



Press release

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Operating income and net result under pressure in 2018 in line with expectations

- Operating income of EUR 100.1 million (2017: EUR 104.6 million) down as anticipated due primarily to continued client churn
- Operating expenses of EUR 90.3 million (2017: EUR 84.7 million) up due to extra investments in the transformation of our business, partly offset by cost reductions as part of our 2016-2019 savings target of EUR 20 million. Target within reach and a new target set
- Net result of EUR 8.3 million (2017: EUR 15.1 million)
- Strong financial position, with capital ratio of 37% (2017: 35%) and liquidity coverage ratio of 238% (2017: 221%)
- Investments in transformation and expansion of product range to establish a new growth path
- In a separate press release, KAS BANK announced it has reached conditional agreement with CACEIS on a public offer for all KAS BANK shares. The combination of CACEIS and KAS BANK will provide the operations of KAS BANK with access to critical size in terms of balance sheet, boost KAS BANK's competitive strength and position KAS BANK as the combination's global centre of excellence for pension fund services



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Results

IN MILLIONS OF EUROS	2018	2017	change	%
Operating income	100.1	104.6	-4.5	-4%
Operating expenses	-90.3	-84.7	-5.6	7%
Impairment results	0.5	0.1	0.4	400%
Tax expense	-2.0	-4.9	2.9	-59%
Net result	8.3	15.1	-6.8	-45%

2018 was financially a difficult year with pressure on the topline, which also resulted in a higher cost level. This seeming contradiction was the result of a delay in FTE reduction to ensure a higher client satisfaction and a stable operational performance and the result of additional investments in efficiency (future lower cost level) and in product development and enhancement of our services (future higher topline). Because of these trends we realized a net result of EUR 8.3 million (2017: EUR 15.1 million) and a return on equity of 4% (2017: 7%).

In 2018, both operating income and operating expenses were also influenced by the sale of our investment in a Dutch mortgage fund. We have decided to divest our position in this mortgage fund to avoid volatility in results due to the implementation of IFRS9. In total, this divestment contributed EUR 8.1 million to the operating income. The proceeds have been reinvested in strategic and improvement projects (EUR 6.0 million), resulting in a higher cost level.

In 2016 KAS BANK announced a cost saving programme of EUR 20 million in the period up to and including 2019. If the 2018 operating expenses are adjusted for the expenses made for the strategic and improvement projects and the contribution to the resolution fund these savings are almost realized ahead of planning.

The positive impairment results in 2018 mainly relate to a partial reversal of an impaired loan. The impact of IFRS 9 expected loss accounting on performing loans is included in the opening balance and has no (material) impact on the 2018 results.

Tax expense over 2018 amounts to EUR 2.0 million. The effective tax rate is 19% and is positively impacted by a tax adjustment related to (former) German activities.

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Operating income

Breakdown of income

IN MILLIONS OF EUROS	2018	2017	change	%
Net interest result	9.8	12.9	-3.1	-24%
Net commission result	59.5	67.8	-8.3	-12%
Result on investments	30.5	22.9	7.6	33%
Share of result of associates	-0.0	0.1	-0.1	-68%
Other income	0.3	0.9	-0.6	-67%
Total income	100.1	104.6	-4.5	-4%

Interest

Breakdown of net interest result

IN MILLIONS OF EUROS	2018	2017	change	%
Loans and deposits	2.0	2.2	-0.2	-9%
Bonds and non-trading derivatives (hedge)	7.8	10.7	-2.9	-27%
Total net interest result	9.8	12.9	-3.1	-24%

Net interest result decreased by 24% to EUR 9.8 million (2017: EUR 12.9 million) following the sale of our investment in a Dutch mortgage fund and the time difference between the sale and the purchase of new investments. Other than that, the net interest result remained stable.

Commission

Breakdown of net commission result

IN MILLIONS OF EUROS	2018	2017	change	%
Asset Servicing	32.9	37.4	-4.5	-12%
Transaction Servicing	18.6	21.5	-2.9	-13%
Treasury	8.0	8.9	-0.9	-10%
Total net commission result	59.5	67.8	-8.3	-12%

Net commission result decreased year-on-year by 12% to EUR 59.5 million (2017: EUR 67.8 million). We had inflow of new clients and cross sell to our current client base. However, the negative impact of loss of clients in 2018 outweighed the positive inflow and cross sell effect. The loss of clients was amongst others due to the consolidation in the pension and insurance market and resulted in a decrease in Assets under Administration (average 2018: EUR 438 billion; 2017: EUR 503 billion). At year-end the Assets under Administration amounted to EUR 388 billion (2017: EUR 490 billion).

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Result on investments

Breakdown of result on investments

IN MILLIONS OF EUROS	2018	2017	change	%
Trading - foreign exchange transactions	19.8	15.7	4.1	26%
Trading - securities and derivatives	-0.5	4.1	-4.6	-112%
Investments - investment portfolio	11.2	3.1	8.1	261%
Result on investments	30.5	22.9	7.6	33%

Result on investments increased by 33% to EUR 30.5 million (2017: EUR 22.9 million) mainly due to the divestment of EUR 300 million (notional) in a Dutch mortgage fund which contributed EUR 10.5 million in 2018 (excluding related loss of interest income of EUR 2.4 million).

