

# KAS BANK N.V. REPORT ON THE FIRST HALF OF 2017



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## REPORT ON THE FIRST HALF OF 2017

### Chairman's statement

"We are proud of our performance over the first half of 2017. The transformation of KAS BANK is proceeding well. The main part of the restructuring is completed. The emphasis is on improving the quality of services for our clients and increasing efficiency, including the reduction of costs. The transformation clearly delivers its benefits", according to Sikko van Katwijk - the Chairman of the Managing Board. "This year, we focus on delivering a better performance for our clients and shareholders. We will continue this approach, while increasing our efforts to improve organic growth of our business."

### General overview

Our H1 2017 net result is positive, following a good H2 2016. Operating income increased to EUR 53.6 million, and operational expenses decreased to EUR 42.4 million. This is mainly driven by stable income, growth in asset servicing and the continuation of our focus on the rationalisation of our processes.

Robotics, for example, has been implemented to make our processes more reliable and predictable. This enables us to improve our custody and administration servicing to our clients and to focus on and invest in innovation and added-value services.

The position we have as a network organisation is unique and gives us the ability to support our clients in realising their businesses objectives. As a market leader in our main client segments, we are setting the industry standard for regulatory reporting services.

Despite the continuing consolidation of the Dutch pension and insurance market, we were able to sustain our operating income in H1 2017. We have welcomed new clients in H1 2017 in all our home countries. The launch of the cost transparency benchmarking service in the UK is a success. In Germany, our client base is growing as the pension industry responds to governance challenges and new rules and regulation. There is a growing demand for a specialist provider that is trusted to secure, protect and develop the assets and provide high quality services for institutional investors.

In October we are moving to a new HQ office located at De Entree 500 in Amsterdam-Zuidoost. The office is a modern and spacious building and is fully aligned with the integrated setup of our services. The bright and spacious work environment supports an open and client-oriented culture, enhances product development and enables us better to work in multi-disciplinary teams.

## Results

<i>In millions of euros</i>	First half of 2017	First half of 2016	change	%
Operating income	53.6	51.6	2.0	4%
Operating expenses	-42.4	-51.2	8.8	-17%
Impairment results	0.2	-	0.2	
Tax	-2.9	0.5	-3.4	
<b>Net result for the period</b>	<b>8.5</b>	<b>0.9</b>	<b>7.6</b>	

KAS BANK realised a net result of EUR 8.5 million (H1 2016: EUR 0.9 million) in H1 2017 and a return on equity of 8% (H1 2016: 1%). The significant improvement of the net result was caused by an increase in operating income (4%) and a decrease of operating expenses (17%). Higher Asset Servicing commission, income from foreign exchange transactions for clients and results on investments exceeded the decrease of Treasury commission and net interest result. The level of operating expenses significantly decreased to EUR 42.4 million (H1 2016: EUR 51.2 million). The results of the restructuring, outsourcing of IT activities and lean programmes are the main drivers behind this cost reduction. The efficiency ratio over the first half of 2017 amounts to 79% (H1 2016: 99%).

The impairment results over the first half 2017 relate to a partial reversal of a loan impairment, which was impaired in previous years.

Tax expense over the first half of 2017 amounts to EUR 2.9 million; the amount is almost equal to the notional rate. In the first half of 2016, the tax expenses were EUR 0.5 million positive. This positive amount was based on the outcome of settlement of previous tax years.

