

KAS BANK N.V.
REPORT ON THE FIRST HALF OF 2013

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REPORT ON THE FIRST HALF OF 2013

General

In the first half of 2013 the market conditions for European banks were not favourable. Interest rates in H1 2013 remained at historically low levels. Volumes in the securities markets have not yet recovered to the levels seen before the crisis, whilst the implementation of the on-going stream of new regulations causes a substantial upward pressure on cost levels of financial institutions. The introduction of a European Financial Transaction Tax has been delayed, as regulators recognise the huge impact and associated risks of such a tax on the stability of the European financial system as a whole. As a result of these market developments and the struggle of market participants with overcapacity and underutilisation of their systems, competition in the European securities markets remains fierce.

The upcoming regulations regarding the European settlement and safekeeping of securities – Target2-Securities – will have a sizeable impact on the back offices of both retail and wholesale banks. Similarly, EMIR (European Market Infrastructure Directive for Derivatives) and the AIFMD (Alternative Investment Fund Managers Directive) will also have a direct impact on banks, pension funds, insurance companies and fund managers. These developments generate additional business opportunities for KAS BANK, as our services actively support our clients to comply with these new rules.

Against this background, KAS BANK has performed satisfactorily. The bank continues to enjoy strong solvency with a BIS ratio exceeding 20%. In addition, the bank is compliant with the Basel III requirements regarding both liquidity and solvency ratios.

As a result of declining short-term interest rates operational profits were significantly lower in the first half of 2013. However, results from interest-bearing securities transactions and the sale of our stake in LCH.Clearnet, more than offset this effect. After adding the results on bonds in the investment portfolio, the banking result increased by 14%.

From a commercial perspective, 2013 so far exceeds expectations and the pipeline of new business for the second half of 2013 looks promising. The in June 2013 announced cooperation with Inadmin, a subsidiary of APG which administrates defined contribution schemes for (premium) pension institutions, company pension funds and insurance companies, has strong potential for future growth.

In the institutional market, KAS BANK's pure play positioning is generating an increased response from pension funds, asset managers and insurance companies alike. GRC-services (Governance, Risk and Compliance) are in high demand, fuelled by the necessity to be fully in control regarding assets and their corresponding liabilities. KAS BANK provides a transparent and totally independent service, including reporting, asset valuation, collateral management and operational support, if required. We have taken additional steps towards creating a joint infrastructural platform for institutional securities administration (including data management facilities), which will be initially positioned as the standard platform for the Dutch institutional market. In this way, pension funds and insurance companies can be assured of a market-wide utility which is in line with national market practices and fully compliant with international regulations thus providing a stronger collective solution for low operational risk, business continuity and flexibility.

The partnership with our German partner dwpbank is developing well. The migration to a joint processing platform in 2015 is on schedule, both in terms of timing as well as costs. Client reception of the partnership has been positive in the Netherlands and Germany. In the Netherlands, the partnership is primarily targeting the retail securities processing of banks. In addition, the proposed changes in the Dutch pension market will increase the demand for more individualised pension plans.

In Germany, we are proceeding to provide extended network management services to the client base of dwpbank.

KAS BANK will reduce its efforts in KAG business and concentrate fully on successfully implementing the partnership with dwpbank as well as providing GRC-services to clients in Germany. The bank has impaired nearly all (intangible) assets on its KAG business over the last years. As a result of the reduced efforts in KAG business a tax return of EUR 3.8 million has been accounted for in the results.

As planned the partnership with dwpbank will generate revenues from 2014 and onwards.

In 2013 a market-wide change in accounting rules (IAS 19) regarding the treatment of amongst others pension costs was introduced. For the migration to the joint securities platform in 2015 most costs are absorbed immediately in the operational result. These effects largely explain the increase of total costs with approximately 4% compared to the first half of 2012. In the second half year, KAS BANK expects to finalise the negotiations for a new pension agreement. Together with the lower housing costs resulting from the relocation to one building this spring, this will mostly offset the additional costs and contribute to the reduction of total costs going forward.

Adjusted for the one-off housing costs, the migration costs for the joint securities platform and various incidental costs, the operational costs fell by 2% in the first half 2013 compared to the same period last year.

Results

Total profits increased by 14% to EUR 8.5 million (H1 2012: EUR 7.5 million) in the first half of 2013 compared to the same period last year. The net profit in the first half of 2012 was adjusted from EUR 8.2 million to EUR 7.5 million due to the required retrospective implementation of an amendment in the accounting principles regarding pensions (IAS 19).

