



# Press release

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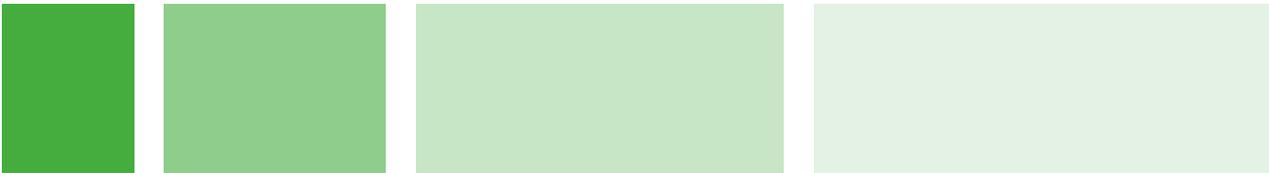
## Progress on strategic transformation

- Net result of EUR 5.1 million (H1 2017: EUR 8.5 million)
- Operating income of EUR 51.8 million (H1 2017: EUR 53.6 million)
- Operating expenses of EUR 45.4 million (H1 2017: EUR 42.4 million)
- Strategic investments accelerated to boost transformation process and cost programme well underway
- Distribution of an interim dividend of EUR 0.21 (interim dividend 2017: EUR 0.33)
- Strong capital ratio (31%) and liquidity coverage ratio (213%)

### Chairman's statement

"We are transforming our organisation into an innovative administration bank and accordingly have accelerated investments. In the first half of 2018, our operating income amounted to EUR 51.8 million, with the operating income level in the second quarter at the same levels we saw in the first quarter. On balance, the impact of consolidation and competition in the pension and insurance segment resulted in a lower number of clients and a decrease of commission income. We have broadened the scope of our services in our international branches. In the UK, we now offer clients a full suite of pension services. In Germany our visibility continues to increase, leading to new client wins. The Pensions-Akademie initiative underlines our commitment to the German pension market. In the Netherlands, we have further developed our ESG proposition and expanded our business with family offices.

We have decided to phase out our investment in a Dutch mortgage fund to avoid volatility in results due to the implementation of IFRS9. In the first half of this year, we sold part of this investment and used the positive investment result to accelerate improvements of our core processes and innovations. These investments include the recently launched robot-overlay service, expected launch of a new client front-end, and improvement in data quality and processes. This led to an increase in operating expenses of 7% to EUR 45.4 million. At the same time, our continued focus on efficiency resulted in a significant decrease in run rates in the last two years. We have implemented several



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new robotics processes and will continue with continuous improvement and robotics initiatives to become more efficient, improve quality and internal control for our clients. Our business is supported by continued high capital and liquidity ratios and a transparent and robust balance sheet.

The world around us is changing rapidly. Clients' needs are changing, and new technologies are on the rise. Regulatory developments pose both challenges and opportunities to our business. Our traditional source of income, custody, is impacted by the unbundling of the value chain and the scale effect of globalisation. On the other hand, we can benefit from the same trends by launching sourcing of investment administration as a new service.

We are running a transformation programme, aimed at improving our financial as well as our operational performance, whilst at the same time broadening our business base through investing in new sources of income. Our change program continues to strengthen our entrepreneurial culture.

Our cost programme is progressing according to plan. Excluding the accelerated strategic investments, our cost levels are coming down in line with the targeted EUR 20 million structural savings by the end of this year. We are now entering the second phase of our transformation programme in which we focus on innovations, further optimising our processes and accelerate investments. In Kas Lab, our 'nursery' for innovations, we use new technologies and focus on new markets to develop additional sources of income to support our growth for the future. Almost a year ahead of planning, we intend to launch the first initiatives in the coming months. We also see opportunities for smaller add-on acquisitions, strengthening our existing business and developing new activities relevant for our clients. Although investments needed for this transformation impact our net profit levels in the coming years, we believe this positions us better for a future as a healthy and innovative administration bank. We have exciting times ahead, but it's also good to see that after 212 years, our purpose remains unchanged. With our transformation well underway, we are confident KAS BANK will continue to "enable prosperity for future generations."

## **Dividend**

We will distribute an interim dividend of EUR 0.21 in cash (interim dividend 2017: EUR 0.33 in cash). Our dividend policy remains unchanged (pay-out ratio: 60-80% of net profit).