## Operating income

### Breakdown of income

<i>In millions of euros</i>	First half of 2017	First half of 2016	change	%
Net interest result	7.4	8.0	-0.6	-8%
Net commission result	35.1	35.8	-0.7	-2%
Result on investments	10.8	7.3	3.5	48%
Other income	0.3	0.5	-0.2	-40%
<b>Total income</b>	<b>53.6</b>	<b>51.6</b>	<b>2.0</b>	<b>4%</b>

## Interest

### Breakdown of net interest result

<i>In millions of euros</i>	First half of 2017	First half of 2016	change	%
Loans and deposits	1.3	3.1	-1.8	-58%
Bonds and non-trading derivatives (hedge)	6.1	4.9	1.2	24%
<b>Total net interest result</b>	<b>7.4</b>	<b>8.0</b>	<b>-0.6</b>	<b>-8%</b>

Net interest result decreased by 8% to EUR 7.4 million (H1 2016: EUR 8.0 million). Declining interest rates were the main driver of the decrease in interest from loans and deposits. Interest relating to bonds and non-trading derivatives increased by EUR 1.2 million. This increase mainly results from the additional investment of EUR 100 million in a Dutch Mortgage Fund during the second half of 2016.

## Commission

### Breakdown of net commission result

<i>In millions of euros</i>	First half of 2017	First half of 2016	change	%
Asset Servicing	19.8	19.3	0.5	3%
Transaction Servicing	10.8	10.8	-	0%
Treasury	4.5	5.7	-1.2	-21%
<b>Total net commission result</b>	<b>35.1</b>	<b>35.8</b>	<b>-0.7</b>	<b>-2%</b>

Net commission result decreased by 2% to EUR 35.1 million (H1 2016: EUR 35.8 million). Commission income relating to Asset Servicing increased during the first half of 2017 to EUR 19.8 million. The decrease of overall commission income follows from lower results from securities lending (Treasury).

### Result on investments / net trading income

Breakdown of result on investments / net trading income

In millions of euros	First half of 2017	First half of 2016	change	%
Trading - foreign exchange transactions	8.1	6.4	1.7	27%
Trading - securities and derivatives	0.3	1.0	-0.7	-70%
Investments - investment portfolio	2.4	-0.1	2.5	
<b>Result on investments / net trading income</b>	<b>10.8</b>	<b>7.3</b>	<b>3.5</b>	<b>48%</b>

Result on investments / net trading income increased by 48% to EUR 10.8 million (H1 2016: EUR 7.3 million). Rebalancing of the investment portfolio resulted in a positive gain of EUR 1.4 million and fair value movements of EUR 1.0 million on impaired assets. In addition, the revaluation reserve – which is part of the shareholders equity – also increased by EUR 4.7 million to EUR 22.5 million (December 2016: EUR 17.8 million).

Increasing spreads between the euro and relevant foreign currencies and higher volumes resulted in increased forex result on client transactions during the first half of 2017.

### Operating expenses

Breakdown of operating expenses

In millions of euros	First half of 2017	First half of 2016	change	%
Personnel expenses	23.7	33.8	-10.1	-30%
General and administrative expenses - IT	11.9	8.7	3.2	37%
General and administrative expenses - other	6.1	7.2	-1.1	-15%
Depreciation and amortisation	0.7	1.6	-0.9	-56%
<b>Total operating expenses</b>	<b>42.4</b>	<b>51.2</b>	<b>-8.8</b>	<b>-17%</b>

### Personnel expenses

Personnel expenses decreased by 30% to EUR 23.7 million (H1 2016: EUR 33.8 million). The lower number of FTE – driven by the restructuring, including the outsourcing of IT – and external staff are the main cause of this decrease. In the first half of 2017 the average number of FTE was 489, compared to an average number of 659 FTE during the first half of 2016.

### General and administrative expenses, including depreciation and amortisation

General and administrative expenses related to IT increased by 37% to EUR 11.9 million (H1 2016: EUR 8.7 million). Following the outsourcing of IT, the reduction in personnel expenses (staff) was partly compensated by cost of the insourcer. Other general and administrative expenses decreased by 15% to EUR 6.1 million (H1 2016: EUR 7.2 million) mainly driven by lower consultancy costs and lower contribution to the single resolution fund. Depreciation and amortisation decreased by 56% to EUR 0.7 million (H1 2016: EUR 1.6 million). This decrease was mainly related to the sale of the office building and IT outsourcing.

