



# Press Release

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For information: R.W. Dieker – Secretary Managing Board  
T: +31 20 557 51 80  
I: [www.kasbank.com](http://www.kasbank.com)

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## Solid year for KAS BANK, strengthening core business

- Net result from operations increased with 18% to EUR 15.4 million (2014: EUR 13.0 million) with solid contributions across the board. Total net result of EUR 15.3 million (2014: EUR 24.3 million).
- Focus strategy paying off with positive traction experienced within the core business activities of the bank. All institutional segments contributing to top line with higher gross income numbers. Pensions and insurance segments gross income increased by >15%. Transaction Banking remains a solid base and contributor.
- Expansion of product range resulted in an increase of new business in particular in risk advisory services.
- Higher costs due to increase of pension costs and planned business and operations improvements.
- Capital ratio remains stable at an average of 20%, which emphasizes our low risk strategy.
- Dividend pay-out maintained at EUR 0.64 (2014: EUR 0.64) and a dividend yield of 6%.

### Key figures

in EUR	2015	2014	Change
Net result	15.3 million	24.3 million	-37%
Net result from operations*	15.4 million	13.0 million	18%
Operating income**	115.5 million	104.2 million	11%
Assets under Administration	464 billion	451 billion	3%
Total earnings per share (basic)	1.04	1.65	-37%
Dividend per share	0.64	0.64	
Capital ratio (average)	20%	24%	

\*Excluding sale Lehman claim (2015) / received compensation dwpbank (2014)

\*\*Excluding items mentioned as 'other items' below



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## **Chairman's statement**

"The engagement of strategic initiatives is on track and we are proud that our clients are rewarding our focus on their business by bringing us more," says Sikko van Katwijk, Chairman of KAS BANK's Managing Board. "By putting the interests of our clients first we have been able to anticipate on their changing needs by developing new solutions and services. This has led to an increase of business activities within all institutional segments and eventually resulted in a sustainable improvement of the profitability of the bank. We will continue to invest in solutions that add value to our clients and remain dedicated to further improve the services offered."

## **Positive client contributions despite difficult markets**

With financial markets in a state of flux throughout most of the year, our clients have been struggling to reach calmer waters. The events of dropping interest rates, depreciation of oil prices, declining yield and turmoil in China, have created uncertainty across all our clients segments. Despite the continuous shifting of priorities on the agenda of our clients, our focus segments have all managed to individually contribute in a positive way to the underlying results.

## **Progress made on strategic priorities**

KAS BANK made promising progress on the strategic initiatives launched and has started initiating measures to improve the efficiency and productivity of its operations. As an example, the bank has widely adopted the Lean methodology in 2015 and has successfully completed the first phase of a process improvement project for our investment accounting platform. In addition, it has executed and will maintain continuous reviews of opportunities to further rationalise its market infrastructure. KAS BANK expects to see significant results and subsequent benefits to the efficiency of the operations in the coming years.

In order to optimize our client relationships KAS BANK actively seeks product-, clients-, and operational partnerships.

In following our corporate objectives of improving operational excellence, KAS BANK initiated an assessment of outsourcing opportunities of its IT.

## **Maintaining dividend pay-out**

KAS BANK will propose to the General Meeting of Shareholders a total cash dividend for 2015 of EUR 0.64 for each ordinary KAS BANK share. EUR 0.33 for each ordinary share has already been distributed as interim dividend for 2015.

KAS BANK is continuing its policy of distributing a dividend of 60-80% of the total profit under normal market conditions.

## **Outlook reconfirming continued improvement**

KAS BANK expects that the financial markets in general and for our clients in particular will remain to be uncertain which means market conditions are expected to remain challenging.

As we expect a continued, sustainable growth of the business and strategic initiatives to contribute to the improvement of the bank's efficiency, we reconfirm the long term objectives which we have communicated externally.

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## Results 2015

<i>In millions of euros</i>	2015	2014	change	%
Operating income	115.5	104.2	11.3	11%
Operating expenses	-94.8	-87.2	-7.6	9%
Tax expense	-5.3	-4.0	-1.3	32%
<b>Net result from operations</b>	<b>15.4</b>	<b>13.0</b>	<b>2.4</b>	<b>18%</b>
Impairments losses (recovery)	2.7	-1.4	4.1	
Resolution levy and contribution to resolution funds	-0.9	-1.1	0.2	
Result of sale Lehman claim	5.6	0.0	5.6	
Received compensation dwpbank	0.0	20.0	-20.0	
Expenses related to announced investment plan	-7.5	-1.7	-5.8	
Tax expense	0.0	-4.5	4.5	
<b>Net result - other</b>	<b>-0.1</b>	<b>11.3</b>	<b>-11.4</b>	
<b>Net result for the period</b>	<b>15.3</b>	<b>24.3</b>	<b>-9.0</b>	<b>-37%</b>