The net profit in the first half of 2013 was influenced by the results of sales and revaluation of bonds and shares of the available-for-sale portfolio. Beside substantial positive results on the sale and revaluation of bonds, the result contains the sale of our stake in LCH.Clearnet and the positive result concerning the purchase of 20% of the shares of Neonet.

A reduction in the short-term market interest rates was the main reason for a decline in the interest result and the operational income. Taking into account the 2% fall of the operational costs, the net operational profit decreased from EUR 5.4 million in the first half of 2012 to EUR 2.3 million in the first half of 2013. After addition of the results on bonds of the investment portfolio the banking result increased by 14% to EUR 7.4 million (H1 2012: EUR 6.5 million).

Operating expenses, excluding impairments, increased by 4% to EUR 51.5 million (H1 2012: EUR 49.4 million) in the first half of 2013 compared to the first half of 2012. Adjusted for the costs of relocating in one building, the costs of the migration to one securities platform and various incidental costs, the operational costs decreased in the first half of 2013 by 2% compared to the same period last year.

The impairments regarding the KAG business in the first half of 2013, resulting from changes regarding the approach of the German market, were partly offset by the effect of the further improvement of the recovery rate regarding Lehman and the changes in other previously impaired securities. Total impairment losses amounted to EUR 1.5 million in the first half of 2013 (H1 2012: EUR 2.6 million positive).

The tax expense in the first half of 2013 has a positive contribution to the net profit of EUR 1.3 million (H1 2012: negative EUR 2.3 million), caused by the positive tax effects of the impairments and reduction of the efforts regarding the KAG market in Germany.

For the first half of 2013 a return on equity on an annual basis of 9% (H1 2012: 9%) was achieved. Based on the 10-year interest rate of 2%, this means a shareholder premium above 10-year government bonds of 7% (H1 2012: 7%).

Solvency

KAS BANK's focus on a low risk profile is reflected in the quality of its balance sheet and a relatively high solvency ratio. In the first half of 2013, the BIS ratio averaged 21% (H1 2012: 21%). At the end of June 2013 the BIS ratio was 21% (year-end 2012: 23%). This is well above our external target for solvency which was raised in the first half of 2013 from 13.5% to 16.0%. The new solvency ratio standards which will come into force under Basel III are amply fulfilled. The Tier 1 ratio was 20% at the end of June 2013 (year-end 2012: 22%).

Interim dividend

Interim dividend will be continued at EUR 0.33 in cash. The stable interim dividend reflects our policy to retain only those profits necessary to keep our strong solvency in combination with a low risk profile.

Income

A substantial growth in the results of sales and revaluations of parts of the available-for-sale portfolio attributed to the increase in the total income of 7% to EUR 60.3 million (H1 2012: EUR 56.6 million).

Income by source

<i>In millions of euros</i>	First half of 2013	First half of 2012	change	%
Interest	10.1	13.3	-3.2	-24%
Fee and commission	34.7	36.5	-1.8	-5%
Result on investments	14.5	6.0	8.5	142%
Other income	1.0	0.8	0.2	25%
Total income	60.3	56.6	3.7	7%

The interest income decreased by 24% compared to the first half of 2012, to EUR 10.1 million (H1 2012: EUR 13.3 million), in particular as a result of the further decreased short-term market interest rates.

The total commission income decreased by 5% to EUR 34.7 million (H1 2012: EUR 36.5 million).

The asset servicing commission income decreased by 7% to EUR 21.4 million (H1 2012: EUR 23.1 million) mainly due to lower margins. The increase in the transaction services commission by 7% to EUR 9.3 million (H1 2012: EUR 8.7 million) was caused by higher clearing and settlement volumes.

Commission income by source

<i>In millions of euros</i>	First half of 2013	First half of 2012	change	%
Asset Servicing	21.4	23.1	-1.7	-7%
Transaction Servicing	9.3	8.7	0.6	7%
Other commissions	4.0	4.7	-0.7	-15%
Total commission	34.7	36.5	-1.8	-5%

The result on investments increased by EUR 8.5 million to EUR 14.5 million (H1 2012: EUR 6.0 million), primarily due to higher results of sales and revaluation of securities in the investment portfolio. The sale of our stake in LCH.Clearnet contributed EUR 3.1 million to this income category in the first half of 2013 and the purchase (below book value) of a stake in Neonet contributed EUR 1.6 million.