### Tax expenses

Tax expenses are calculated based on the notional tax rate in the Netherlands (25%). Due to a positive outcome of a settlement of previous tax years a positive tax result was recorded in H1 2016.

### Quality of the investment portfolio

The table below shows the credit rating of the investment portfolio securities which are classified as investments available for sale.

<i>In millions of euros</i>	<i>Percentage of bond portfolio</i>		<i>31 December 2016</i>	
<i>30 June 2017</i>	<i>30 June 2017</i>	<i>31 December 2016</i>	<i>31 December 2016</i>	<i>Percentage of bond portfolio</i>
AAA - AA-	549	83%	401	75%
A+ - A-	75	11%	86	16%
BBB+ - BBB-	30	5%	40	7%
BB+ - BB-	5	1%	8	1%
<B	-	0%	1	0%
<b>Total Bonds</b>	<b>659</b>	<b>100%</b>	<b>536</b>	<b>100%</b>
Mortgage fund	333		337	
Shares	4		4	
<b>Total</b>	<b>996</b>		<b>877</b>	

KAS BANK invests in a high quality Dutch mortgage fund without an external credit rating. This mortgage fund mainly consists (at least 50%) of new mortgages guaranteed by the Dutch government (Nationale Hypotheek Garantie, NHG) and therefore KAS BANK considers the investment as having a high credit quality.

### Solvency

<i>In millions of euros</i>	<i>30 June 2017</i>		<i>31 December 2016</i>	
	<i>Carrying amount</i>	<i>Risk-weighted value</i>	<i>Carrying amount</i>	<i>Risk-weighted value</i>
Due from banks	171.7	26.1	232.2	42.6
Loans	743.4	57.3	779.7	41.4
Reverse repurchase agreements	736.7	-	662.4	-
Derivative financial instruments	360.5	37.1	413.2	45.0
Financial investments available-for-sale	995.5	188.8	877.6	201.8
Other assets	1,917.8	59.0	1,433.4	47.5
	<b>4,925.6</b>	<b>368.3</b>	<b>4,398.5</b>	<b>378.3</b>
Other off-balance sheet risk	-	238.7	-	281.4
<b>Total of the risk-weighted items</b>		<b>607.0</b>		<b>659.7</b>
<i>Capital and ratios</i>	<i>Capital</i>	<i>Ratio</i>	<i>Capital</i>	<i>Ratio</i>
Common equity tier 1	212.5	35%	199.2	30%
<b>Capital ratio</b>	<b>212.5</b>	<b>35%</b>	<b>199.2</b>	<b>30%</b>

The high capital ratio reflects KAS BANK's low risk profile. KAS BANK's common equity tier 1 and capital ratio, excluding interim profits, was 35% at the end of June 2017 (31 December 2016: 30%).

As from 2018, the leverage ratio requirements are applicable to KAS BANK. At 30 June 2017 the leverage ratio of KAS BANK amounts to 4.3% (31 December 2016: 4.3%). The minimum level of the leverage ratio is 3%.

### Liquidity

<i>In millions of euros</i>	<i>30 June 2017</i>	<i>31 December 2016</i>
High quality liquid assets	2,663	2,135
Net cash outflow < 30 days	1,244	948
<b>Liquidity Coverage Ratio (LCR)</b>	<b>214%</b>	<b>225%</b>

The high level of liquidity is demonstrated by the Liquidity Coverage Ratio, which is the outcome of the high quality assets divided by the net cash outflow within 30 days. As per 30 June 2017, this ratio is 214% (31 December 2016: 225%). The regulatory requirement on the Liquidity Coverage Ratio is at minimum 100%.

### Dividend

KAS BANK will distribute an interim dividend of EUR 0.33 (interim dividend 2016 nil).

## Outlook

In the second half of 2017, we expect no major changes in the macro-economic conditions which could affect KAS BANK. The ongoing consolidation in the Dutch pension and insurance market will result in a lower level of assets under administration at the end of 2017. We see a market potential within our current strategic focus and are increasing our efforts to improve organic growth in both custody and administration services. To strengthen our position as market leader and adapt to the changing needs of our clients, we are making increased investments in innovation in our services.