KAS BANK realised a net result of EUR 15.3 million (2014: EUR 24.3 million) for 2015 and a return on equity of 7.6% (2014: 11.8%). Net result from operations increased with 18% to EUR 15.4 million (2014: EUR 13.0 million). New clients, higher volumes and new products resulted in a 11% increase of operating income to EUR 115.5 million (2014: EUR 104.2 million). The operating expenses increased with 9% to EUR 94.8 million (2014: EUR 87.2 million), mainly due to higher pension costs (relating to low interest rates). The efficiency ratio, based on operating income and operating expenses, amounted to 82.1% (2014: 83.7%).

### *Other items*

The items below are excluded in result from operations.

In 2015, the other item was the sale of a claim relating to Lehman (EUR 5.6 million), this amount is classified as interest income. In 2014, the other item was also the compensation of EUR 20 million received from dwpbank, classified as other income.

The expenses related to the announced investments (out of the received compensation from dwpbank) to improve the operations and to strengthen the strategic approach (2015: EUR -7.5 million; 2014: EUR -1.7 million) were classified as personnel expenses (2015: EUR 3.9 million; 2014: EUR 0.1 million) and as general and administrative expenses (2015: EUR 3.6 million; 2014: EUR 1.6 million). These expenses related to amongst others external employees supporting projects to increase competitiveness and investments in various programs on culture, continuous improvement (LEAN), risk and compliance resulting in higher consultancy costs.

In 2015, the result was positively impacted by reversal of impairments and additional impairments on credit facilities of in total EUR 2.7 million. In 2014, negative impairments on credit facilities (EUR 0.3 million) and on a minority interest in a European broker (EUR 1.1 million) reduced the result. In 2015, a charge of EUR 0.9 million was incurred for the contribution to the National Resolution Fund and to the ex-ante financing of the deposit guarantee scheme. In 2014, the result had been reduced by EUR 1.1 million due to the resolution levy in connection with the nationalisation of SNS Reaal.

In the operating income and operating expenses below the items mentioned as 'net result – other' are excluded.

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## Operating income

### Breakdown of operating income

<b>Operating income in millions of euros</b>	<b>2015</b>	<b>2014</b>	<b>change</b>	<b>%</b>
Net interest result	23.3	25.4	-2.1	-8%
Net commission result	72.2	65.3	6.9	11%
Result on investments	19.0	12.2	6.8	55%
Share of result of associates and joint ventures	-	-0.5	0.5	-100%
Other income	1.0	1.8	-0.8	-43%
<b>Total operating income</b>	<b>115.5</b>	<b>104.2</b>	<b>11.3</b>	<b>11%</b>

## Interest

### Breakdown of net interest result

<b>In millions of euros</b>	<b>2015</b>	<b>2014</b>	<b>change</b>	<b>%</b>
Loans and deposits	10.1	7.7	2.4	31%
Bonds and non-trading derivatives (hedge)	13.2	17.7	-4.5	-26%
<b>Total net interest result</b>	<b>23.3</b>	<b>25.4</b>	<b>-2.1</b>	<b>-8%</b>

Net interest result decreased by 8% to EUR 23.3 million (2014: EUR 25.4 million). Interest on loans and deposits increased with 31% to EUR 10.1 million (2014: EUR 7.7 million).

The interest result on KAS BANK's investment portfolio decreased with 26% to EUR 13.2 million (2014: EUR 17.7 million), mainly due to lower interest results on the investment portfolio (EUR -2.7 million) and on reverse repurchase transactions (EUR -1.4 million) following decreased interest rates.

## Commission

### Breakdown of net commission result

<b>In millions of euros</b>	<b>2015</b>	<b>2014</b>	<b>change</b>	<b>%</b>
Asset Servicing	35.2	30.8	4.4	14%
Transaction Servicing	23.5	23.0	0.5	2%
Treasury	13.5	11.5	2.0	17%
<b>Total net commission result</b>	<b>72.2</b>	<b>65.3</b>	<b>6.9</b>	<b>11%</b>

Net commission result increased by 11% to EUR 72.2 million (2014: EUR 65.3 million), all aspects of our services contributed to this increase.

