (CFRO) is applied and action is taken.

## Long-term monitoring

Loans are provided on the condition that BinckBank has at all times the right to unilaterally cancel the credit agreement and call in the funds. BinckBank receives liquid financial assets as collateral for the loans it provides.

## Early warning indicators and escalation procedures

There are clear escalation procedures that are applied if there is a threat that the lower limit of the internal liquidity target will be breached. Escalation is applied using what is known as a traffic-lights model. This is a system of warning signals that lead to an increased level of vigilance with respect to the liquidity position. Code green applies when none of the escalation criteria have been triggered. This can be escalated to code yellow, orange and ultimately code red. Code red would apply in a situation of negative publicity regarding BinckBank's reputation and/or heavy cash outflow in combination with a limited cash balance.

## Stress testing and contingency funding

Stress tests are conducted to test whether BinckBank is still meeting its internal liquidity target. BinckBank has formulated a number of its own stress scenarios for this purpose. In addition, there are two scenarios formulated by the regulator. The operation of the bank's alternative sources of liquidity (the Contingency Funding Plan) is tested at least once a year.

## Contingency Funding Plan (CFP)

BinckBank has various alternative sources of liquidity at its disposal to cope with liquidity stress. These are:

- Repo agreements;
- Multi-currency credit facility (with securities as collateral);
- Liquidation of the investment portfolio;
- Reserve requirement at the central bank; and
- Marginal lending facility at DNB.

## Capital requirement for liquidity risk

The capital requirement for liquidity risk is determined by use of a scenario in which 25% of the deposits held by customers with a cash balance in excess of the amount covered by the deposit guarantee system and 12.5% of the deposits held by customers with balances covered by the deposit guarantee system are withdrawn. Under this scenario, BinckBank would have to make money available from the investment portfolio. The liquidity surcharge involved in the immediate liquidation of the investment portfolio is estimated at 0.27%. This surcharge is based on the liquidity spread that arose during the sale of a substantial part of the investment portfolio during the crisis in 2008. The liquidity spread concerns the additional costs that would be involved in an immediate forced sale of a substantial part of the portfolio within one trading day. Based on the above scenario, a sum of € 349 million would be liquidated in the investment portfolio under this 'liquidity crisis' scenario. Allowing for a liquidity surcharge of 0.27%, the capital requirement for liquidity risk is set at € 0.9 million.

# Statement by the executive board

## In-control Statement

A detailed account of our risks and our risk management framework, in addition to a description of the responsibilities of the executive board, is given in the sections on Risk and Capital Management and Liquidity Management on pages 56 to 101 of the annual report.

In accordance with the best practice provisions as stated in the Corporate Governance Code and with due observance of the limitations stated below, we confirm that our risk management and control systems provide a reasonable level of security and that we are aware:

- a. of the extent to which BinckBank's strategic and operational targets are achieved;
- b. that BinckBank is in compliance with the applicable legislation and regulation; and
- c. that our financial reporting is free from material misstatements.

Our internal risk management and control systems cannot however provide absolute certainty that our strategic and financial targets will be achieved, or that legislation and regulation will be complied with at all times. Furthermore, risk management and control systems cannot prevent all human errors or errors of assessment and mistakes. These systems are not proof against situations in which employees collude with each other and in which the integrity and reliability of employees cannot be ensured. The acceptance of risk and implementation of control measures is always subject to cost/benefit considerations, and is an inherent part of entrepreneurial activity. We continue to strive to further improve and optimise our internal risk management and control procedures.

Without prejudice to our statement, we would like to refer to the weaknesses and threats as described in the SWOT analysis on page 19 of the annual report.

## Statement by the executive board

In accordance with section 5:25c of the Financial Supervision Act (Wft) we state that according to the best of our knowledge:

1. The financial statements present a true and fair view of the assets, the liabilities, the financial position and the result of BinckBank N.V. and the companies included in the consolidation; and
2. The annual report provides a true and fair view of the position as at 31 December 2014 and the state of affairs during the financial year of BinckBank N.V. and its affiliated companies, whose data have been included in its financial statements, and that the annual report describes the essential risks faced by BinckBank N.V.

Amsterdam, 12 March 2015

### The executive board

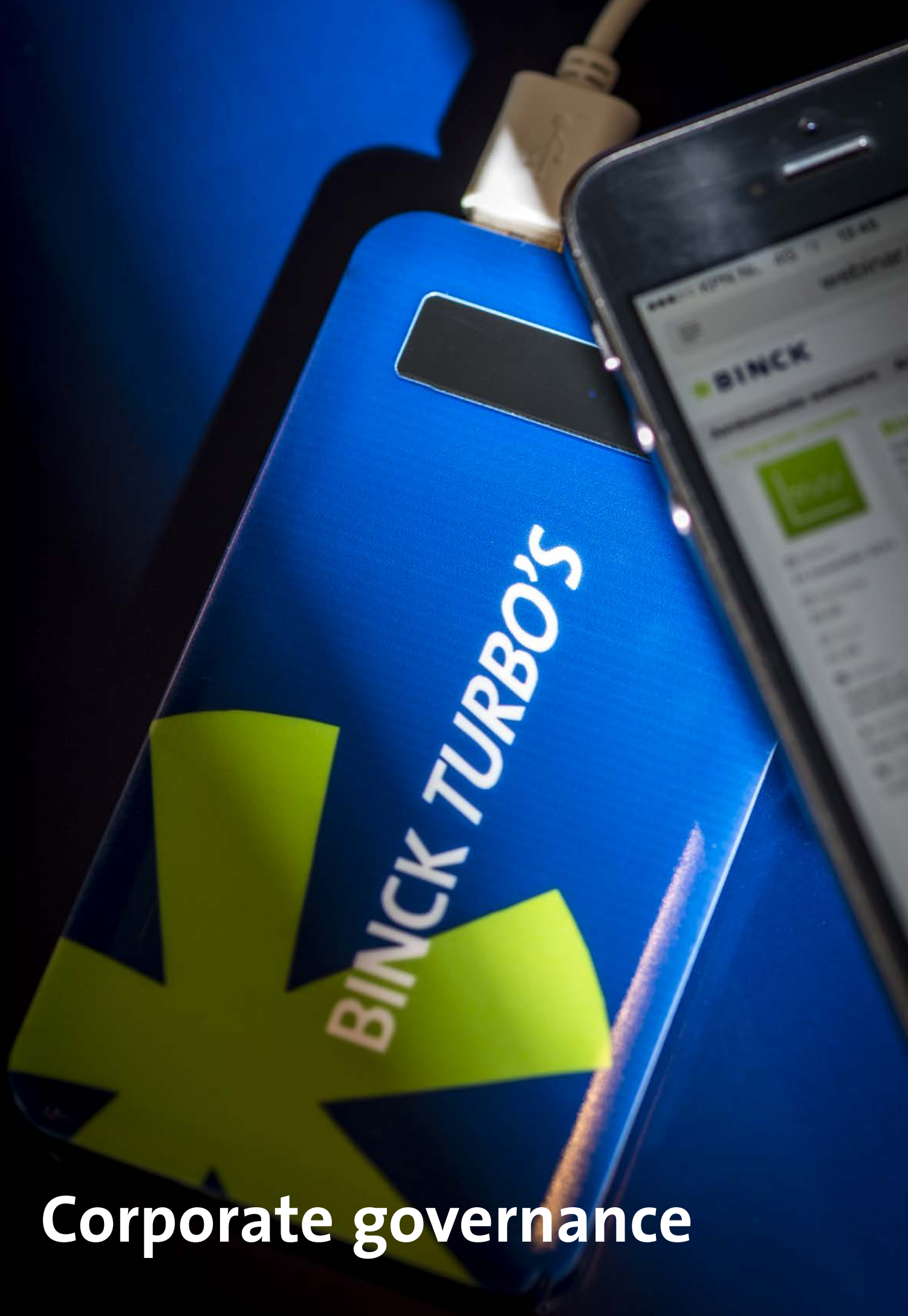
Vincent Germyns, acting chairman  
Evert-Jan Kooistra, CFRO

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**AS A MODERN  
AND INNOVATIVE  
COMPANY,  
BINCKBANK  
ENDORSES THE  
CORPORATE  
GOVERNANCE  
CODE AND THE  
BANKING CODE.**



**Corporate governance**

## Introduction

The Dutch Corporate Governance Code (hereinafter, 'the Code') is an important code for good business conduct for Dutch listed companies. The Code is self-regulatory in nature, and is based on the principle known as 'apply or explain'. The duty of the Corporate Governance Code Monitoring Committee ('the Committee') is to encourage the topicality and usefulness of the Code, as well as to monitor compliance with the Code by Dutch listed companies. In 2014 the Committee focused on identifying gaps and ambiguities in the Code, and in particular on international developments in this context. The Committee also made an inventory of compliance with the Code by Dutch listed companies.

The Banking Code is an important code for good business conduct for banks in the Netherlands. Compliance with the Banking Code is monitored by an independent Banking Code monitoring committee established on 14 October 2014. The revised Banking Code that came into effect on 1 January 2015 was presented on 14 October 2014. The revised Banking Code is part of the Future-Oriented Banking initiative, which also includes the Social Charter and rules of conduct for individual employees. The Social Charter describes the current and desired position of the sector as a whole in society and the shared values of the sector. The conduct rules explicitly state the responsibility of each individual employee at the bank. The Banking Code monitoring committee's main task is to monitor compliance with the Banking Code on the basis of the 'apply or explain' principle. The committee will also identify any ambiguities or imbalances in the Banking Code and make recommendations for possible amendments. The monitoring committee will in any case issue a publicly available annual report.