We expect that our investments will increase in the second half of 2017 with Robotics initiatives and the move to our new office building. We therefore anticipate the cost decline to continue at lower pace, than in H1 2017.

## RESPONSIBILITY STATEMENT

In respect of Article 5:25d, section 2 (c) (1 and 2) of the Dutch Financial Supervision Act, the members of the Managing Board of KAS BANK hereby confirm, to the best of our knowledge, that

- The interim financial statements for the six months ended 30 June 2017, which have been prepared in accordance with IAS 34 'Interim Financial Reporting', give a true and fair view of the assets, liabilities, financial position and profit or loss of KAS BANK and its consolidated group companies;
- The interim report includes a fair review of information required pursuant to Section 5, subsection 25d, paragraphs 8 and 9, of the Financial Supervision Act.

Amsterdam, 7 September 2017

Managing Board

Sikko van Katwijk, chairman

Mark Stoffels, Chief Financial & Risk Officer

Jaap Witteveen, Chief Operations Officer

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS



**CONSOLIDATED INCOME STATEMENT**

<i>In thousands of euros</i>	<b>First half of 2017</b>	<b>First half of 2016</b>
<b>Income</b>		
Interest income	17,419	16,300
Interest expense	10,032	8,264
<b>Net interest result</b>	<b>7,387</b>	<b>8,036</b>
Commission income	43,080	43,090
Commission expense	7,942	7,339
<b>Net commission result</b>	<b>35,138</b>	<b>35,751</b>
	-	-
Net trading income	8,301	7,468
Result from financial transactions	2,444	-144
Other income	310	482
<b>Total operating income</b>	<b>53,580</b>	<b>51,593</b>
<b>Expenses</b>		
Personnel expenses	23,721	33,794
General and administrative expenses	17,998	15,818
Depreciation and amortisation	662	1,613
<b>Total operating expenses</b>	<b>42,381</b>	<b>51,225</b>
Impairment losses (recovery)	-182	5
<b>Total expenses</b>	<b>42,199</b>	<b>51,231</b>
<b>Result before tax</b>	<b>11,381</b>	<b>362</b>
Tax expense	2,881	-511
<b>Net result for the period</b>	<b>8,500</b>	<b>873</b>
<b>Earnings per share</b>		
- basic (in euros)	0.58	0.06
- diluted (in euros)	0.58	0.06

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<i>In thousands of euros</i>	First half of 2017	First half of 2016
<b>Net result</b>	<b>8,500</b>	<b>873</b>
<i>Items that will be reclassified subsequently to profit or loss</i>		
Gains and losses on financial investments available-for-sale	7,673	-7,305
Gains and losses on financial investments available-for-sale recognised in the income statement	-1,441	-503
<b>Items that will be reclassified subsequently to profit or loss before tax</b>	<b>6,232</b>	<b>-7,808</b>
Income tax relating to items that will be reclassified to profit or loss	-1,558	1,952
<b>Items that will be reclassified subsequently to profit or loss after tax</b>	<b>4,674</b>	<b>-5,856</b>
<b>Net total other comprehensive income</b>	<b>4,674</b>	<b>-5,856</b>
<b>Net total comprehensive income</b>	<b>13,175</b>	<b>-4,983</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