Increasing spreads between the euro and relevant foreign currencies resulted in a positive development of the FX-results on client transactions during 2018. In 2017, the results in the trading portfolio (derivatives) mainly related to the closing of swap transactions for clients.

Operating expenses

Breakdown of operating expenses

IN MILLIONS OF EUROS	2018	2017	change	%
Personnel expenses	49.1	48.7	0.4	1%
General and administrative expenses - IT	27.6	24.1	3.5	15%
General and administrative expenses - other	11.6	10.4	1.2	11%
Depreciation and amortisation	2.0	1.5	0.5	35%
Total operating expenses	90.3	84.7	5.6	7%

Personnel expenses

Personnel expenses increased to EUR 49.1 million (2017: EUR 48.7 million). A lower average number of FTE (2018: 449; 2017: 476) and a modestly higher average personnel expense per FTE resulted in a decrease of expenses of internal FTEs with EUR 1.4 million (2018: EUR 41.8 million; 2017: EUR 43.2 million). This effect was cancelled out by higher expenses for external employees (EUR +3.5 million) to temporarily fill in vacancies in projects and operational departments.

General and administrative expenses, including depreciation and amortisation

General and administrative expenses related to IT increased by 15% to EUR 27.6 million (2017: EUR 24.1 million). Our IT expenditures increased due to higher data and hosting costs because of increasing operational activities and an increase of the project portfolio in 2018. The project



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portfolio consisted of regulatory projects, efficiency projects and initiatives to strengthen our topline and service offering.

Other general and administrative expenses increased by 12% to EUR 11.6 million (2017: EUR 10.4 million). This line item included the contribution to the single resolution fund and other regulatory costs (in 2018 as well in 2017 about EUR 2 million in total). The 2017 cost level was positively influenced by a one-off of EUR 2.2 million related to the termination of a rental agreement of former office space. Depreciation and amortisation increased to EUR 2.0 million (2017: EUR 1.5 million). This increase is caused by investments in the new office building and acquired software.

Quality of the investment portfolio

The table below shows the credit rating of the investment portfolio securities.

IN MILLIONS OF EUROS	31 December 2018	Percentage of Portfolio	31 December 2017	Percentage of Portfolio
AAA - AA-	821	83%	654	58%
A+ - A-	28	3%	24	2%
BBB+ - BBB-	73	7%	70	6%
BB+ - BB-	5	1%	5	1%
Total bonds (rated)	927	94%	753	67%
Mortgage Fund (unrated)	-	0%	340	30%
Shares	63	6%	33	3%
Total investments	990	100%	1,126	100%

The sale of our investment in a Dutch mortgage fund explains the decrease of our investment portfolio. The divestment has been partly reinvested in high-quality bonds resulting in an increase in bonds with a 'AAA – AA'-rating. The increase in shares is related to a short-term Money Market Fund.

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Solvency

IN MILLIONS OF EUROS	31 December 2018		31 December 2017	
	Carrying amount	Risk weighted value	Carrying amount	Risk weighted value
Loans and advances to banks	345.2	23.0	309.2	26.4
Loans and advances to customers	467.1	38.8	938.9	38.7
Trading assets	230.5	20.5	271.2	22.8
Investment securities	990.1	171.9	1,126.1	206.6
Other assets	1,737.1	80.1	1,553.8	58.8
Total	3,770.0	334.3	4,199.2	353.3
Other off-balance sheet exposure		208.9		264.9
Total of the risk weighted items		543.2		618.2

Capital and ratios	Capital	Ratio	Capital	Ratio
Capital ratio	203.2	37%	218.4	35%

Our capital ratio at 31 December 2018 was 37% (31 December 2017: 35%) reflecting our strong financial position. In line with the normal business trend our capital ratio is relatively high at the end of December. The average capital ratio in 2018 was 33% (2017: 33%).

As from 2018, the leverage ratio requirements are also applicable to KAS BANK. At 31 December 2018 our leverage ratio amounts to 5.1% (31 December 2017: 4.9%). The required minimum level of the leverage ratio is 3%.

Liquidity

IN MILLIONS OF EUROS	31 December 2018	31 December 2017	Change	%
High quality liquid assets	2,030	2,150	-120	-6%
Net cash outflow < 30 days	852	971	-119	-12%
Liquidity coverage ratio	238%	221%		

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 31 December 2018, this ratio is 238% (31 December 2017: 221%). The regulatory minimum Liquidity Coverage Ratio is 100%.



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Dividend

An interim dividend of EUR 0.21 (2017: EUR 0.33) per ordinary share was paid out in September 2018. In view of CACEIS' recommended offer for KAS BANK we have decided not to declare a final dividend for 2018 (2017: EUR 0.31).