BinckBank is a listed bank in the Netherlands, and thus is subject to both the Dutch Corporate Governance Code and the Banking Code.

## Developments in 2014

A number of developments in the field of corporate legislation and regulation are outlined below.

### The 'Claw Back' Act

The Claw Back Act came into force on 1 January 2014. Briefly, it contains:

- The possibility of adjusting the amount of bonus awarded to an executive director if payment is unacceptable in the circumstances;
- The possibility of reclaiming an executive director's bonus that has already been paid if it emerges that payment was effected on the basis of incorrect information; and
- The obligation to withhold an increase in value of shares and options held by executive directors of listed companies in the event of an acquisition.

The Act strengthens the position of the supervisory board with respect to the remuneration of executive directors. The intention of the bill is to enable the supervisory board to ensure that the remuneration of executive directors contributes to the interests of the company in the long term.

### Regulation for a controlled remuneration policy in the Wft 2014

The Regulation for a controlled remuneration policy 2014 came into effect on 1 August 2014 and replaces the 2011 regulation with the same title. The intention of the Regulation is to manage the risks associated with remuneration. A proper remuneration policy requires clear principles with respect to the governance of the company and the structure of the remuneration policy. The Regulation mainly consists of rules relating to the way in which the remuneration policy is formulated and established or approved, evaluated and amended. It also contains rules with regard to the way in which remuneration elements and structures are formulated and how the risks associated with the policy and its implementation are controlled. The Regulation also establishes the content and manner of publication of the policy and its application with respect to remuneration.

### The Financial Enterprises (Remuneration Policy) Act (Wbfo)

The intention of the Wbfo is that financial enterprises properly manage the risks associated with their remuneration policy and that excessive variable remuneration payments are limited. The Wbfo includes certain rules in addition to current legislation and regulation, the most important of which is a bonus ceiling of 20%: the variable remuneration may not amount to more than 20% of the fixed remuneration. This bonus ceiling applies only to financial undertakings domiciled in the Netherlands. The Wbfo moreover contains provisions regarding severance payments, retention bonuses and variable remuneration in the form of support. The Wbfo takes effect on 7 February 2015.

## Financial Markets (Amendment) Act 2014

The Financial Markets (Amendment) Act 2014 came into effect on 1 January 2014. The Amendment Act provides for matters including the introduction of the ban on inducements, further regulations with respect to settlement companies and a systemic relevance buffer for banks and investment firms. Listed companies also have to make information regarding facts and circumstances occurring after preparation of the annual financial reporting publicly available without delay, and have to make a statement publicly available without delay if the adopted annual financial reporting differs from the prepared financial reporting. Other changes relate to enforcement by the AFM in its supervision of the financial reporting by listed companies.

## Financial Markets (Amendment) Act 2015

The Financial Markets (Amendment) Act 2015 took effect on 1 January 2015. The introduction of the Financial Markets (Amendment) Act 2015 includes making the suitability and properness requirements applicable to persons working under the responsibility of a bank or insurer domiciled in the Netherlands who hold a management position directly below the level of policymakers and responsible for natural persons whose activities can materially affect the risk profile of the company. The group of persons obliged to take the banker's oath is also extended to include all natural persons working under the responsibility of a bank in the Netherlands on the basis of an employment agreement or who carry out activities that form part of or arise from the operation of a banking business, or form part of the actual business processes in support thereof. This group of persons is moreover declared to be subject to disciplinary law. With effect from 1 January 2015, banks and investment firms must be more active in the provision of information regarding the deposit guarantee scheme and the investor compensation scheme.

## Financial Markets (Amendment) Act 2016

The bill for the Financial Markets (Amendment) Act 2016 comes into effect on 1 January 2016. The bill includes the power for the supervisor to issue an instruction if there are doubts regarding the suitability of a director but unsuitability has not yet been established. According to the note to the bill, in such cases the supervisor may issue an instruction to suspend a director, which is already possible if there are doubts regarding the properness of a director. It is not yet entirely clear whether this power of the supervisor to suspend extends to supervisory directors. The Amendment Act also introduces a rule to protect investors in derivatives against the bankruptcy of the intermediary involved in the derivative instrument in question. The essence of this rule will be established in the Securities Book-Entry Transfer Act. Under this regulation, all positions in derivatives entered into by an intermediary with a third party, a CCP or another third party in connection with the taking of a customer position and all rights and obligations with respect to the exchange of collateral will form segregated assets. In the event of the bankruptcy of the intermediary, these segregated assets will provide the opportunity for recovery by its customers.

## Revision of the Shareholder Rights Directive

The European Commission has presented a proposal to revise the Shareholder Rights Directive with the aim of improving the corporate governance of listed companies. In particular, the measures are designed to encourage institutional investors and asset managers to take a more engaged attitude with respect to their shareholdings in listed companies, to strengthen certain shareholder rights and to remove obstacles to cross-border voting by shareholders. The revision will among other things mean that institutional investors and asset managers will be encouraged by means of a package of transparency obligations to adopt an investment strategy that benefits the medium to long term and long term performance of the companies in which they invest. There will also be monitoring of the provision and quality of advice to those with voting rights and cross-border voting will be encouraged. Intermediaries will also have to cooperate regarding the identification of shareholders. The revision will also mean that shareholders will obtain the right to vote on the remuneration policy and the annual remuneration report ('say on pay'). Shareholders will moreover be given the right to approve significant transactions with related parties, such as a transaction with a director or major shareholder. The European Commission's proposal has consequences for Dutch listed companies and their shareholders, asset managers, intermediaries and persons holding voting rights. The revision proposed by the European Commission does not state a target date for implementation. It will therefore be some time before the proposal will have to be adopted in Dutch legislation.

The following piece addresses the recommendations in the Code and the Banking Code.

# The Code

The Code has a legal basis in the sense that a listed company has to include a statement in its annual report regarding its compliance with the principles and best practice provisions of the Code that relate to the company's executive board or supervisory board.

BinckBank generally endorses the principles stated and broadly supported in the Code.

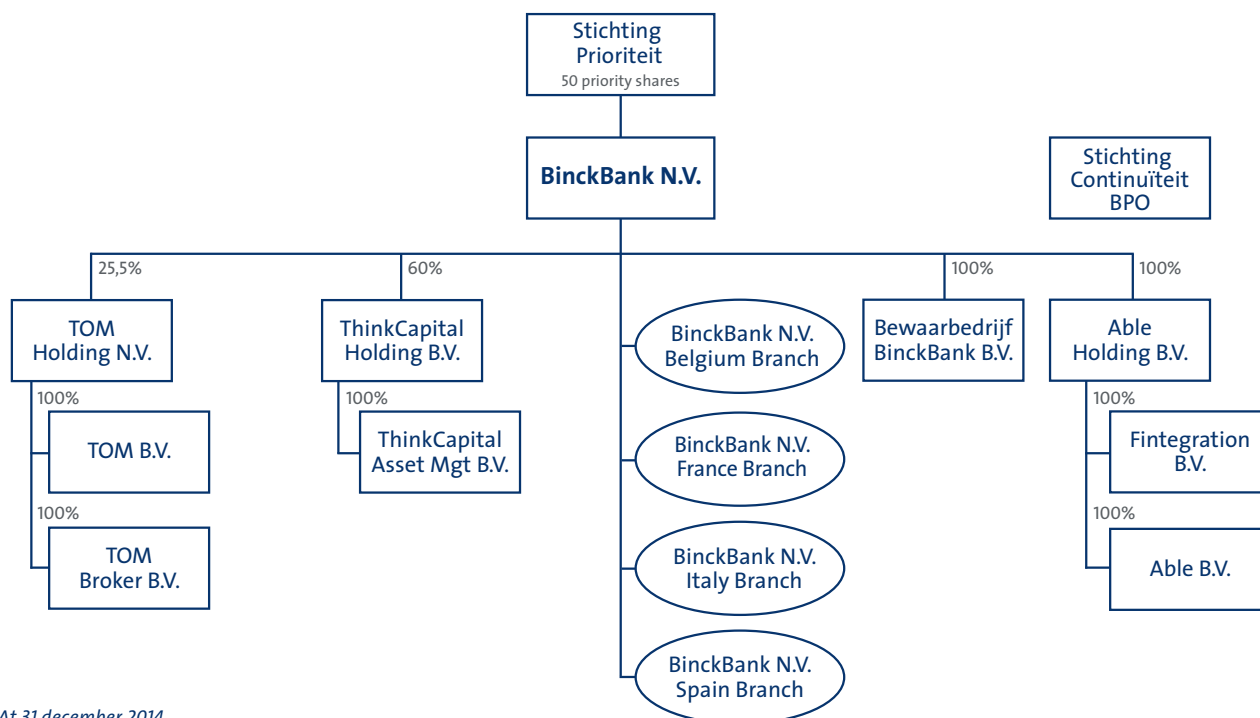
According to best practice provision I.1 of the Code, the broad outlines of the company's corporate governance structure must be explained each year in a separate section of the annual report, partly by reference to the principles of the Code. This section must also expressly state the extent to which the best practice provisions in the Code are being observed, and where this is not the case, why and to what extent the provisions are not applied. The principle of 'apply or explain' has a legal basis.

This section will fulfil the requirements of this best practice provision I.1 of the Code. The provision in this section and the statements regarding the key features of the company's management and control systems in relation to financial reporting as included in the management's in control statement can also be described as the corporate governance statement mentioned in Section 2:391(5) BW.