The result on investments also includes client-related foreign currency transactions which decreased by EUR 1.2 million to EUR 4.7 million (H1 2012: EUR 5.9 million).

Operating expenses

Operating expenses, excluding impairments, increased by 4% to EUR 51.5 million (H1 2012: EUR 49.4 million) in the first half of 2013 compared to the first half of 2012.

Operating expenses by source

<i>In millions of euros</i>	First half of 2013	First half of 2012*	change	%
Personnel expenses	34.1	32.2	1.9	6%
Housing	2.2	1.8	0.4	22%
Information technology	8.3	7.5	0.8	11%
General and administrative expenses	4.5	4.6	-0.1	-2%
Depreciation/amortisation	2.4	3.3	-0.9	-27%
Total operating expenses - excluding impairments	51.5	49.4	2.1	4%
Impairment losses / (recovery)	1.5	-2.6	4.1	158%
Total operating expenses	53.0	46.8	6.2	13%

*) The relevant comparative figures have been restated to reflect the amendments to IAS 19 which became effective on 1 January 2013.

The personnel expenses increased by 6% to EUR 34.1 million (H1 2012: EUR 32.2 million). This increase is partly due to higher pension costs influenced by the low long-term interest rates at the end of 2012. Personnel expenses are also higher because of the costs incurred for the securities platform being developed together with dwpbank in preparation for the migration to the joint securities platform in 2015.

The 22% increase in housing costs to EUR 2.2 million is due to incidental costs related to the relocation from two buildings to one building in Amsterdam. The 27% reduction in the depreciation costs to EUR 2.4 million (H1 2012: EUR 3.3 million) is also partly related to housing. Because of the categorisation of the Spuistraat-building at the end of 2012 as non-current asset held-for-sale, the regular depreciations on this building stopped in 2013.

Adjusted for the costs of the move, the above mentioned migration costs and various other incidental costs, the operational costs decreased in the first half 2013 by 2% compared with the same period last year.

Impairment losses

The result on impairments was negatively influenced by the reduction of the KAG activities in Germany. These losses were partly offset by positive impairments relating to the recovery of client loans and interest-bearing securities. On balance the total impairment loss amounts to EUR 1.5 million in the first half of 2013 (H1 2012: EUR 2.6 million positive).

Balance sheet

KAS BANK has amended its internal procedure relating to the netting of current account positions. The decrease of the total balance sheet amount is mainly caused by the amended procedure. The development of the quality of the balance sheet is shown by the risk-weighted assets, the liquidity profile and the composition of the investment portfolio.

Risk-weighted values of the assets

The risk-weighted assets increased by 14% to EUR 876.6 million in the first half of 2013 (year-end 2012: EUR 767.2 million); the increase primarily occurred in the balance sheet item Financial investments available-for-sale. The risk-weighted assets increased by 3% compared to 30 June 2012.

<i>In millions of euros</i>	30 June 2013		31 December 2012*	
	Carrying amount	Risk-weighted value	Carrying amount	Risk-weighted value
Due from banks	1,338.9	229.6	1,458.7	221.5
Loans	682.2	55.2	1,357.8	39.0
Reverse repurchase agreements	1,024.8	0.8	582.1	0.1
Derivative financial instruments	190.9	39.4	258.1	29.3
Financial assets designated at fair value	50.9	-	50.4	-
Financial investments available-for-sale	1,024.5	177.8	1,011.6	148.0
Financial investments held-to-maturity	10.3	-	10.6	-
Other assets	280.4	100.0	475.3	68.9
	4,602.9	602.8	5,204.6	506.9
Off-balance sheet exposure	36.7	273.8	37.5	260.3
Total of the risk-weighted items		876.6		767.2

Capital and ratios based on Basel II		30 June 2013		31 December 2012*	
<i>In millions of euros</i>		Capital	Ratio	Capital	Ratio
Tier 1		175.4	20%	168.3	22%
Tier 2		11.4		11.4	
Total BIS		186.8	21%	179.7	23%

*) The relevant comparative figures have been restated to reflect the amendments to IAS 19 which became effective on 1 January 2013.

The substantial reduction of the carrying amount of the loans in the first half of 2013 is a consequence of the change in the procedure of the netting of current account positions. Loans are generally granted against collateral in securities and are subject to netting arrangements. As a result the risk-weighted value of the portfolio of loans is limited to EUR 55.2 million whilst the carrying amount is EUR 682.2 million.