## CONSOLIDATED BALANCE SHEET

<i>In thousands of euros</i>	30 June 2017	31 December 2016
<b>Assets</b>		
Cash and balances with central banks	1,866,575	1,387,886
Due from banks	171,735	232,205
Loans	743,376	779,721
Reverse repurchase agreements	736,682	662,378
Derivative financial instruments	360,535	413,168
Financial investments available-for-sale	995,757	877,577
Investments in associates and joint ventures	92	92
Current tax assets	2,910	6,579
Other assets	36,774	27,910
Property and equipment	626	761
Intangible assets	2,157	2,398
Deferred tax assets	8,360	8,007
<b>Total assets</b>	<b>4,925,579</b>	<b>4,398,682</b>
<b>Equity and liabilities</b>		
Due to banks	382,027	267,103
Due to customers	3,876,007	3,438,065
Repurchase agreements	300	454
Derivative financial instruments	390,161	403,822
Current tax liabilities	620	12,182
Other liabilities	40,303	46,176
Deferred tax liabilities	7,453	5,895
<b>Total liabilities</b>	<b>4,696,870</b>	<b>4,173,697</b>
Issued capital	15,699	15,699
Treasury shares	-21,866	-21,980
Share premium	21,569	21,569
Revaluation reserve	22,437	17,763
Other reserves (including profit for the period)	190,869	191,934
<b>Total equity</b>	<b>228,709</b>	<b>224,985</b>
<b>Total equity and liabilities</b>	<b>4,925,579</b>	<b>4,398,682</b>
Contingent liabilities	3,054	19,129
Irrevocable facilities	10,100	11,100

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In thousands of euros</i>	Issued capital	Treasury shares	Share premium	Revaluation reserve	Other reserves (incl. profit for the period)	Total equity
<b>Balance as at 1 January 2016</b>	<b>15,699</b>	<b>-22,444</b>	<b>21,569</b>	<b>24,733</b>	<b>169,957</b>	<b>209,514</b>
Comprehensive income	-	-	-	5,176	14,854	<b>20,030</b>
Purchase/sale of treasury shares	-	464	-	-	-464	-
Final dividend 2015	-	-	-	-	-4,569	<b>-4,569</b>
Other movements	-	-	-	-12,146	12,156	<b>10</b>
<b>Balance as at 31 December 2016</b>	<b>15,699</b>	<b>-21,980</b>	<b>21,569</b>	<b>17,763</b>	<b>191,934</b>	<b>224,985</b>
Comprehensive income	-	-	-	4,674	8,500	<b>13,175</b>
Purchase/sale of treasury shares	-	114	-	-	-114	-
Final dividend 2016	-	-	-	-	-9,434	<b>-9,434</b>
Other movements	-	-	-	-	-17	<b>-17</b>
<b>Balance as at 30 June 2017</b>	<b>15,699</b>	<b>-21,866</b>	<b>21,569</b>	<b>22,437</b>	<b>190,869</b>	<b>228,709</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

<i>In thousand of euros</i>	First half of 2017	First half of 2016
Net result	8,500	873
Other cash flow from operating activities	539,306	1,179,025
Total net cash flow from operating activities	547,806	1,179,898
Total net cash flow from investment activities	-111,623	20,681
Total net cash flow from financing activities	-9,434	-4,565
<b>Net cash flow</b>	<b>426,749</b>	<b>1,196,014</b>
Cash and cash equivalents at 1 January	1,602,934	1,182,965
<b>Cash and cash equivalents at 30 June</b>	<b>2,029,683</b>	<b>2,378,979</b>
<i>Reconciliation of cash flow statement with balance sheet items</i>		
Cash and balances with central banks	1,866,576	1,858,288
Due on demand from banks	163,107	520,687
<b>Cash and cash equivalents at 30 June</b>	<b>2,029,683</b>	<b>2,378,975</b>

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

## SELECTED EXPLANATORY NOTES

### ACCOUNTING POLICIES

#### Corporate information

KAS BANK is a public limited liability company, incorporated under Dutch law and registered in Amsterdam, the Netherlands (Registration Chamber of Commerce: 33001320). KAS BANK, founded in 1806, is listed on the stock exchange of NYSE Euronext Amsterdam.

KAS BANK's condensed consolidated interim financial statements for the period ending 30 June 2017 include the parent company and all its subsidiaries, together referred to as 'KAS BANK'. An overview of the principal subsidiaries is included in the 2016 annual report.

The condensed consolidated interim financial statements were approved by the Managing Board on 29 August 2017. These condensed consolidated interim financial statements have been reviewed by an independent auditor. The review report is included on page 20.