## Legal structure

### General

BinckBank is a public limited company listed on NYSE Euronext Amsterdam. BinckBank adopted a two-tier board structure in 2012. BinckBank has a number of Dutch subsidiaries and associates. BinckBank has branches in Belgium, France, Italy and Spain.



At 31 december 2014

## Shares, issue of shares, voting rights and shareholder structure

### Shares

The company's authorised share capital amounts to € 10,000,005, divided into 100,000,000 ordinary shares and 50 priority shares each with a nominal value of € 0.10. BinckBank's issued capital consists of 71,000,000 ordinary, listed shares and 50 priority shares. The priority shares represent 0.00007% of the issued capital, are unlisted registered shares and are held by Stichting Prioriteit Binck (hereinafter, 'the Foundation').



Special control rights are attached to the priority shares as specified in the company's articles of association, which are available on the website [www.binck.com](http://www.binck.com). Further details regarding the position of Stichting Prioriteit are given below in this section. No depositary receipts are issued for BinckBank shares.

### Issuance of shares

The General Meeting ('GM') adopts resolutions with regard to the issuance of shares and may grant this authority to another company body for a period of up to five years. On the issuance of ordinary shares, each shareholder has a preference right in the amount of his or her total number of shares held, subject to legal provisions. No preferential rights exist on shares issued; a) to employees of the company or a group company; or b) against payment other than in cash.

The preferential rights may be limited or excluded by resolution of the GM. The preferential rights may also be limited or excluded by the above-mentioned other company bodies if these have been granted the authority to limit or exclude the preferential rights by resolution of the GM for a period of up to five years. A resolution by the GM to limit or exclude the preferential rights or to grant or withdraw the authority to take such action requires a majority of at least two-thirds of the votes cast if less than half of the issued capital is represented at the GM. Such resolutions may only be adopted by the GM if proposed by the Foundation. Resolutions by the executive board regarding the issuance of shares are subject to approval by the supervisory board.

### Voting rights

Each BinckBank share entitles its holder to cast one vote. Resolutions are passed by simple majority of the votes cast, to the extent that a larger majority is not required by law or the articles of association. BinckBank uses a registration date in accordance with the Shareholders' Rights Act (Wet aandeelhoudersrechten).

### Shareholder structure

The shareholders who have made a notification in relation to their interest in BinckBank pursuant to section 5.3 Wft are named on page 24 of this annual report. No shareholder agreements have been concluded between BinckBank and the major shareholders concerned.

## Anti-takeover defences

The Foundation has a role in many important resolutions pursuant to the articles of association. The Foundation holds 50 BinckBank priority shares. The authorities of the Foundation consist of the initiation of specific resolutions of the GM and the granting of prior approval to the resolutions described below. The Foundation also has direct powers, including setting the number of executive and supervisory directors.

In short, the objective of the Foundation is to protect the management and the course of events at BinckBank from influences which might negatively affect the independence of the company and its affiliated companies, and to promote a positive course of events in management.

The board of the Foundation has three members. Member A is appointed by the supervisory board of BinckBank, member B is appointed by the executive board of BinckBank and member C is appointed by members A and B together. Messrs C.J.M. Scholtes (chairman of the supervisory board), V.J.J. Germyns (acting chairman of the executive board) and J.K. Brouwer (supervisory director) currently act as members A, B and C of the board of the Foundation respectively.

The supervisory board and the executive board see no reason to initiate any limitation and/or removal of the powers of the Foundation. The supervisory board and the executive board believe that maintaining the position of the Foundation is beneficial to the continuity of BinckBank and the policies pursued by the bank in the short and long term, subject to careful consideration of the interests of those involved in the company. The powers of the Foundation form an integral part of the articles of association of the company. Strictly speaking therefore, there is no question of a potential or actual anti-takeover measure as referred to in best practice provision IV.3.11 of the Code. With due observance of its objectives under the articles of association, the Foundation is obliged when exercising its powers to protect the interests of the company and its affiliated companies, and in doing so to consider the legitimate interests of those involved in the company. The manner in which the Foundation exercises its powers will depend on the actual facts and circumstances of the case in question.

## Executive board

BinckBank has a two-tier board system, meaning that management and supervision are assigned respectively to the BinckBank executive board and supervisory board. BinckBank believes that this structure promotes a system of adequate checks and balances, in which the executive board is responsible for the day-to-day management of the company and the realisation of the company's short-term and medium-term targets, while the supervisory board supervises the executive board and has an advisory role.

### Duty of the executive board

Subject to the limitations stated in the articles of association, the executive board is charged with the management of the company.

### Regulations for the appointment, suspension and dismissal of executive board members

The executive directors of BinckBank are appointed by the supervisory board in accordance with the provisions of the articles of association on the basis of a non-binding nomination by the Foundation. An executive director is appointed or reappointed for a term commencing on the date of their (re)appointment and ending at the end of the AGM held in the fourth calendar year after the calendar year in which they were (re)appointed, or at such time as is determined at the time of their (re)appointment, if earlier. Executive directors may be suspended or dismissed by the supervisory board at any time. The supervisory board shall not dismiss a member of the executive board without taking advice from the GM regarding the dismissal.

## Supervisory board

The supervisory board is charged with the supervision of the policy of the executive board and the general developments at the company and its affiliated companies. The supervisory board highly values close involvement with the company's development. In the exercise of its duties, the supervisory board focuses on the interests of the company and its affiliated companies, taking the interests of those involved in the company into consideration and also taking into account the social aspects of business operations relevant to the company. The supervisory board advises the executive board, and is moreover charged with all duties assigned to it by law and under the articles of association. Certain key resolutions are subject to the approval of the supervisory board.

Other than under the provision of Article 21 sub 7 of the articles of association, supervisory directors of BinckBank are appointed by the GM on the basis of nomination by the supervisory board. The GM and the works council may recommend candidates to the supervisory board for nomination as a supervisory director. For one-third of the number of supervisory directors, the supervisory board will nominate a person recommended by the works council, unless the supervisory board objects to the recommendation on the grounds that it does not consider the recommended candidate to be suitable to act as a supervisory director, or that the composition of the supervisory board would not be appropriate if the recommendation were to be adopted. A supervisory director may be suspended by the supervisory board. The Enterprise Division of the Amsterdam Court of Appeal may dismiss a supervisory director on the conditions stated in the articles of association. The GM can withdraw its confidence in the supervisory board. A resolution of no confidence by the GM will result in the immediate dismissal of all members of the supervisory board.

A supervisory director is appointed or reappointed for a term commencing on the date of their (re)appointment and ending at the end of the AGM held in the fourth calendar year after the calendar year in which they were (re)appointed, or at such time as is determined at the time of their (re)appointment, if earlier.

## General Meeting (GM)

The GM has the powers vested in it by law and under the articles of association. The Foundation has an important role with reference to the powers of the GM in many cases. A GM is held at least once a year. The most important powers of the GM concern the adoption of the financial statements, the establishment of dividend and other distributions, the granting of discharge of responsibility to the executive board for its policy and to the supervisory board for its supervision, the setting of the remuneration of the executive board and the remuneration of the supervisory directors, amendments to the articles of association and all the other powers vested in it by law and the company's articles of association.



## Compliance with the Code

In the section on corporate governance in its annual report, BinckBank has to state the extent to which it observes the best practice provisions included in the Code, listing the reasons and the extent of non-compliance if it does not (the 'apply or explain' principle). BinckBank complies with the best practice provisions included in the Code, including best practice provisions II.3.2 – II.3.4 and III.6.1 – III.6.4, with the exception of the best practice provisions described below.

## Remuneration of the executive board

BinckBank has a remuneration policy that complies with the Regulation for a controlled remuneration policy in the Wft 2014 (hereinafter 'the Regulation'). The Regulation is a supervisory measure that is based on the powers of De Nederlandsche Bank (DNB) to set rules with respect to remuneration.

The main provisions of the Regulation concern:

- The way in which policy with respect to remuneration at financial enterprises is formulated and established or approved, implemented, evaluated and amended;
- The way in which remuneration elements and structures are formulated and how the risks associated with the policy and its application are managed; and
- The content and method of publication of the policy regarding remuneration and its application.

The basic principle of the Regulation is that the remuneration policy should be consistent with and contribute to proper and effective risk management, and should not encourage the taking of risks that are not acceptable to BinckBank.

According to best practice provision II.2.13 of the Code, the overview of the remuneration policy for the next financial year and subsequent financial years to be provided by the supervisory board has to include certain information. BinckBank applies best practice provision II.2.13 of the Code, if and to the extent that publication does not concern commercially sensitive information, in other words, financial and commercial targets. The executive board and supervisory board of BinckBank take the view that the provision of such information is not in the interests of the company and its stakeholders. The same applies to the main elements of the contract between a director and the company, which according to best practice provision II.2.14 of the Code should be published without delay after the contract is concluded, to the extent that these elements concern market-sensitive information. Moreover, specific information mentioned in the applicable remuneration policy is published afterwards. The supervisory board therefore gives account to the GM with regard to its assessment of the performance of the executive board.

According to best practice provision II.2.5 of the Code, shares granted to executive directors without financial consideration must be retained for a period of at least five years in each case or at least until the end of the employment relationship, if this is shorter. BinckBank complies with best practice provision II.2.5 of the Code to the extent that calculated from the date the shares are awarded unconditionally, BinckBank shares have to be retained for a period of two years (instead of five years). With this shorter retention period of two years instead of five years, BinckBank complies with the regulations for a variable remuneration as specified in the Regulation for a Controlled Remuneration Policy in the Wft 2014. In BinckBank's opinion, the conditional allocation of a material part of a variable remuneration (as stated in the Regulation for a Controlled Remuneration Policy in the Wft 2014) in combination with the stated retention period of two years is sufficient to meet the objective of a long-term commitment to the company and its related business.