Liquidity

The following maturity calendars as at 30 June 2013 and year-end 2012 show the percentage distribution of the contractual non-discounted cash flows from KAS BANK's financial assets (excluding equities):

Maturity calendar as at 30 June 2013		Maturity					Total
<i>In percentages</i>	On demand	< = 3 months	< = 1 year	< = 5 year	> 5 year	not applicable	
Banks, loans and other financial assets	55%	42%	1%	2%	0%	0%	100%
Financial investments available-for-sale	0%	4%	17%	44%	35%	0%	100%
Total financial assets	42%	33%	5%	12%	9%	0%	100%

Maturity calendar as at 31 December 2012		Maturity					Total
<i>In percentages</i>	On demand	< = 3 months	< = 1 year	< = 5 year	> 5 year	not applicable	
Banks, loans and other financial assets	78%	20%	0%	2%	0%	0%	100%
Financial investments available-for-sale	0%	8%	10%	68%	13%	1%	100%
Total financial assets	62%	17%	2%	16%	3%	0%	100%

At the end of June 2013, 75% of the investments had a maximum maturity shorter than or equal to three months (year-end 2012: 79%) and 80% had a maximum maturity shorter than one year (year-end 2012: 81%).

In the second quarter of 2013, the average liquidity surplus by the Dutch Financial Supervision Act's [*Wet op het financieel toezicht*] definition was EUR 1.4 billion (Q1 2013: EUR 1.5 billion and Q2 2012: 1.6 billion).

Investment portfolio quality

The quality of KAS BANK's investment portfolio is evidenced by the ratings of the securities in the investment portfolio. The bonds and equities in the portfolio of available-for-sale investments, the financial assets designated at fair value and the financial assets held-to-maturity are rated as follows (by Moody's):

<i>In millions of euros</i>	30 June 2013	Percentage of portfolio	31 December 2012	Percentage of portfolio
Aaa - Aa3	869	80%	902	84%
A1 - A3	62	6%	60	6%
Baa1 - Baa3	153	14%	105	9%
Shares	2	0%	6	1%
Total	1,086	100%	1,073	100%

As of the end of June 2013, 80% of the investment portfolio had a rating of Aa3 or higher (year-end 2012: 84%). KAS BANK has no direct exposure to GIIPS governments in its investment portfolio. The exposure on corporate GIIPS debt instruments (only issued by financial institutions) is limited and is collateralised.

Outlook

For the second half of 2013, low interest rates, although bottoming out, and depressed trading volumes will put pressure on our operational performance. On an annual basis, this will partly be offset by results from securities transactions in our investment portfolio. In addition, we expect a profit on the disinvestment of one of our offices of approximately EUR 7.5 million in the second half of 2013.

Statement of compliance

The Managing Board hereby declares that, to the best of its knowledge, the report on the first half of 2013 prepared in accordance with IAS 34 'Interim Financial Reporting', provides a true and fair view of the company's position on the balance sheet date and that the report on the first half of 2013 provides an accurate overview of the information required pursuant to Section 5, subsection 25d, paragraphs 8 and 9, of the Financial Supervision Act.

Amsterdam, 29 August 2013

Managing Board

A.A. Röell, chairman

R.J. Kooijman, CFO

S.A.J. van Katwijk

CONDENSED CONSOLIDATED INCOME STATEMENT

<i>In thousands of euros</i>	First half of 2013	First half of 2012*
INCOME		
Interest income	21,445	25,385
Interest expense	11,360	12,115
Net interest result	10,085	13,270
Fee and commission income	41,722	42,758
Fee and commission expense	7,007	6,228
Net fee and commission result	34,715	36,530
Net trading income	5,653	4,092
Result from financial transactions	8,858	1,891
Other income	959	810
Total operating income	60,270	56,593
OPERATING EXPENSES		
Personnel expenses	34,063	32,174
General and administrative expenses	15,045	13,992
Depreciation and amortisation	2,447	3,316
Impairment losses (recovery)	1,500	-2,641
Total operating expenses	53,055	46,841
Operating result before tax	7,215	9,752
Tax expense	-1,269	2,297
Net result for the year	8,484	7,455
Attributable to:		
KAS BANK shareholders	8,472	7,448
Non-controlling interests	12	7
EARNINGS PER SHARE		
- basic (in euros)	0.58	0.51
- diluted (in euros)	0.58	0.51