#### Basis of presentation

The condensed consolidated interim financial statements do not include all information and disclosures required in annual financial statements and should therefore be read in conjunction with the 2016 annual report of KAS BANK. KAS BANK's annual report for 2016 is available on KAS BANK's website.

In preparing the condensed consolidated interim financial statements for the first half of 2017, the same accounting policies, critical accounting estimates and judgements are used as for the consolidated financial statements for the year ended 31 December 2016. The financial statements are presented in euros, which is the functional currency of KAS BANK, rounded to the nearest thousand (unless stated otherwise).

#### Statement of compliance

The condensed consolidated interim financial statements for the period ending 30 June 2017 are presented in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union.

#### Changes in accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those used for the 2016 consolidated financial statements.

#### New IFRS standards and interpretations not yet adopted

A number of new, amended or revised standards were not applied in preparing these condensed consolidated financial statements as these standards were either not effective for the current period or have not been adopted by the EU.

Especially IFRS 9 and IFRS 16 will have impact on the outcomes and preparation of the financial statements in the future. KAS BANK is analysing the impact of both IFRS 9 and IFRS 16. KAS BANK expects that both standards will have impact on the balance sheet and results as from 2018. IFRS 9 will have impact on the classification of investments, especially KAS BANKS current Available-for-sale portfolio.

The impact of the impairments part of IFRS 9 is expected – based on preliminary analyses – to be limited, as KAS BANKS current business model does not focus on granting credit. In general, KAS BANKS loan and credit exposure is fully covered by collateral as security portfolios. Therefore expected impairments and the suggested

adjustments within the impairment paragraphs of IFRS 9 are substantially limited in case of KAS BANK. The IFRS 9 adjustments within hedge accounting provide additional hedge possibilities for KAS BANK.

IFRS 16 will have impact on the future recognition of assets which are currently not recognised on the balance sheet of KAS BANK. KAS BANK expects that some rented or leased items will be recognised on the balance sheet.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Fair value measurement

The following table presents the financial instruments carried at fair value, broken down according to the fair value hierarchy. The fair value hierarchy distinguishes three levels of fair value:

- Level 1: Unadjusted quoted prices obtained in an active and liquid market.
- Level 2: Valuation techniques based on observable market data other than quoted prices included in level 1. This level includes quoted prices in less active markets and derivatives that are valued using inputs from observable market data.
- Level 3: Valuation techniques using variables other than observable market data. This level includes all instruments of where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation, these instruments are valued mainly by third parties.

Some equity instruments are measured at historical cost since no market data exists. There were no changes in valuation techniques during the period.

The fair value of a financial instrument is the price that would be received to sell or paid to transfer a particular asset or liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which KAS BANK has access at that date. KAS BANK determines fair value either by reference to quoted market prices or dealer price quotations without adjustment for transaction costs for those financial instruments that are currently traded in an active market. The fair value measurement is based upon the bid price for financial assets and the ask price for financial liabilities. These financial instruments are reported as level 1 in the fair value hierarchy.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

The fair value of financial instruments not quoted in an active market is determined using specific valuation techniques. These valuation techniques are applied using, where possible, relevant market observable inputs (level 2). Valuation techniques include:

- Use of quoted market prices or dealer tickets for similar instruments
- Estimated future cash flows based on observable yield curves (fair value of interest rate derivatives and unlisted debt instruments)
- Use of forward exchange rates at the balance sheet date (fair value of foreign exchange derivatives)

Fair value of financial assets and liabilities					
30 June 2017					
<i>In thousands of euros</i>	Level 1	Level 2	Level 3	Cost	Total
Derivative financial instruments (assets)	72,374	288,161	-	-	360,535
Available-for-sale debt instruments	504,801	153,708	332,908	-	991,417
Available-for-sale equity instruments	955	1,710	1,505	170	4,340
<b>Total financial assets</b>	<b>578,130</b>	<b>443,579</b>	<b>334,413</b>	<b>170</b>	<b>1,356,292</b>
Derivative financial instruments (liabilities)	72,374	317,787	-	-	390,161
<b>Total financial liabilities</b>	<b>72,374</b>	<b>317,787</b>	<b>-</b>	<b>-</b>	<b>390,161</b>