# The Banking Code

## General

On 9 September 2009, the Dutch Banking Association (NVB) drafted the Banking Code in reply to the Restoring Trust ('Naar herstel van vertrouwen') report issued by the advisory committee on the Future of Banks ('the Maas Committee'). The Banking Code can be seen as a measure of self-regulation and applies to all banks with a banking licence granted under the Financial Supervision Act. The Banking Code aims to enhance governance within banks, improve their risk management and auditing and promote the implementation of a sound remuneration policy. The Banking Code came into force on 1 January 2010 and is enshrined in law. In their annual reports and in the same manner as applicable to compliance with the Code, banks are obliged to disclose the extent to which they adhere to the Banking Code.

## Permanent education

BinckBank has a permanent education programme for its executive directors, and thereby complies with principles 3.1.3 and 3.1.4 of the Banking Code. The permanent education programme consists of the following of various training programmes and courses intended to maintain the level of expertise of executive directors and improve this where necessary. Koen Beentjes and Evert-Jan Kooistra are both public certified accountants. Since 1 January 2007, a permanent education scheme has applied for members of the Dutch Association of Registered Controllers (the 'VRC') and accountants in business of the Netherlands Institute of Chartered Accountants, or 'NBA'. As part of this Koen Beentjes took courses in 2014 including the TIAS Masterclass Operational Excellence for Executives and the COSO II ERM course at Constitute. Evert-Jan Kooistra took the 5-day course 'School of strategic management and best policies in banking' provided by Euromoney. Vincent Germyns and Pieter Aartsen (who was no longer available for a new term as executive director at the GM on 22 April 2014) did not take part in the permanent education programme for executive directors in 2014.

## Deviations

According to Article 6.3.4 of the Banking Code, shares allocated to executive directors without financial consideration must be retained for a period of at least five years in each case or at least until the end of the employment relationship, if this is shorter. Article 6.3.4 of the Banking Code corresponds to best practice provision II.2.5 of the Code mentioned above. As regards the deviation from Article 6.3.4. of the Banking Code and the reasons for doing so, see the statement with regard to best practice provision II.2.5 of the Code.

BinckBank does not comply with Article 6.3.4 in the sense that calculated from the date of unconditional allocation, BinckBank shares only have to be retained for a period of two years (instead of five years). With this shorter retention period of two years instead of five years, BinckBank complies with the regulations for a variable remuneration as specified in the Regulation for a Controlled Remuneration Policy in the Wft 2014. In BinckBank's opinion, the conditional allocation of a substantial part of a variable performance fee in combination with a retention period of two years is sufficient to meet the objective of a long-term commitment to the company and its related business.

Article 3.2.3 of the Banking Code states that all executive directors must sign a moral and ethical conduct declaration, the text of which must be made generally available and published on the website of BinckBank. It should constitute a guide for the actions of BinckBank employees. The notes to the Banking Code include a model declaration that each bank can supplement as it sees fit.

BinckBank has made use of this. Since its incorporation in the banking sector, BinckBank has distinguished itself by pursuing an independent and self-determined course, that features a strong customer orientation and a high degree of transparency, in combination with sound business practice. The executive directors of BinckBank have amended the model moral and ethical declaration so as to more closely reflect the specific nature and profile of BinckBank and the relevant legislation and regulation. The text of the declaration can be viewed at [www.binck.com](http://www.binck.com).

## Balanced composition of executive board and supervisory board

An executive or supervisory board of a large company has a balanced composition if at least 30% of the members are female and at least 30% are male. The appointment of two female supervisory directors in 2014 means that a balanced composition has been achieved. The executive board at BinckBank does not currently have a balanced composition since a search for possibilities has so far not led to our finding a suitable candidate. This remains an agenda item.

## Article 10 of the Takeover Directive

Under Article 10 of the Takeover Directive, BinckBank is obliged to include the following information in its annual report:

- a. An overview of the company's capital structure is included on pages 108 and 109 of this annual report. This explains the various types of shares and the rights attached thereto (including special control rights), the obligations and the percentage of issued capital represented by each type of share;
- b. The company has not imposed any restrictions on the transfer of shares;
- c. Shareholdings in the company which have to be reported pursuant to Section 5.3 Wft are listed on page 24 of this annual report;
- d. Special control rights attached to shares held by the Foundation are stated on pages 108 and 109 of the annual report;
- e. Control of the scheme whereby rights are allocated to employees to take or receive shares in the capital of the company or a subsidiary company is exercised by the IAD and the Compliance department;
- f. No restrictions apply to the voting rights attached to the company's shares. No depositary receipts for shares have been issued;
- g. The company is only aware of a restriction regarding the transfer of BinckBank shares that arises as a result of the remuneration policy in force and similar restrictions applying to other employees of BinckBank;
- h. The procedures for appointing and dismissing supervisory and executive directors and the regulations applying to amendments to the articles of association are established in the company's articles of association and are described in general terms on page 110 of the annual report. For the full text of the articles of association, see [www.binck.com](http://www.binck.com);
- i. The powers of the executive board with particular reference to the issuance of the company's shares and the repurchase of shares by the company are described on pages 108 and 109 of the annual report. For further information, see the company's articles of association and the minutes of the General Meeting at [www.binck.com](http://www.binck.com);
- j. The service agreement concluded with SNS Bank N.V. on 30 September 2010 states that the agreement can be terminated with immediate effect in the event of a specifically described change of control at BinckBank; The service agreement concluded with BeFrank in 2014 states that in case of a specifically described change of control at BinckBank to which BeFrank has serious objections that are reasonable and objectively substantiated the service agreement may be cancelled with a notice period of 3 months.
- k. Information on severance arrangements with executive directors (insofar as applicable) is provided in the Remuneration Report for 2014.

## Conclusion

BinckBank complies with virtually all the provisions of the Code and the Banking Code. Any deviations have been properly explained and substantiated.





From left to right: Mr John van der Steen, Mr Hans Brouwer, Ms Carla van der Weerd-Norder, Mr Kees Scholtes, Ms Hanny Kemna en Mr Leo Deuzeman



# Report of the supervisory board





## Message from the chairman of the supervisory board

Dear readers,

We hereby present the report of the supervisory board for 2014. The financial statements have been audited by Deloitte Accountants B.V. ('Deloitte') and have been furnished with an unqualified audit opinion, the text of which is included on pages 215 to 218.

2014 was a challenging year for BinckBank. After a relatively strong start to the year, BinckBank faced declining transaction numbers and brokerage income in the second and third quarters. Fortunately, the year closed with a strong fourth quarter. Alex Asset Management performed less successfully than in previous years, which was a cause for concern. In strategic terms we increased our focus on the Retail business. The sale of the professional BPO and licensing activities did not materialise. Binck Fundcoach was introduced in April 2014, and the Binck turbo was launched in July 2014. The associate TOM welcomed the derivatives order flow from ABN Amro on its platform on 1 September 2014.

In view of the outlook for the business, we were forced to suspend the decision to distribute the company's available capital in excess of € 200 million. BinckBank does not consider that distribution would be prudent at this time. The decision was partly due to a decline in assets under management and therefore a postponement of the growth target for Alex Asset Management.

The supervisory board welcomed three new members in 2014. Mr Van Westerloo stepped down as a supervisory director. At executive board level, Mr Germyns was appointed to the board. Mr Beentjes left the company on 1 January 2015. The supervisory board is deliberating with respect to the definitive structure and functional composition of the executive board. During this temporary period, Mr Germyns is fulfilling the role of chairman and Mr Deuzeman is acting as a delegated supervisory director.

The main objectives for 2014 were realised, as a result of both the leadership of the executive board and the other managers and the commitment, expertise and dedication of all our employees. We wish to express our appreciation to the executive board, the employees and the works council for the commitment and involvement they have demonstrated throughout the year.

Amsterdam, 12 March 2015

C.J.M. Scholtes (Chairman of the supervisory board)



## Duties of the supervisory board

### Supervision

The supervisory board is charged with the supervision of the policy of the executive board and the general developments at the company and its affiliated companies.

In the exercise of its duties, the supervisory board focuses on the interests of the company and its affiliated companies, taking the interests of those involved in the company into consideration. The supervisory board is also involved in the social aspects of business operation relevant to the company.

### Advice

The supervisory board also advises the executive board.

### Other

The supervisory board is moreover charged with all duties assigned to it by law and under the articles of association. Certain key resolutions by the executive board are subject to the approval of the supervisory board.

## Composition of the supervisory board

### Composition

The composition of the supervisory board is currently as follows:

- C.J.M. Scholtes (chairman)
- J.K. Brouwer (vice-chairman)
- L. Deuzeman
- J.M.A. Kemna
- J. van der Steen
- C. van der Weerd-Norder

Ms C. van der Weerd-Norder, Ms J.M.A. Kemna and Mr J. van der Steen were appointed to the supervisory board at the Extraordinary General Meeting of 18 September 2014.

Messrs Scholtes and Brouwer will step down at the General Meeting in 2015, having served the maximum term. Mr Deuzeman will be proposed for reappointment.

The information on the supervisory directors referred to in best practice provision III.1.3 and elsewhere in the Code is provided on pages 128 to 130.

### Independence

The composition of the supervisory board is such that the supervisory directors can operate independently within the framework of the profile description of the supervisory board, both in relation to each other, the executive board or any other particular interest. The supervisory board meets the independence criteria stated in best practice provision III.2.1 of the Code.