Asset Servicing commission result (Custody, Administration and Depositary Services) increased by 14% to EUR 35.2 million (2014: EUR 30.8 million). Client wins and higher asset values resulted in an increase of Assets under Administration by 3% to EUR 464 billion at year-end 2015 (year-end 2014: EUR 451 billion). Due to successful growth in product range, KAS BANK has managed to grow Asset Servicing commission income. The regulatory reporting line consists of services related to Alternative Investment Fund Managers Directive (AIFMD), European Market Infrastructure Regulation (EMIR), look through and Financial Assessment Framework (*Financieel Toetsingskader*).



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Despite difficult market conditions, Transaction Servicing commission result increased with 2% to EUR 23.5 million (2014: EUR 23.0 million), showing a strong traditional business base.

Treasury commission result increased by 17% to EUR 13.5 million (2014: EUR 11.5 million). Higher client activity resulted in higher commission from securities lending, order execution and collateral management.

## Result on investments

### Breakdown of result on investments

In millions of euros	2015	2014	change	%
Trading - foreign exchange transactions	13.0	9.4	3.5	38%
Trading - securities and derivatives	3.1	-0.1	3.2	
Investments - investment portfolio	2.9	2.9	0.0	
<b>Total result on investments</b>	<b>19.0</b>	<b>12.2</b>	<b>6.8</b>	<b>55%</b>

Within our ambition to offer more advisory services, the first positive results have been realised in 2015. The main part of the result on investments consisted of client-driven foreign exchange transactions. These results showed an increase of 38% to EUR 13.0 million in 2015 in comparison with 2014 (EUR 9.4 million). New clients and higher volatility of foreign currencies contributed to this increase. The trading results on securities and derivatives consisted of duration overlay services (Institutional Risk Management) to clients and interest driven instruments, which mitigate the interest risk of part of KAS BANK's investment portfolio.

The result on investments of the investment portfolio consisted mainly of reallocation of the investment portfolio (2015: EUR 3.5 million; 2014: EUR 2.7 million) and value increases for two previously impaired bonds (2015: EUR -0.6 million; 2014: EUR 0.2 million).

The revaluation reserve for the investment portfolio increased in 2015 by EUR 1.9 million to EUR 12.6 million (December 2014: EUR 10.7 million) as a result of lower market interest rates and decreasing credit spreads. In comparison to June 2015 (EUR 18.5 million), the revaluation reserve decreased with EUR 5.9 million, mainly due to a widening between the interest rates of the mortgages and the hedge instruments in the second half of 2015.

## Result of associates and joint ventures

The result of associates and joint ventures increased with EUR 0.5 million to nil (2014: EUR 0.5 million negative). KAS BANK's associates have been fully impaired as per December 2014. In 2015, KAS BANK had no joint ventures.

## Other income

Other income decreased by EUR 0.8 million to EUR 1.0 million (2014: EUR 1.8 million).

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## Operating expenses

### Breakdown of operating expenses

<i>In millions of euros</i>	2015	2014	change	%
Personnel expenses	65.3	57.4	7.9	14%
General and administrative expenses - IT	15.9	15.1	0.8	6%
General and administrative expenses - other	10.1	10.7	-0.6	-6%
Depreciation and administration	3.5	4.0	-0.5	-13%
<b>Total operating expenses</b>	<b>94.8</b>	<b>87.2</b>	<b>7.6</b>	<b>9%</b>

### Personnel expenses

Personnel expenses increased by 14% to EUR 65.3 million (2014: EUR 57.4 million). This increase is mainly due to higher pension costs (2014: EUR 3.9 million and in 2015: EUR 8.4 million) and a higher number of external employees. KAS BANK's cost reduction program resulted in a decrease of the average number of FTEs by about 5% to 647 FTEs (average 2014: 682 FTEs). This decrease resulted in a decrease of salaries and social security costs with a similar percentage.

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

The general and administrative expenses and depreciation and amortisation decreased with 1% to EUR 29.5 million (2014: EUR 29.8 million). The increase of data requests to provide KAS BANK's services to clients resulted in an increase of the IT expenses with EUR 0.8 million. The decrease in the other expenses and the depreciation and amortisation is the result of a focus on cost efficiency.

## Tax expenses

The effective tax rate of 25.7% (2014: 25.9%) is just above the nominal tax rate of 25%. In 2014, the resolution levy related to the nationalisation of SNS Reaal (EUR 1.1 million) and the impairment of a minority interest in a European broker (EUR 1.1 million) were both not tax deductible.

## Quality of the investment portfolio

The table below shows the investments available for sale and investments designated at fair value according to credit rating (Standard & Poor's).