31 december 2016					
<i>In thousands of euros</i>	Level 1	Level 2	Level 3	Cost	Total
Derivative financial instruments (assets)	53,836	-53,836	-	-	-
Available-for-sale debt instruments	310,468	184,225	378,822	-	873,515
Available-for-sale equity instruments	-	833	3,227	2	4,062
<b>Total financial assets</b>	<b>364,304</b>	<b>131,222</b>	<b>382,049</b>	<b>2</b>	<b>877,577</b>
Derivative financial instruments (liabilities)	53,836	-53,836	-	-	-
<b>Total financial liabilities</b>	<b>53,836</b>	<b>-53,836</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Reclassifications from level 2

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. For transfers in and out of level 3 measurements see table below. KAS BANK's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

### Reconciliation of fair value at level 3

The movements in financial instruments measured using a level 3 method were as follows:

<i>In thousands of euros</i>	Financial investments available-for-sale	
	31 December 2017	31 December 2016
Position as at 1 January	382,049	268,187
Reclassification to Level 1	-737	-
Reclassification to Cost	-170	-
Reclassification to Level 3	-	168
(Sale)/Purchases of assets	-41,569	100,000
Revaluation recognised in equity during the year	-5,160	13,531
Total income and charges		
· Unrealised gains/losses	-	-
· Fair value movement recognised in the income statement	-	163
<b>Level 3 assets at balance date</b>	<b>334,413</b>	<b>382,049</b>

The instruments valued by a third party represent a fair value of EUR 332.9 million (December 2016: EUR 378.8 million). The other investments are based on an internal analysis of the assets and liabilities and represent a fair value of EUR 1.5 million (December 2016: EUR 3.2 million). As per 30 June 2017 KAS BANK classifies an equity investment, formerly classified as level 3 in level 1. This reclassification is based on the availability of stock quotes and higher sales volumes regarding to this equity.

KAS BANK invests in a high quality mortgage fund, classified as Financial instruments available-for-sale. The fund has a joint account structure in which the investor has a direct exposure on the underlying mortgages. Approximately 50% of the mortgages are guaranteed by the Dutch guarantee scheme (*Nationale Hypotheekgarantie*). The fund is long term in nature but given the size of the fund and the prepayment rate an early exit is a likely possibility. Redemptions occur at the prevailing Net Asset Value. Each month the fund manager calculates the Net Asset Value. The calculation is based on the discounted cash flows of the underlying assets (Dutch mortgages). KAS BANK has invested EUR 300 million to the fund. At the end of June 2017 the fair value of KAS BANK's investment in this mortgage fund amounts EUR 332.9 million (at the end of 2016: EUR 337.2 million). As at 30 June 2017 the total value of this mortgage fund amounts to EUR 10.5 billion (31 December 2016: EUR 9.2 billion).

A movement of 25 basis points in either direction of the discount rate applied in the calculation of the Net Asset Value results in a change of 1.9% (December 2016: 1.8%) of the Net Asset Value of the fund.

### Financial instruments for which carrying value approximates fair value

Certain financial assets and liabilities that are not carried at fair value are carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk. These financial assets and

liabilities include cash and balances with central banks, due from other banks, loans, reverse repurchase agreements, due to banks, due to customers, and repurchase agreements.

## 2. Other liabilities

At the end of 2016 KAS BANK added EUR 9.3 million to the restructuring provision. The addition mainly covers the announced reduction of FTE during 2017. This restructuring is on track and the main part of the balance as per 30 June 2017 is covered by allocated surrender payments.