*) The relevant comparative figures have been restated to reflect the amendments to IAS 19 which became effective on 1 January 2013.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of euros</i>	First half of 2013	First half of 2012*
Net result	8,484	7,455
Revaluation reserve for available-for-sale investments	-2,115	11,284
Changes in deferred tax assets and liabilities	117	-651
Changes in current tax assets and liabilities	16	-2,159
Actuarial gains and losses on pensions	-	-14,507
Unrealised gains and losses recognised in equity	-1,982	-6,033
Total realised and unrealised gains and losses for the period	6,502	1,422
Attributable to:		
KAS BANK shareholders	6,490	1,415
Non-controlling interests	12	7

*) The relevant comparative figures have been restated to reflect the amendments to IAS 19 which became effective on 1 January 2013.

CONDENSED CONSOLIDATED BALANCE SHEET

<i>In thousands of euros</i>	30 June 2013	31 December 2012*
Assets		
Cash and balances with central banks	161,436	385,004
Due from banks	1,338,925	1,458,747
Loans	682,233	1,357,769
Reverse repurchase agreements	1,024,822	582,149
Derivative financial instruments	190,892	258,137
Financial assets designated at fair value	50,936	50,384
Financial investments available-for-sale	1,024,543	1,011,647
Financial investments held-to-maturity	10,308	10,645
Investments in associates and joint ventures	2,110	25
Current tax assets	4,225	7,718
Other assets	67,094	36,610
Property and equipment	24,576	24,214
Goodwill and intangible assets	4,505	8,510
Deferred tax assets	5,129	1,967
Non-current assets held-for-sale	11,122	11,118
Total assets	4,602,856	5,204,644
Equity and liabilities		
Due to banks	280,332	260,801
Due to customers	3,447,615	4,291,808
Repurchase agreements	366,520	46,050
Derivative financial instruments	227,387	318,658
Financial liabilities designated at fair value	52,369	52,512
Current tax liabilities	2,214	8,405
Other liabilities	22,279	25,644
Deferred tax liabilities	7,271	8,419
Non-current liabilities held-for-sale	2,350	-
Total liabilities	4,408,337	5,012,297
Issued capital	15,699	15,699
Treasury shares	-24,496	-24,974
Share premium	21,569	21,569
Revaluation reserve	14,140	16,134
Other reserves (including profit for the year)	167,541	163,865
Equity attributable to KAS BANK shareholders	194,453	192,293
Non-controlling interests	66	54
Total equity	194,519	192,347
Total equity and liabilities	4,602,856	5,204,644
Contingent liabilities	23,127	23,032
Irrevocable facilities	13,606	14,470

*) The relevant comparative figures have been restated to reflect the amendments to IAS 19 which became effective on 1 January 2013.

CONDENSED 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 year)	Total attributable to share-holders	Non-controlling interests	Total equity
Balance as at 1 January 2012*	15,699	-25,324	21,569	-5,332	163,987	170,599	12	170,611
Comprehensive income	-	-	-	8,369	-6,954	1,415	7	1,422
Purchase/sale of treasury shares	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	258	258	-	258
Final dividend 2011	-	-	-	-	-2,478	-2,478	-	-2,478
Other movements	-	-	-	-	-	-	-	-
Balance as at 30 June 2012*	15,699	-25,324	21,569	3,037	154,813	169,794	19	169,813
Balance as at 1 January 2013	15,699	-24,974	21,569	16,134	163,865	192,293	54	192,347
Comprehensive income	-	-	-	-1,994	8,484	6,490	12	6,502
Purchase/sale of treasury shares	-	478	-	-	-478	-	-	-
Share-based payments	-	-	-	-	138	138	-	138
Final dividend 2012	-	-	-	-	-4,526	-4,526	-	-4,526
Other movements	-	-	-	-	58	58	-	58
Balance as at 30 June 2013	15,699	-24,496	21,569	14,140	167,541	194,453	66	194,519

*) The relevant comparative figures have been restated to reflect the amendments to IAS 19 which became effective on 1 January 2013.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

<i>In thousands of euros</i>	First half of 2013	First half of 2012*
Net result	8,484	7,455
Other cash flow from operating activities	-366,937	303,842
Cash flow from operating activities	-358,453	311,297
Cash flow from investment activities	-22,754	-98,698
Cash flow from financing activities	-4,526	-2,478
Net cash flow	-385,733	210,121
Cash and cash equivalents at 1 January	1,770,353	1,585,063
Cash and cash equivalents at 30 June	1,384,620	1,795,184
<i>Reconciliation of cash flow statement with balance sheet items</i>		
Cash and balances with central banks	161,436	670,204
Due on demand from banks	1,223,184	1,124,980
Cash and cash equivalents at 30 June	1,384,620	1,795,184

*) The relevant comparative figures have been restated to reflect the amendments to IAS 19 which became effective on 1 January 2013.