<i>In millions of euros</i>	31 December 2015	Percentage of bond portfolio	31 December 2014	Percentage of bond portfolio
AAA - AA-	339	58%	827	85%
A+ - A-	146	25%	62	6%
BBB+ - BBB-	54	9%	11	1%
BB+ - BB-	46	7%	74	7%
< BB-	4	1%	14	1%
<b>Total bonds</b>	<b>589</b>	<b>100%</b>	<b>988</b>	<b>100%</b>
Mortgage fund	225		213	
Shares	2		2	
<b>Total</b>	<b>816</b>		<b>1,203</b>	



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Since mid-2014 KAS BANK invests in a high quality mortgage fund without credit rating. This mortgage fund consists mainly (at least 75%) of new mortgages guaranteed by the Dutch government (*NHG hypotheek*) and therefore has the character of an investment with a high credit rating.

## Solvency (capital ratios)

The high capital ratios emphasize the low risk appetite of KAS BANK. The capital ratio, the qualifying capital as a percentage of risk-weighted assets, came to 24% (year-end 2014: 22%). KAS BANK has only common equity tier 1 capital. The qualifying capital increased mainly due to the revaluation of KAS BANK's own building, totalling to EUR 184.3 million (2014: EUR 178.8 million). The average capital ratio for 2015 amounted to 20% (for 2014: 24%).

The capital ratio is being implemented in phases during 2014 up to and including 2018. From 2019 onwards reports must be submitted entirely on the basis of the Capital Requirement Regulation (also called 'fully loaded' or 'fully phased in'). Assuming an entire transition to the Capital Requirement Regulation, at year-end 2015 the risk-weighted value would amount to EUR 782.6 million and the capital to EUR 190.7 million, resulting in a capital ratio of 24%.

Fitch has published a Rating Action Commentary for KAS BANK. The long-term issuer default rating is A-. The outlook is stable. Rating agency Standard & Poor's (S&P) has reaffirmed the short-term rating A-2 and the long-term rating BBB + of the bank. The outlook remains 'negative'. The outlook 'negative' may be adjusted to 'stable' over time as the strategic repositioning of the bank delivers the expected benefits.

In millions of euros	31 December 2015		31 December 2014	
	Carrying amount	Risk-weighted value	Carrying amount	Risk-weighted value
Due from banks	418.0	82.4	661.6	148.5
Loans	561.3	31.1	558.8	28.6
Reverse repurchase agreements	1,091.0	0.5	1,477.0	0.1
Derivative financial instruments	325.5	45.0	338.8	45.9
Financial assets designated at fair value	56.7	-	169.5	-
Financial investments available-for-sale	759.8	254.8	1,033.1	236.2
Other assets	890.7	98.6	184.0	69.3
	<b>4,103.0</b>	<b>512.4</b>	<b>4,422.7</b>	<b>528.6</b>
Off-balance sheet exposure	34.8	271.9	48.2	286.7
<b>Total of the risk-weighted items</b>		<b>784.3</b>		<b>815.2</b>

  

Capital and ratios	Capital	Ratio	Capital	Ratio
Common equity tier 1	184.3	24%	178.8	22%
Capital ratio	<b>184.3</b>	<b>24%</b>	<b>178.8</b>	<b>22%</b>

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## Liquidity

The table below shows the cash flows (undiscounted) for the financial assets based on the contractual maturity date (excluding shares):

Maturity calendar as at 31 December 2015 <i>In percentages</i>	On demand	< = 3 months	< = 1 year	< = 5 year	> 5 year	Total
Banks, loans and other financial assets	59%	39%	0%	0%	2%	100%
Financial investments available-for-sale	0%		14%	21%	63%	100%
<b>Total financial assets</b>	<b>47%</b>	<b>31%</b>	<b>3%</b>	<b>4%</b>	<b>15%</b>	<b>100%</b>

Maturity calendar as at 31 December 2014 <i>In percentages</i>	On demand	< = 3 months	< = 1 year	< = 5 year	> 5 year	Total
Banks, loans and other financial assets	41%	46%	5%	4%	4%	100%
Financial investments available-for-sale	0%	1%	21%	32%	46%	100%
<b>Total financial assets</b>	<b>31%</b>	<b>34%</b>	<b>9%</b>	<b>11%</b>	<b>15%</b>	<b>100%</b>

The high level of liquidity is shown by the fact that, as at the end of 2015, 78% of financial assets had a maximum maturity of three months (at the end of 2014: 65%).