<i>In thousands of euros</i>	<b>30 June 2017</b>
Balance as at 1 January	9,634
Additions	-
Used during year	-2,090
<b>Balance as at 30 June</b>	<b>7,544</b>

## 3. Segment information

KAS BANK's products and services focus primarily on the core segments: pension funds, insurance companies, investment funds and wealth management. Another important activity at KAS BANK is Treasury. KAS BANK does not report assets and liabilities on a segment level to the Managing Board. This segmentation overview reflects the structure of the internal management information provided to the Managing Board.

<b>First half of 2017</b>				
Segment information				
<i>In millions of euros</i>	Core segments	Treasury	Other	Total
Interest income and expenses	5.9	1.0	0.5	7.4
<i>Commission income and expense:</i>				
- Asset Servicing	19.4	-	0.4	19.8
- Transaction Servicing	9.3	-	1.5	10.8
- Treasury	3.5	0.8	0.2	4.5
Result on financial transactions and trading	3.4	7.2	0.1	10.7
Other income	-	-	0.4	0.4
Total income	41.5	9.0	3.1	53.6
Operating expenses (direct)	-14.6	-1.0	-1.3	-16.9
Contribution	26.9	8.0	1.8	36.7
Operating expenses (other)			-25.3	-25.3
<b>Result for the period before tax</b>				<b>11.4</b>

<b>First half of 2016</b>				
Segment information				
<i>In millions of euros</i>	Core segments	Treasury	Other	Total
Interest income and expenses	6.3	1.0	0.7	8.0
<i>Commission income and expense:</i>				
- Asset Servicing	19.0	-	0.3	19.3
- Transaction Servicing	8.9	-	1.9	10.8
- Treasury	3.6	1.8	0.3	5.7
Result on financial transactions and trading	3.7	3.6	-	7.3
Other income	-	-	0.5	0.5
Total income	41.5	6.4	3.7	51.6
Operating expenses (direct)	-16.6	-1.3	-1.7	-19.6
Contribution	24.9	5.1	2.0	32.0
Operating expenses (other)			-31.6	-31.6
<b>Result for the period before tax</b>				<b>0.4</b>

## 4. Dividend

After the General Meeting of Shareholders of 26 April 2017, the proposed final dividend for 2016 of EUR 9.4 million (EUR 0.64 per share) was distributed to the shareholders in the first half of 2017.

## 5. Impairments

In the first half of 2017 KAS BANK reversed a provision relating to a previously impaired loan. This reversal is classified as impairment (recovery).

## 6. Companies acquired and divested

The liquidation of KAS BANK Deutschland Holding GmbH and KAS Investment Servicing GmbH is still in progress. KAS BANK expects that the final liquidation of these companies will be finalised at the end of 2017, we don't expect material results related to these liquidations.

## 7. Related parties

In the normal course of business, KAS BANK enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of KAS BANK include the members of the Managing Board, the members of the Supervisory Board, the company pension fund "Stichting Pensioenfonds van de KAS BANK" and the associate BTN Förvaltning AB. Transactions between related parties have taken place on an arm's length basis. Transactions with related parties are disclosed in Note 43 'Related parties' in the annual report 2016 of KAS BANK.

## 8. Subsequent events

There are no subsequent events.

Amsterdam, 7 September 2017

Managing Board

Sikko van Katwijk, chairman

Mark Stoffels, Chief Financial & Risk Officer

Jaap Witteveen, Chief Operations Officer

## REVIEW REPORT

### To: the Shareholders and the Supervisory Board of KAS BANK N.V.

#### Introduction

We have reviewed the accompanying condensed consolidated interim financial statements for the six-month period ended 30 June 2017 of KAS BANK N.V., Amsterdam, which comprises the consolidated balance sheet as at 30 June 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the condensed consolidated statement of cash flows for the period then ended and the selected explanatory notes. The managing board is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

#### Scope

We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the company. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements for the six-month period ended 30 June 2017 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 7 September 2017

PricewaterhouseCoopers Accountants N.V.

C.C.J. Segers RA