SELECTED NOTES TO THE REPORT ON THE FIRST HALF OF 2013

Corporate information

KAS BANK N.V. is a public limited liability company, incorporated under Dutch law and registered in Amsterdam, the Netherlands. KAS BANK's condensed consolidated financial statements for the period ending 30 June 2013 include the parent company and all its subsidiaries, together referred to as 'KAS BANK'. An overview of the principal subsidiaries is included in the annual report of 2012.

Basis of presentation

The condensed consolidated financial statements for the period ending 30 June 2013 are presented in accordance with IAS 34 'Interim Financial Reporting', as adopted within the European Union. This interim report does not include all the information and disclosures required in annual financial statements and should therefore be read in conjunction with the annual report of 2012. The financial statements are presented in euros, the functional currency of KAS BANK, rounded to the nearest thousand (unless stated otherwise). In preparing the condensed consolidated figures for the first half of 2013, the same critical accounting estimates and judgements are used as for the consolidated 2012 financial statements.

Changes in accounting policies

The accounting policies applied in these interim financial statements are consistent with those used for the 2012 financial statements except for the following adjustments:

- Amendments to IAS 19 Employee benefits: the revised standard results in significant changes in accounting of defined benefit pension plans. The revision requires all actuarial gains and losses to be recognised within other comprehensive income. KAS BANK has already recognised all actuarial gains and losses within other comprehensive income. The impact of this part of the revision is limited. Furthermore the revised standard requires an expected return on pension assets which is set equal to the discount rate of the pension obligation. The amendments in IAS 19 require a retrospective implementation. As a result the comparative figures have been restated. The tables below show the impact of the retrospective application;

Impact on equity of retrospective application new accounting standards		
In thousands of euros	31-12-2012	1-1-2012
Equity before restatement	189,209	168,046
Changes in Other assets	4,184	3,420
Tax effect	-1,046	-855
Equity after restatement	192,347	170,611

Impact on net result of retrospective application of new accounting standards		
In thousands of euros	HY 2012	FY 2012
Net result attributable to KAS BANK shareholders before restatement	8,154	15,546
Impact on staff expenses - Pension and other staff-related benefit costs	-943	-1,886
Tax effect	237	472
Net result after restatement	7,448	14,132
Earnings per share before restatement	0.56	1.06
Earnings per share after restatement	0.51	0.97

Impact on other comprehensive income of retrospective application of new accounting standards	
In thousands of euros	HY 2012
Other comprehensive income before restatement	15,868
Remeasurements of the net defined benefit asset/liability	-21,748
Tax effect	5,437
Other comprehensive after restatement	-443

- IFRS 13: Fair Value Measurement: this new standard provides a single framework for measuring fair value and required disclosures regarding fair value measurement. It defines fair value on the basis of an 'exit price' notion. The impact of IFRS 13 on the consolidated financial position and income statement of KAS BANK is non-significant.

In addition to the above-mentioned significant changes, a number of non-significant adjustments have been applied in preparing these interim financial statements:

- Amendments to IFRS 1: Government loans;
- Amendments to IFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities;
- Annual improvements to IFRSs (2009-2011 cycle);
- Amendments to IAS 1: Presentation of Items of Other Comprehensive Income;
- IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine.

New IFRS standards and interpretations not yet adopted

A number of new, amended or revised standards were not applied when preparing these financial statements as these standards were either not effective for the current period or had not been adopted by the European Union. These standards will have an impact on the preparation of the financial statements in the near future.