# Meetings of the supervisory board and subcommittees in 2014

## Meetings of the supervisory board

### Frequency

The supervisory board held its regular combined meetings with the executive board in attendance on eight occasions in 2014. The meetings took place in January, March, April, June, July, October, November and December. In addition, the chairman, and on certain occasions an individual supervisory director, held informal discussions with the executive directors. The supervisory board moreover held separate meetings on six occasions in 2014, which is more frequent than in previous years. This reflects the division of tasks and responsibilities of the executive board and the supervisory board. The number of meetings illustrates the close involvement of the supervisory board with the company. A similar meeting schedule will be used by the supervisory board in 2015.

### Attendance

The supervisory directors attended virtually all the meetings. Failure to attend is only acceptable in case of force majeure. The availability of the supervisory directors and the executive board for interim consultation was satisfactory.

## Agenda items

### General

The agendas for the meetings of the supervisory board covered virtually all aspects of the company's business. In each case, the agenda was drawn up by the chairman of the supervisory board in consultation with the chairman of the executive board. The items discussed at the meetings included the following: the strategy, the interests of the various stakeholders, the principal risks associated with the company, potential and actual acquisitions, the results of the executive board's evaluation of the design and operation of the internal risk management and control systems, as well as significant changes thereto. Attention was also devoted to matters such as the budget, and internal and external financial quarterly, half-yearly and annual reports. Recurring and mandatory items such as the regular progress reports and the discussion of reports by the auditor (with the external auditor in attendance) were also dealt with at the meetings of the supervisory board.

### Specific items

The specific items of attention in 2014 were as follows:

- **Strategy**

The supervisory board was involved in the realisation of the strategic objective of increasing the focus on the Retail business unit by the executive board. The asset management business should provide more stable income in this area. The supervisory board also requested that attention be devoted to the further development of the asset side of the balance sheet. The BPO and software & licensing operations of Able are no longer seen as core businesses. The intention is to divest these business operations. Ultimately, it has been decided to gradually phase out the BPO activities and revitalise the software & licensing activities. A divestment of the licensing activities remains an option in due course. The divestment of BeFrank has been achieved.

- **Alex Asset Management**

Alex Asset Management had to deal with disappointing results in 2014. This led to complaints from customers, and there is a possibility of legal claims. The Dutch Investors' Association (VEB) has announced that it will initiate an investigation of Alex Asset Management. The supervisory board has discussed this matter, also in view of the strategic dimension of Alex Asset Management. The question of how Alex Asset Management can evolve further on the basis of the experiences gained was discussed at the meetings.

- **Competitive position**

The competitive position of the Retail activities and the analysis of this were also agenda items in 2014. Customer focus, product innovation and positioning are important elements here. This theme will be reviewed and analysed at branch level. An action plan will be formulated on the basis of this analysis, and its implementation will be monitored periodically.

- **Risk appetite**

Risk appetite is an annually recurring item on the agenda. The conclusion was that the business risk requires attention. The one-sidedness of the income model, driven by transaction income, increases the level of business risk. A more balanced income stream with ongoing commission, interest and asset management fees is needed to increase the diversity of the income flow.

- **Structure and composition of the supervisory board**

Mr Van Westerloo has not extended his term as a supervisory director in 2014. This led to discussion of the composition of the supervisory board. We have appointed three new supervisory directors, two of whom are women, and who complement each other in terms of knowledge and experience. Messrs Scholtes and Brouwer will step down at the General Meeting in 2015, having served the maximum term. The changed composition of the supervisory board will lead to a new dynamic that is appropriate to a new phase for the company in which the focus will be on the Retail activities.

- **Structure and composition of the executive board**

The structure and composition of the executive board is an agenda item that received extensive discussion. The aim was to address this item with the strategic dimension of a focus on the Retail activities in mind. The central issue was what structure and composition of the executive board would contribute most to the realisation of the strategy. The issue has become more pressing with the departure of Mr Beentjes as chairman of the executive board. An extensive and intensive inventory and evaluation has taken place, with the help of professional guidance. The supervisory board is deliberating with regard to the definitive structure and functional composition of the executive board. This process is expected to be completed in mid-2015.

- **Executive board targets in 2015**

The supervisory board fulfilled its responsibility for determining the remuneration of the executive board. The targets for the executive board were established with care. The supervisory board considers it important that measurable targets are established as far as possible. The supervisory board has moreover held discussions with the individual executive directors regarding their ambitions for the future.

- **Selection process for executive and supervisory directors**

It is of essential importance for BinckBank that competent executive and supervisory directors are attracted who can fulfil their duties appropriately. These officers are indeed co-determining factors for the company's success and therefore must be suitable persons to serve in this capacity (in terms of ambition, experience, expertise and competences). Executive and supervisory directors must be able to adequately fulfil the responsibilities they bear.

In the formulation of the job profile and the recruitment and selection of suitable candidates for the position of executive or supervisory director, the initial consideration is the general requirements set by applicable legislation and regulation.

Besides these general requirements, specific requirements apply on the basis of the nature of the company, its phase of development and the actual duties of the position the officer has to fulfil. BinckBank is a relatively young niche player for which ICT constitutes a significant element. The company's effectiveness lies mostly in customer orientation, innovative capability and focus in combination with sound discipline with respect to costs.

The retirement rota for the supervisory board should also ensure the continuity of the board's composition. One of the objectives of the annual evaluation of the performance of the executive and supervisory boards is to continually update the profile of these bodies.

Recruitment and selection of candidates for the position of executive or supervisory director occurs on the basis of market research and includes potential analysis and/or recommendations by specialist agencies. There may also be an internal selection process based on various discussions with potential internal candidates and related analysis of strengths and weaknesses.

- **Compliance and observance of legislation and regulation**

Financial institutions have had to deal with increasing density of legislation and regulation during the past period. The degree of supervision exercised by the regulators has also intensified. BinckBank has invested in compliance and observance of legislation and regulation by embedding this function in its organisation in the broadest sense (in accordance with the three lines of defence model). Detection systems have also been acquired, and a framework formulated for the timely implementation of legislation and regulation. The staffing of the Compliance department has been strengthened.

- **Operation of the executive board and supervisory board**

Without the presence of the executive board, the supervisory board has discussed the operation of the supervisory board as a whole and of its individual members and its committees, the effectiveness of the permanent education referred to in Article 2.1.8 of the Banking Code and any conclusions that should be drawn from the above. Also in consideration of the above, the assessment took place in full session in the context of the profile, composition and competence of the supervisory board and of the individual supervisory directors. Such an assessment clearly has to be made with the necessary prudence. Also in the absence of the executive board, the supervisory board discussed both the performance of the executive board as a whole and of the individual executive directors. The supervisory board's assessment included the consideration of whether the executive directors were able to continue to meet the requirements set by the supervisory board and also the requirements set by De Nederlandsche Bank. This assessment was also made with all supervisory directors present.

The executive board changed during the past year due to the departure of Messrs Beentjes and Aartsen. In the latter part of the year, the executive board consisted of Messrs Germyns (acting chairman) and Kooistra (CFRO) and Beentjes (until 1 January 2015), with Mr Deuzeman acting as delegated supervisory director. Messrs Germyns and Kooistra operate as a well-attuned team in which they performed well, continuing to pay attention to the specific areas of expertise assigned to them and operating from a broad, communal platform of responsibility. Within this context, the exchange of specific information regarding these areas of expertise between the individual executive directors as well as between the executive board and the supervisory board, has been both timely and of high quality, enabling those involved to properly perform their duties. There are plans to expand the executive board in 2015.

- **Shareholder relations**

Relations with existing and potential shareholders took the form of regular road shows and conferences in 2014, at which presentations were given based on public information. In addition, the Annual General Meeting of Shareholders of course also took place in 2014.

- **Social aspects of the company's business**

Attention to the social aspects of the company's business in 2014 concerned, among other things, the development of the collateralised lending and the role that customer education should play in this. The public debate was also taken account of at the time of the launch of new products (for example, Binck Fundcoach and Binck turbo). The supervisors are increasingly taking a more prominent role in this process. BinckBank consults regularly with the supervisors and takes account of social changes in the conduct of its business. One example of this is the ban on distribution fees as of 1 January 2014. For an account of other social issues, see the section on corporate social responsibility on pages 46 to 50.

## Meetings of the audit committee in 2014

The supervisory board has appointed an audit committee from among its number, consisting of Messrs L. Deuzeman (chairman with effect from 19 September 2013), C.J.M. Scholtes and J.K. Brouwer. Ms C. van der Weerd-Norder took over the role of chairman from Mr Deuzeman with effect from 29 October 2014, due to Mr Deuzeman's temporary appointment as delegated supervisory director. Mr Deuzeman has not taken part in the meetings of the audit committee during the period of his service as a delegated supervisory director. The meetings of the committee are attended by Messrs V.J.J. Germyns (acting chairman of the executive board), E.J.M. Kooistra (CFRO), the IAD manager and the Compliance manager.

The audit committee meets the applicable independence requirements and has sufficient members with the required financial expertise. The audit committee met on four occasions in 2014, in February, June, September and November. All meetings were attended by the chairman of the executive board and the CFRO of BinckBank. The latest meeting of the audit committee in November 2014 was attended by both Mr Beentjes and Mr Germyns, as the acting chairman of the

executive board. The audit committee moreover had meetings with the external and internal auditors without the presence of the executive board.

Supervision of the provision of financial information by the company is the responsibility of the supervisory board. The audit committee is responsible for overseeing the design, existence and operation of the system of internal control and risk management measures, for monitoring the implementation of recommendations by the external auditor and the IAD and for the functioning of the IAD.