As of October 2015 a new liquidity ratio, the liquidity coverage ratio, has been initiated for KAS BANK. Under the Capital Requirement Regulation, financial institutions are required to hold an amount of high quality liquid assets equal to or greater than their outflow over a 30 day period (having at least 100% coverage).

<i>In millions of euros</i>	<i>31 December 2015</i>
High quality liquid assets	1,935
Net cash outflow < 30 days	1,353
<b>Liquidity coverage ratio</b>	<b>143%</b>

## Home Member State

KAS BANK declares that the Netherlands is its Home Member State for the purposes of the EU Transparency Directive.

*The figures in this press release have not been audited by the external auditor.*

Appendices:

- Consolidated Balance sheet
- Consolidated Income statement





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## **Profile of KAS BANK N.V.**

KAS BANK N.V. is the European specialist in custodianship and administration of securities and high-quality risk and reporting services. We focus entirely on wholesale securities services to professionals in the pensions and securities industries.

Our strategy and service provision are based on clear principles regarding the role and methods of custodians in the financial world. Integrity, transparency and independence are important values for our bank, just as are our risk avoidance and a low risk profile.

The core markets of KAS BANK are the Netherlands, the United Kingdom and Germany. Globally we serve over 90 markets. KAS BANK is listed on Euronext Amsterdam.

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## Consolidated balance sheet

<i>In thousands of euros</i>	31 December 2015	31 December 2014
<b>Assets</b>		
Cash and balances with central banks	798,754	120,846
Due from banks	418,009	661,588
Loans	561,310	558,815
Reverse repurchase agreements	1,091,034	1,476,994
Derivative financial instruments	325,539	338,787
Financial assets designated at fair value	56,659	169,483
Financial investments available-for-sale	759,759	1,033,077
<i>of which pledged as collateral</i>	<i>315,060</i>	<i>519,131</i>
Investments in associates and joint ventures	-	-
Current tax assets	2,042	2,674
Other assets	46,263	26,754
Property and equipment	33,345	23,490
Intangible assets	2,736	3,031
Deferred tax assets	7,515	7,178
<b>Total assets</b>	<b>4,102,965</b>	<b>4,422,717</b>
<b>Equity and liabilities</b>		
Due to banks	270,121	338,155
Due to customers	3,180,146	3,241,777
Repurchase agreements	240	135,056
Derivative financial instruments	334,293	352,878
Financial liabilities designated at fair value	60,853	124,304
Current tax liabilities	1,947	-
Other liabilities	37,526	30,868
Deferred tax liabilities	8,325	5,344
<b>Total liabilities</b>	<b>3,893,451</b>	<b>4,228,382</b>
Issued capital	15,699	15,699
Treasury shares	-22,444	-22,740
Share premium	21,569	21,569
Revaluation reserve	24,733	14,740
Other reserves (including profit for the period)	169,957	164,969
Equity attributable to KAS BANK shareholders	209,514	194,237
Non-controlling interests	-	98
<b>Total equity</b>	<b>209,514</b>	<b>194,335</b>
<b>Total equity and liabilities</b>	<b>4,102,965</b>	<b>4,422,717</b>
Contingent liabilities	20,665	34,300
Irrevocable facilities	14,100	13,863

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## Consolidated income statement

<i>In thousands of euros</i>	2015	2014
<b>INCOME</b>		
Interest income	44,457	42,874
Interest expense	15,465	17,425
Net interest result	28,992	25,449
Commission income	87,348	80,107
Commission expense	15,169	14,784
Net commission result	72,179	65,323
Net trading income	16,070	9,321
Result from financial transactions	2,921	2,864
Share of result of associates and joint ventures	-	-527
Other income	1,009	21,760
<b>Total operating income</b>	<b>121,171</b>	<b>124,190</b>
<b>EXPENSES</b>		
Personnel expenses	69,183	57,455
General and administrative expenses	29,676	27,382
Depreciation and amortisation	3,507	4,048
<b>Total operating expenses</b>	<b>102,366</b>	<b>88,885</b>
Impairment losses (recovery)	-2,698	1,426
Resolution levy and contribution to resolution funds	943	1,127
<b>Total expenses</b>	<b>100,611</b>	<b>91,438</b>
<b>Result before tax</b>	20,560	32,752
Tax expense	5,275	8,475
<b>Net result for the period</b>	<b>15,285</b>	<b>24,277</b>
<b>Attributable to:</b>		
KAS BANK shareholders	15,268	24,260
Non-controlling interests	17	17
<b>EARNINGS PER SHARE</b>		
- basic (in euros)	1.04	1.65
- diluted (in euros)	1.02	1.64