These new, amended or revised standards are listed below:

- IFRS 10: Consolidated Financial Statements, effective as of 2014;
- IFRS 11: Joint Arrangements, effective as of 2014;
- IFRS 12: Disclosures of Interests in Other Entities, effective as of 2014;
- IAS 27: Separate Financial Statements, effective as of 2014;
- IAS 28: Investments in Associates and Joint Ventures, effective as of 2014;
- IAS 36: Recoverable Amount Disclosures for Non-Financial Assets, effective as of 2014;
- IAS 39: Novation of Derivatives and Continuation of Hedge Accounting, effective as of 2014;
- IFRIC Interpretation 21: Levies, effective as of 2014;
- IFRS 9: Financial Instruments, effective as of 2015.

Offsetting

The internal procedures of KAS BANK relating to current accounts were amended in the first half of 2013. The new procedures meet the IFRS requirements for offsetting deposits and entrusted funds per client. As a result the balance sheet items 'Loans' and 'Due to customers' both decreased by approximately EUR 1 billion. The gross amounts regarding 'Loans' and 'Due to customers' are respectively EUR 1,669 million and EUR 4,434 million.

Dividend

After the General Meeting of Shareholders of 24 April 2013, the proposed final dividend for 2012 of EUR 4.5 million (EUR 0.31 per share) was distributed to the shareholders in the first half of 2013.

Impairments

KAS BANK has impaired nearly all intangible and tax assets relating to the German activities as a result of a decision to reduce the German KAG activities. In addition the results on impairment were positively influenced by the release of a loan provision and the recovery of a formerly impaired bond.

Subsequent event

In July 2013 KAS BANK signed an agreement to sell its subsidiary KAS BANK OG Spuistraat BV. The assets of this subsidiary are currently classified within the group balance sheet as non-current held for sale.

The revaluation reserve as included within the group equity will be released to the income statement in the second half of 2013. The net result of this transaction will be approximately EUR 7.5 million.

Client segmentation

KAS BANK's products and services primarily focus on two main target groups: Institutional Investors and Financial Institutions. Another important activity within KAS BANK is Treasury. This segmentation overview reflects the structure of the internal management information provided to the Managing Board.

First half of 2013 <i>In millions of euros</i>	Financial institutions	Institutional investors	Treasury	Other	Total
Interest income and expenses ¹	2.2	5.4	2.5	-	10.1
<i>Commission income and expense:</i>					
- Asset Servicing	1.4	19.6	0.4	-	21.4
- Transaction Servicing	5.0	4.3	-	-	9.3
- Other commissions	1.3	2.7	-	-	4.0
Result on financial transactions and trading income	0.3	3.7	1.1	9.4	14.5
Other income	0.3	0.4	-	0.3	1.0
Total income	10.5	36.1	4.0	9.7	60.3
Operating expenses (direct)	-14.3	-23.9	-1.5	-	-39.7
Contribution	-3.8	12.2	2.5	9.7	20.6
Operating expenses (overhead)				-13.4	-13.4
Result for the period before tax					7.2

First half of 2012² <i>In millions of euros</i>	Financial institutions	Institutional investors	Treasury	Other	Total
Interest income and expenses ¹	2.9	8.9	1.5	-	13.3
<i>Commission income and expense:</i>					
- Asset Servicing	1.2	21.5	0.4	-	23.1
- Transaction Servicing	4.7	4.0	-	-	8.7
- Other commissions	1.3	3.4	-	-	4.7
Result on financial transactions and trading income	0.3	4.2	0.7	0.8	6.0
Other income	0.1	0.2	-	0.5	0.8
Total income	10.5	42.2	2.6	1.3	56.6
Operating expenses (direct)	-13.7	-24.3	-1.5	-	-39.5
Contribution	-3.2	17.9	1.1	1.3	17.1
Operating expenses (overhead)				-7.4	-7.4
Result for the period before tax					9.7

¹) Interest income and expense are allocated to the financial institutions and institutional investors segments on the basis of the difference between the external interest rates and benchmarks. The benchmarks are based on interbank or central bank rates.

²) The relevant comparative figures have been restated to reflect the amendments to IAS 19 which became effective on 1 January 2013.

REVIEW REPORT

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial information as at 30 June 2013 of KAS BANK N.V., Amsterdam, which comprises the condensed consolidated statement of financial position as at 30 June 2013, the condensed consolidated changes in equity, and the condensed consolidated cash flows statement and the condensed consolidated statements of comprehensive income for the period of six months ended 30 June 2013, and the notes. The Managing Board of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information 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 Entity'. A review of the condensed consolidated 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 information as at 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 29 August 2013

KPMG Accountants N.V.
M.A. Hogeboom RA