Outlook

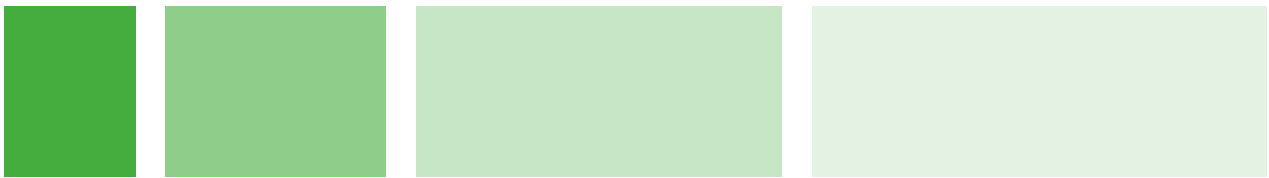
Today we announced that we reached conditional agreement with CACEIS on a public offer for all the shares of KAS BANK. The combination of CACEIS and KAS BANK will provide the operations of KAS BANK with access to critical size in terms of balance sheet, boost KAS BANK's competitive strength and position KAS BANK as the combination's global centre of excellence for pension fund services. CACEIS expects to complete the transaction in the third quarter of 2019 and together we will work towards achieving approvals required to complete the transaction. Reference is made to the separate press release.

Considering our business in 2019 on a standalone basis we will face the impact of the loss in 2018 of some (larger) clients. This will affect our topline significantly and as such also have an influence on our net result development. On top of the cost reduction programme of EUR 20 million that is being executed, we have set an additional cost savings target of EUR 10 million in the period up to and including 2021. Meanwhile we strive to maintain and improve our current position in our custody markets. We will launch several additional new initiatives to strengthen our market position in (investment) administration and regulatory reporting. These additional streams should visibly contribute to operating income from 2020 onwards.

Figures in this press release have not been audited by an external auditor.

Appendices:

- Consolidated income statement
- Consolidated balance sheet



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Profile KAS BANK N.V.

KAS BANK is a European specialist for safekeeping and administration of securities and high-quality risk- and reporting services. We focus on securities services for professional investors in the pensions and securities market.

Our strategy and services are based on clear principles about the role custodians should perform in the financial markets. Integrity, transparency and independence are important values for our bank, as well as a low risk profile.

KAS BANK is located in the Netherlands, the United Kingdom and Germany. We offer access to more than 90 markets worldwide. KAS BANK is listed on Euronext Amsterdam.

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Annex 1: Consolidated income statement

IN MILLIONS OF EUROS	2018	2017
Income		
Net interest result	9.8	12.9
Net commission result	59.5	67.8
Net trading income	19.3	19.8
Result from financial transactions	11.2	3.1
Share of Result of associates	-0.0	0.1
Other income	0.3	0.9
Total operating income	100.1	104.6
Expenses		
Personnel expenses	49.1	48.7
General and administrative expenses	39.2	34.5
Depreciation and amortisation	2.0	1.5
Total operating expenses	90.3	84.7
Impairment losses (recovery)	-0.5	-0.1
Total expenses	89.8	84.6
Result before tax	10.3	20.0
Tax expense	2.0	4.9
Net result for the period	8.3	15.1
Earnings per share		
- basic (in euros)	0.58	1.02
- diluted (in euros)	0.58	1.02

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Annex 2: Consolidated balance sheet

IN MILLIONS OF EUROS	31 December 2018	1 January 2018	31 December 2017
Assets			
Cash and balances with central banks	1.604,8	1.504,0	1.504,0
Loans and advances to banks	345,2	309,0	309,2
Loans and advances to customers	467,0	938,9	938,9
Trading assets	230,5	264,8	264,8
Hedging derivatives	0,0	6,5	6,5
Financial assets at fair value through profit or loss	64,6	59,7	n/a
Financial assets at fair value through other comprehensive income	925,5	1.066,4	n/a
Available-for-sale financial assets	n/a	n/a	1.126,1
Investments in associates	0,1	0,2	0,2
Current tax assets	1,8	1,0	1,0
Property and equipment	2,0	2,0	2,0
Intangible assets	9,6	3,4	3,4
Deferred tax assets	10,0	8,4	8,4
Other assets	109,3	34,7	34,7
Total assets	3.770,4	4.199,0	4.199,2
Equity and liabilities			
Deposits from banks	118,4	172,8	172,8
Deposits from customers	3.149,4	3.455,1	3.455,1
Trading liabilities	229,6	266,2	266,2
Hedging derivatives	1,7	8,5	8,5
Current tax liabilities	0,0	0,2	0,2
Deferred tax liabilities	0,5	8,1	8,1
Other liabilities	53,6	55,2	55,2
Total liabilities	3.553,2	3.966,1	3.966,1
Issued capital	15,7	15,7	15,7
Treasury shares	-21,7	-21,9	-21,9
Share premium	21,6	21,6	21,6
Revaluation reserve	-1,1	16,0	25,1
Other reserves (including net result for the period)	202,7	201,5	192,6
Total equity	217,2	232,9	233,1
Total equity and liabilities	3.770,4	4.199,0	4.199,2
Contingent liabilities	1,3	2,2	2,2
Irrevocable facilities	1,1	12,1	12,1