A new head of IAD was appointed in mid-2014. The IAD has introduced various quality initiatives. The charter has been revised, the Basel principles for IADs have been fully applied and a quality audit was conducted in November 2014 for the second time (the first being in 2010) by the Institute for Internal Auditors ('IIA') which led to a positive result.

The main items discussed by the audit committee concerned the audits conducted by the IAD and the associated findings and recommendations. On the basis of analysis of the various risk categories and the IAD management letter, the IAD generally assessed the design, existence and operation of the internal control measures as adequate. Additional attention was devoted to following up the outstanding recommendations, a significant proportion of which were dealt with in 2014. Special attention was also paid to legislation and regulation (including anti-money laundering, MiFID, privacy), third party management and governance.

The IAD gave a presentation on the COSO framework and shared the results of a risk self-assessment on compliance with the Basel principles for IADs at banks.

Besides the attention to the IAD, a review of the status of matters relating to Compliance was a regular agenda item at each meeting. The Group Compliance Officer presented a report at each meeting of the audit committee on developments at BinckBank with respect to issues including the duty of care, anti-money laundering, anti-market abuse, fraud, privacy and conflicts of interest. The scope of these reports included the entire company, and especially developments at the branches outside the Netherlands.

During the year, the audit committee reviewed the whistle-blower's scheme and provisions relating to the evaluation of the external auditor, the evaluation of the policy with respect to non-audit services and the assessment of the independence of the external auditor. The audit committee also carried out a self-assessment facilitated by the head of IAD. The general finding was more than satisfactory, however partly due to its critical attitude the audit committee identified several items of attention with respect to legal matters and the transfer of knowledge.

Deloitte was appointed as the new external auditor at the General Meeting of 22 April 2014 for a term of three years. The auditor is appointed for the purpose of auditing the financial statements of BinckBank N.V. In accordance with the current rules of the Netherlands Institute of Chartered Accountants ('NBA') governing independence, BinckBank's external auditor only carries out the audit and does not provide any advisory services.

## Meetings of the risk and product development committee in 2014

The risk and product development committee (RPC), as referred to in the Banking Code, consists of the supervisory directors J.K. Brouwer (chairman of the RPC), L. Deuzeman and J.M.A. Kemna. Two executive directors, Messrs V.J.J. Germyns and E.J.M. Kooistra, also chair on the risk and product development committee, as does the manager of Risk Management. The duties of the RPC include advising the supervisory board with regard the company's risk profile and risk appetite. The RPC met on five occasions in 2014, in March, June (on two occasions), September and November.

The RPC supervises the management of all relevant risks, including the interests of and the duty of care towards the customer. The RPC moreover oversees the risk appetite, risk profile and assesses the adequacy of the company's capital and liquidity. The committee furthermore is regularly informed with respect to the current solvency and liquidity and the effects thereof in times of stress. In addition, the RPC monitors the composition of the investment portfolio and the development of BinckBank's key risk indicators over time. This enables it to promptly identify any changes to the bank's risk profile.

In 2014 the particular items of attention for the RPC included the risk governance & risk management organisation, the risk appetite, new and existing product approvals and projects, business continuity, recovery plan, and risk overviews including information risks and insurance policies.

## Remuneration committee in 2014

The remuneration committee, as referred to in the Regulation for a Controlled Remuneration Policy 2014, is responsible for preparing for resolutions regarding remuneration, including those affecting the risks and the risk management of BinckBank that the supervisory board has to take. The remuneration committee currently consists of Mr. Van der Steen (as chairman) and Mr. Scholtes. The chairman of the executive board and the manager of Human Resources also sit on the remuneration committee.

With respect to these resolutions, the remuneration committee considers the long-term interests of the shareholders, investors and all other stakeholders of BinckBank. Remuneration committee meetings are presided over by the chairman of the executive board. The committee is also informed and advised by the control committee, which includes the manager of Risk Management, the manager of Human Resources, the Group Compliance Officer and a legal expert. The remuneration committee is independent and has sufficient expertise with reference to the remuneration policy, the remuneration culture and the circumstances and motivations whereby undesirable incentives to take decisions that conflict with the conservative management of risk, capital and liquidity could arise.

During the year, the items of attention for the remuneration committee included the evaluations and remuneration of the Identified Staff and the executive board, the pension system and various issues relating to the remuneration policy. At each meeting of the remuneration committee, the manager of Human Resources presented a report on developments at BinckBank with respect to issues such as employee satisfaction, internal and external training, recruitment and selection and changes to the pension system and employment law.

The remuneration committee met on four occasions in 2014, in January, June, October and December. The remuneration committee held a meeting on one occasion with the control committee in 2014 without the presence of the executive board.

# Summary of the remuneration report

## General

Best practice provision II.2.12 of the Code stipulates that information must be included in the remuneration report as to the manner in which the remuneration policy of the preceding year has been implemented. In addition, it must contain a remuneration policy overview for the following and subsequent years as envisaged by the supervisory board. The remuneration report for calendar year 2014 (Remuneration Report 2014) is available at [www.binck.com](http://www.binck.com).

BinckBank has a remuneration policy ('BinckBank Remuneration Policy') that is based on the Regulation for a Controlled Remuneration Policy in the Wft ('the Regulation'). The Regulation is a supervisory measure that is based on the powers of De Nederlandsche Bank (DNB) to set rules with respect to remuneration. Variable remuneration is to a large extent allocated subject to conditions. A variable remuneration will become fully or partially unconditional on the basis of a reassessment that must be made on the basis of the applicable performance criteria after a certain period has elapsed. No dividend may be paid on shares that have been conditionally awarded. A risk adjustment may be required in the assessment of whether the applicable criteria have been met.

In consideration of the above, the following report describes the manner in which the remuneration of the executive board in 2014 was established by the supervisory board – in accordance with the provisions of the BinckBank Remuneration Policy – and gives a summary of the remuneration policy for the next and subsequent years as envisaged by the supervisory board. In October 2014 the supervisory board decided to make no amendments in the calculation of the variable remuneration of the executive directors in 2015 compared to 2014. As a result and in accordance with Article 1: 123 of the Act on Financial Supervision, the bonus cap of 20% will be applied as of January 2016.

## BinckBank Remuneration Policy

### Introduction

The BinckBank Remuneration Policy is the framework used by the supervisory board to establish the remuneration of the executive directors of BinckBank N.V. ('the executive directors') for the 2014 calendar year.

### Remuneration elements

The BinckBank Remuneration Policy comprises the following remuneration components:

- Fixed gross annual salary
- Variable compensation
- Pension scheme and WIA insurance
- Car lease scheme and mobile telephone reimbursement.

A description of each element in the BinckBank Remuneration Policy and the way in which it was implemented by the supervisory board during the calendar year 2014 is given below.

#### a. Fixed gross annual salary

##### BinckBank Remuneration Policy

The fixed gross annual salary is established by the supervisory board within a framework indicated in the BinckBank Remuneration Policy. A distinction is made between the tasks and responsibilities of the chairman and of the other executive directors.

##### Implementation

The fixed gross basic annual salary was unchanged.

K.N. Beentjes*	€ 400,000
E.J.M. Kooistra	€ 360,000
V.J.J. Germyns	€ 325,000
P. Aartsen*	€ 325,000

\* Resigned

## b. Variable remuneration

### BinckBank Remuneration Policy

A variable remuneration consists of 50% in BinckBank shares and 50% of cash. A variable remuneration may not exceed the fixed gross annual salary. The period in which a variable remuneration is earned is one year; this is known as the performance period. A number of performance criteria are established for this period, in the form of a considered package of qualitative and quantitative financial and non-financial criteria focused on both the short term and the long term. After the performance period has elapsed, an evaluation is made to determine whether, and if so to what extent, the performance criteria have been realised. This evaluation may involve an adjustment for risk.

50% of the total variable remuneration awarded is allocated unconditionally. The other 50% is allocated conditionally over a period of three years on a pro rata basis. A reassessment is made on the basis of the initial criteria at the end of each year (within the three-year period). Depending on the result of the reassessment, the part of the variable performance fee allocated for the year in question pro rata becomes fully or partially unconditional.

BinckBank shares allocated unconditionally are subject to a holding period of 2 years.

### Implementation

#### Financial targets (40%)

The total score on the four financial targets was 100%. The individual scores on the four financial targets may be over or under the target.

The budgeted financial target for 2014 of an adjusted net profit of € 0.60 per share was comfortably achieved. The adjusted net profit came to € 0.82 per share.

The financial target for out-trades (less than 1% of turnover) was 100% achieved.

The cost-income ratio excluding IFRS depreciation and amortisation came to 71.9%, which is higher than the target of a ratio of less than 70%. This target was 50% achieved.

The financial target for 2014 of more than 33% recurring income (interest + asset management fee (excluding performance)) of the total income was not achieved.

#### Collective qualitative and quantitative targets (20%)

The collective qualitative and quantitative targets for 2014 were realised to an extent of 29.63% overall.

The target for the customer satisfaction score was not achieved (actual average of 7.1 versus a target score of 7.8).

The target for the formulation and/or implementation of various compliance frameworks was partly achieved.

The targets with respect to operational risk were not fully achieved. The strengthening of the first and second lines was almost completed, however not fully. The availability of internal systems of at least 99.9% was not achieved, while the target of two successful contingency tests for both platforms was achieved.

#### Targets for Retail (20%)

The targets were 50% achieved.

#### Online brokerage

The successful introduction of the turbos (= commission income from turbos of at least € 1.5 million) was not achieved. The successful launch of Binck Fundcoach (closing deal, migration to top line, customer introduction with sustainable earnings model) was achieved.



### Alex Asset Management

The targets for Alex Asset Management (including growth to AuM of € 2.5 billion) were not achieved, apart from the introduction of US Equities.

### ICT

The schedule for 2014 was achieved.

### Qualitative and quantitative targets in the medium term (20%)

The quantitative targets in relation to the medium-term development of Retail brokerage transaction volume, assets under administration at Retail brokerage, assets under management at Alex Asset Management, the number of BPO agreements and the development of earnings towards break-even in Italy in 2015 were achieved to an extent of 57.5%, giving a score of 57.5%.

### Conclusion:

In view of the above, the overall targets were achieved to a degree of 67.43% ((40% x 100%) + (20% x 29.63%) + (20% x 50%) + (20% x 57.5%)). The supervisory board has established that the above figures are correct and used them as the basis for the calculation of performance-related remuneration. There were no grounds for differentiation between the individual directors.

### c. Pension scheme and WIA insurance

#### BinckBank Remuneration Policy and its implementation

Executive directors participate in a pension scheme in which 20% of the gross annual salary is paid by the company each year as pension contribution for a defined contribution scheme. BinckBank pays 50% of the premium for WIA insurance, which entitles the insured person to receive a maximum of 70% of their last-earned salary. The premium is 2.249% of the insured sum per year. Executive directors participated in this scheme in 2014.

### d. Car lease scheme and mobile telephone reimbursement

#### BinckBank Remuneration Policy and its implementation

Executive directors participate in the relevant BinckBank car lease scheme and are reimbursed for mobile telephone costs. Executive directors participated in this scheme in 2014.

## Remuneration of the executive board

Remuneration of the executive board in 2014	Fixed gross annual salary	Pension contribution 20%	Severance payment ***	Performance related rewards 2014	Total remuneration (fixed + variable)	Variable as a % of fixed remuneration	Shares BinckBank held at year-end 2014	of which shares in lock-up period	Shares still to be received in relation to previous financial years****
V.J.J. Germyns *	€ 216,667	€ 43,333		€ 146,087	€ 406,087	67.4%	14,602	11,602	9,815
E.J.M. Kooistra	€ 360,000	€ 72,000		€ 242,730	€ 674,730	67.4%	49,011	19,026	10,350
K.N. Beentjes	€ 400,000	€ 80,000	€ 400,000	€ 269,700	€ 1,149,700	67.4%	53,537	22,708	11,946
P. Aartsen **	€ 108,333	€ 21,667		€ 73,044	€ 203,044	67.4%	16,859	16,859	10,053
<b>Total</b>	<b>€ 1,085,000</b>	<b>€ 217,000</b>	<b>€ 400,000</b>	<b>€ 731,561</b>	<b>€ 2,433,561</b>		<b>134,009</b>	<b>70,195</b>	<b>42,164</b>

\* Appointed on 22 April 2014, the fixed and variable remuneration has been round up to whole months.

\*\* Resigned as of 22 April 2014, the fixed and variable remuneration has been round up to whole months.

\*\*\* The severance payment has been paid at the beginning of 2015.

\*\*\*\* The still to be received shares in relation to the previous financial years are subject to reevaluation of the performances in the relevant year.

Remuneration of the executive board in 2013	Fixed gross annual salary	Pension contribution 20%	Performance related rewards 2013	Total remuneration (fixed + variable)****	Variable as a % of fixed remuneration	Shares BinckBank held at year-end 2013	of which shares in lock-up period	Shares still to be received in relation to previous financial years***
K.N. Beentjes *	€ 391,667	€ 78,333	€ 251,058	€ 721,058	64.1%	42,345	28,270	6,852
E.J.M. Kooistra**	€ 348,333	€ 69,667	€ 223,282	€ 641,282	64.1%	39,295	22,716	5,582
P. Aartsen	€ 325,000	€ 65,000	€ 208,325	€ 598,325	64.1%	47,646	18,221	5,939
<b>Total</b>	<b>€ 1,065,000</b>	<b>€ 213,000</b>	<b>€ 682,665</b>	<b>€ 1,960,665</b>		<b>129,286</b>	<b>69,207</b>	<b>18,373</b>

\* The fixed salary for K.N. Beentjes is increased by resolution of the supervisory board from € 375,000,- to € 400,000,- as of 1 May 2013.

\*\* The fixed salary for E.J.M. Kooistra is increased by resolution of the supervisory board from € 325,000,- to € 360,000,- as of 1 May 2013.

\*\*\* Shares still to be received in relation to previous financial years are subject to a reassessment of the performance delivered in the performance year in question.

\*\*\*\* Excluding social security and crisis levy.

## Loans granted to members of the executive board

Executive directors may take out a collateralised lending facility on the conditions applying to all employees. Only Mr K.N. Beentjes made use of this facility in 2014. No other loans were granted to executive directors.

## Remuneration of members of the supervisory board and subcommittees in 2014

The annual General Meetings of Shareholders in 2010 and 2011 decided to apply the following remuneration for members of the supervisory board and its subcommittees:

### Supervisory board

Annual remuneration:

- Chairman of the supervisory board € 40,000 gross
- Supervisory directors € 26,000 gross

### Committees

Annual remuneration for committee members:

- Chairman of the audit committee € 8,000 gross
- Members of the audit committee € 6,000 gross
- Chairman of the risk and product development committee € 8,000 gross
- Members of the risk and product development committee € 6,000 gross
- Chairman of the remuneration committee € 8,000 gross
- Members of the remuneration committee € 6,000 gross

The remuneration awarded to supervisory directors was in accordance with the above. The tables below give an overview of the remuneration of the supervisory board, the audit committee, the risk and product development committee and the remuneration committee. An overview of the remaining terms of appointment for the individual supervisory directors is also presented.

## Overview of remuneration of supervisory directors

Remuneration of the supervisory board 2014	Fixed remuneration member of RVC	Fixed remuneration member of AC	Fixed remuneration member of RPC	Fixed remuneration member of REMCO	Total
C.J.M. Scholtes	€ 40,000	€ 6,000	-	€ 6,000	€ 52,000
J.K. Brouwer	€ 26,000	€ 6,000	€ 8,000	-	€ 40,000
A.M. Van Westerloo	€ 13,000	-	€ 3,000	€ 4,000	€ 20,000
L. Deuzeman	€ 26,000	€ 8,000	€ 6,000	-	€ 40,000
C. Van der Weerd-Norder	€ 7,366	€ 1,700	-	-	€ 9,066
J.M.A. Kemna	€ 7,366	-	€ 1,700	-	€ 9,066
J.M.A. van der Steen	€ 7,366	-	-	€ 2,266	€ 9,632
<b>Total</b>	<b>€ 127,098</b>	<b>€ 21,700</b>	<b>€ 18,700</b>	<b>€ 12,266</b>	<b>€ 179,769</b>

Remuneration of the supervisory board 2013	Fixed remuneration member of RVC	Fixed remuneration member of AC	Fixed remuneration member of RPC	Fixed remuneration member of REMCO	Total
C.J.M. Scholtes	€ 40,000	€ 6,000	-	€ 6,000	€ 52,000
J.K. Brouwer	€ 26,000	€ 8,000	€ 6,000	-	€ 40,000
A.M. Van Westerloo	€ 26,000	-	€ 6,000	€ 8,000	€ 40,000
L. Deuzeman	€ 26,000	€ 6,000	€ 8,000	-	€ 40,000
<b>Total</b>	<b>€ 118,000</b>	<b>€ 20,000</b>	<b>€ 20,000</b>	<b>€ 14,000</b>	<b>€ 172,000</b>

## Overview of the terms of appointment of supervisory directors

Overview of terms of appointment SB members	Date of (re)appointment	Date of contract expiry
C.J.M. Scholtes	26-4-2011	AGM 2015
J.K. Brouwer	22-4-2013	AGM 2015
L. Deuzeman	26-4-2011	AGM 2015
C. Van der Weerd-Norder	18-9-2014	AGM 2018
J.M.A. Kemna	18-9-2014	AGM 2018
J.M.A. van der Steen	18-9-2014	AGM 2018

## Consultation with the Works Council

The supervisory board met with the Works Council (WC) on several occasions in 2014. In addition, Mr A.M. Van Westerloo and his successor Mr J. van der Steen held regular discussions with the WC at regular WC meetings. Mr Van der Steen has an open relationship with the Works Council. The supervisory board highly values its relationship with the Works Council, and has found its contact with its members to be constructive and valuable.

## Financial statements and dividend

The 2014 financial statements were discussed and adopted by the supervisory board during its meeting on 12 March 2015 with the executive board and Deloitte Accountants B.V., the external auditor. Deloitte Accountants B.V. issued an unqualified audit opinion. The financial statements will be submitted to the General Meeting for adoption on 30 April 2015. The proposed dividend for 2014 is € 0.41 per ordinary share. Taking account of the interim dividend of € 0.10 already paid, the final dividend proposed amounts to € 0.31 per ordinary share, subject to deduction of 15% dividend tax, to be made payable on 8 May 2015. BinckBank's proposed dividend distribution meets the criteria stated in the recommendation of the European Central Bank (ECB) published on 28 January 2015 (ECB/2015/2).

## Supervisory board members

### **C. (Kees) J.M. Scholtes, Chairman**

(1945 – Dutch nationality)

Mr Scholtes has been a supervisory director of BinckBank since 2004 and was reappointed at the GM of 26 April 2011 for a term of four years. The supervisory board has appointed Mr Scholtes as chairman of its board. Mr Scholtes will step down at the General Meeting in 2015, having served the maximum term.

Mr Scholtes is a former director of Postbank N.V., NMB Postbank N.V. and ING Bank N.V., a former member of the executive committee of ING Asset Management B.V. and a former supervisory director of various investment funds at Postbank N.V., NMB Postbank N.V. and ING Bank N.V. In addition, Mr Scholtes is a former supervisory director of Parcom N.V., Barings Private Equity Holding, Euroclear Nederland (predecessors in title Niec and Necigef) and RBC Dexia Securities Services N.V. (former CDC Labouchere Securities Services N.V.) and a former member of the board of the Amsterdam Stock and Options Exchange (now NYSE Euronext). Mr Scholtes was also project manager during the formation of the Dutch Securities Institute and the Financial Services Foundation. Mr. Scholtes has now ceased his activities at IBUS and Kunst en Cultuur.

Mr Scholtes is currently a non-executive director of Harbour Antibodies B.V. of Rotterdam. He is regularly involved as a member of investigation committees of the Enterprise Chamber of the Amsterdam Court of Appeal. Mr. Scholtes was involved in the investigations of Fortis and Van der Moolen, among other cases.

Number of BinckBank shares held at year-end 2014: 0

### **Johannes (Hans) K. Brouwer**

(1944 – Dutch nationality)

Mr Brouwer has been a member of the supervisory board of BinckBank since 2004 and was reappointed at the GM of 28 April 2009 for a term of four years. Mr J.K. Brouwer was reappointed by the supervisory board as a supervisory director for a term of two years with effect from the date of the General Meeting of 22 April 2013. Mr Brouwer will step down at the General Meeting in 2015, having served the maximum term.

In 1981, following a military career as cavalry officer, Mr Brouwer took up employment with the ABN Bank, during which time he was involved in various activities including the reorganisation of senior management recruitment and training, the reorganisation of lending operations and foreign office development in regions such as Europe, the Middle East and the Far East. In 1988, Mr Brouwer was appointed board member of the Amsterdam Stock Exchange Association (VvdE), where he was responsible for regulations, trade supervision and – as a special project – restructuring the entire Amsterdam Stock Exchange Association organisation. Following the successful restructuring of the organisation, Mr Brouwer was appointed General Director of the Amsterdam Stock Exchange Association in 1991. After the successful merger between the Amsterdam Stock Exchange and EOE Options Exchange into Amsterdam Exchanges (AEX) on 1 January 1997, he was appointed director of Amsterdam Exchanges N.V. and general manager of AEX Effectenbeurs N.V.

Shortly before the merger with the Paris and Brussels stock exchanges (2002) – Euronext – Mr Brouwer withdrew from his position at Euronext and has since held a number of supervisory directorships at Van Meijel, Ewals Cargo Care, Vital Innovators, Holland Clearing House and BinckBank. He is also a member of the supervisory board of Vita Valley. He holds directorships at the Amindho Foundation (economic and cultural relations between the Netherlands and Indonesia) and the Jazz Orchestra Foundation of the Concertgebouw. At the request of, among others, the World Bank, Mr Brouwer and a team of stock exchange specialists accompanied the set-up and further expansion of stock exchanges in various countries.

Number of BinckBank shares held at year-end 2014: 0

## Leo Deuzeman

(1952 – Dutch nationality)

Mr Deuzeman was reappointed for a term of four years as a member of the supervisory board of BinckBank at the Extraordinary General Meeting on 26 April 2011. Mr Deuzeman will be proposed for reappointment for a final term at the General Meeting in 2015.

Mr Deuzeman is a business economist and was employed by Deloitte as a chartered accountant from 1979 to 1986. In the period 1976-1979, he was connected to the University of Groningen as a scientific member of staff with the Financial Department of the Faculty of Economic Sciences. From 1990 to 1998 and from April 2003 to April 2007, he held the position of CFO at Kempen & Co N.V., at which bank he fulfilled the role of director of finances and administration from 1986 to 1990. In addition, Mr Deuzeman was a managing partner of Greenfield Capital Partners N.V. from 1998 to 2003 and held positions as a member of the board at Publifisque B.V., Managementmij Tolsteeg B.V., Kempen Management B.V., Asmey B.V., Arceba B.V., Kempen Finance B.V., Global Property Research B.V., Kempen Deelnemingen B.V., Greenpart B.V., Greenfield Management Services B.V. and Nethave Management N.V. He was also a supervisory director of Trustus Capital Management B.V., Engage B.V., Cegeka N.V. and Kempen Custody Services N.V. Mr Deuzeman is currently a supervisory director of Blue Sky Group and chairman of the supervisory board of Intereffekt Investment Funds. He is also a supervisory director, a member of the advisory board of the investment fund Monolith Fund of Amsterdam and a member of the Financial Accounting Supervisory Committee of Bleu Water Holding B.V. of Hoofddorp.

Number of BinckBank shares held at year-end 2014: 0

## J. (Hanny) M.A. Kemna

(1960 – Dutch nationality)

Ms Kemna was appointed as a supervisory director of BinckBank at the Extraordinary General Meeting on 18 September 2014 for a term of four years.

Ms Kemna entered employment with Ideta B.V. in 1987. Ms Kemna moved to Moret Ernst & Young in 1992, where she continued her career as an IT Auditor. In 1999 Ms Kemna was one of the first two women to be appointed as a partner of Ernst & Young Accountants. At the beginning of 2005, Ms Kemna was asked to take over leadership of the IT Risk and Assurance services for EY CIS (at its office in Moscow, Russia). In 2008 Ms Kemna was appointed as managing partner of IT Risk and Assurance for EY EMEA FSO, the international division of EY in Europe focusing on services to the financial sector.

In the summer of 2013 Ms Kemna decided to return to the Netherlands and to end her career at EY in early 2014. She has started the International Directorship Programme 2014 of INSEAD (F). She also finds time to do voluntary work for various social organisations.

Number of BinckBank shares held at year-end 2014: 0

## John van der Steen

(1954 – Dutch nationality)

Mr Van der Steen was appointed as a supervisory director of BinckBank at the Extraordinary General Meeting on 18 September 2014 for a term of four years.

Mr Van der Steen entered employment at ING Bank N.V. and its legal predecessors in 1975. In the period until 1996, he worked as Director at ING Bank in Ouderkerk a/d Amstel, Assistant Director of Loans and International at ING Bank Amsterdam and Breda, Vice Chairman of District Management for ING Bank Eindhoven and Chairman of District Management for ING Bank West Brabant. From 1996 to 2001 Mr Van der Steen was chairman of the District Management of ING Bank Rotterdam Rijnmond. In 2001 Mr Van der Steen transferred to Aon, where he was CEO and chairman of Aon's board of directors under its articles of association in the Netherlands, Belgium and Luxembourg until 2006. Mr Van der Steen was appointed as Chief Commercial Officer at Aon EMEA (with 12,000 FTE) in 2006. Until 2010,

he was also a supervisory director of Aon Switzerland (as chairman), Germany, Norway and Belgium. From 2010 to 1 May 2014, Mr Van der Steen was Chairman Global Accounts for Aon Risk Services and Chairman of Aon Holdings B.V., the holding company for Aon's companies in Europe, the Middle East, Africa (EMEA) and Asia, and a member of the global Executive Committee ARS in Chicago (USA).

Mr Van der Steen is connected to RAI Holding B.V. as a member and deputy chairman of the supervisory board and as chairman of the audit committee. At the beginning of 2015 Mr Van der Steen was appointed as chairman of the supervisory board of Princess Sportsgear & Traveller B.V. He is also a Consultant Global Accounts for Aon Groep Nederland B.V., director and major shareholder of Ansteen Holding B.V. and Ansteen B.V., a member of the Advisory Board of Erasmus van Wees B.V. and a member of the Advisory Board of M.A.S.C. B.V.

Number of BinckBank shares held at year-end 2014: 0

## **Carla van der Weerdt-Norder**

(1964 – Dutch nationality)

Ms Van der Weerdt-Norder was appointed as a supervisory director of BinckBank at the Extraordinary General Meeting on 18 September 2014 for a term of four years.

Ms Van der Weerdt-Norder entered employment with IBM Nederland in 1988 as a management trainee, where she worked until 1992 as account manager.

In 1992 Ms Van der Weerdt-Norder moved to ABN AMRO Bank N.V., where she held various positions: IT Auditor, Head of the System Audit department, Head of Group Operational Risk Management, Head of Financial Business Analyses and Global Head Risk Management & Compliance at ABN AMRO Asset Management. Ms Van der Weerdt-Norder was appointed as CFO/COO of the Global Business Unit Transaction Banking of ABN AMRO in 2006.

Since 2008 Ms Van der Weerdt-Norder has been the owner of Accent Organisatie Advies B.V., an organisation specialising in the fields of Operational Excellence, Risk Management and Finance. Ms Van der Weerdt-Norder has been a supervisory director of Triodos Bank N.V. since 2010. In September 2013, she started doctoral research on 'the risk behaviour of directors'.

Number of BinckBank shares held at year-end 2014: 0

Amsterdam, 12 March 2015

C.J.M. Scholtes (chairman)

J.K. Brouwer (vice-chairman)

L. Deuzeman

J.M.A. Kemna

J. van der Steen

C. van der Weerdt-Norder

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A small white flag on a wooden pole, featuring the Binckbank logo. The logo consists of a green asterisk-like symbol followed by the word "BINCKBANK" in large blue capital letters, and "VOOR BELEGGER" in smaller blue capital letters below it. The flag is set against a blurred background of a financial candlestick chart.

**BINCKBANK**  
VOOR BELEGGER