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## Outlook

We do not foresee major changes in the macro-economic conditions impacting our results, capital and liquidity ratios in the next half year. Looking ahead, we believe that the second half of 2018 and 2019 will be an exciting period. We will continue our transformation, while fierce competition and consolidation of our client base result in a decrease of our 2019 Assets under Custody and operating income. We will continue our focus on cost control and improvement of processes and also develop new sources of income to adapt ourselves for the future, as we have done since 1806.

## Results

IN MILLIONS OF EUROS	First half of 2018	First half of 2017	change	%
Operating income	51.8	53.6	-1.8	-3%
Operating expenses	-45.4	-42.4	-3.0	7%
Impairment results	0.4	0.2	0.2	100%
Tax expense	-1.7	-2.9	1.2	-41%
<b>Net result for the period</b>	<b>5.1</b>	<b>8.5</b>	<b>-3.4</b>	<b>-40%</b>

We realised a net half year result of EUR 5.1 million (H1 2017: EUR 8.5 million) and a return on equity of 4% (H1 2017: 8%). Lower commission income and interest results were the main reason for this decrease. The main part of the result of the divestment of our investment in a Dutch Mortgage Fund of EUR 5.7 million is invested in strategic and improvement projects (about EUR 3.0 million), overall resulting in a higher cost level.

The positive impairment result in the first half of 2018 mainly relates to a partial reversal of an impaired loan. The impact of IFRS 9 expected loss on performing loans is accounted for in the opening balance.

Tax expense over the first half of 2018 amounts to EUR 1.7 million; the amount is almost equal to the notional rate of 25%.

## Operating income

### Breakdown of income

IN MILLIONS OF EUROS	First half of 2018	First half of 2017	change	%
Net interest result	5.8	7.4	-1.6	-22%
Net commission result	30.0	35.1	-5.1	-15%
Result on investments	15.8	10.8	5.0	46%
Other income	0.2	0.3	-0.1	-33%
<b>Total income</b>	<b>51.8</b>	<b>53.6</b>	<b>-1.8</b>	<b>-3%</b>

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## Interest

### *Breakdown of net interest result*

IN MILLIONS OF EUROS	First half of 2018	First half of 2017	change	%
Loans and deposits	1.1	1.3	-0.2	-15%
Bonds and non-trading derivatives (hedge)	4.7	6.1	-1.4	-23%
<b>Total net interest result</b>	<b>5.8</b>	<b>7.4</b>	<b>-1.6</b>	<b>-22%</b>

Net interest result decreased by 22% to EUR 5.8 million (H1 2017: EUR 7.4 million) mainly due the low interest rates.

## Commission

### *Breakdown of net commission result*

IN MILLIONS OF EUROS	First half of 2018	First half of 2017	change	%
Asset Servicing	16.9	19.8	-2.9	-15%
Transaction Servicing	9.2	10.8	-1.6	-15%
Treasury	3.9	4.5	-0.6	-13%
<b>Total net commission result</b>	<b>30.0</b>	<b>35.1</b>	<b>-5.1</b>	<b>-15%</b>

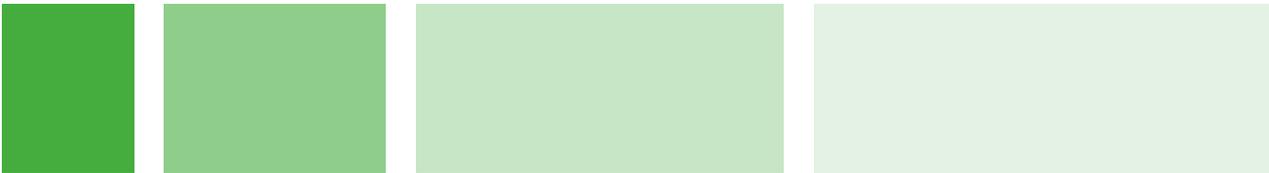
Net commission result decreased by 15% to EUR 30.0 million (H1 2017: EUR 35.1 million). Commission income relating to Asset Servicing decreased by 14% to EUR 16.9 million. The inflow of new clients only partially compensated for the impact of the decrease in Assets under Administration. Average Assets under Administration decreased by EUR 44 billion to EUR 446 billion in the first half of 2018.

## Result on investments

### *Breakdown of result on investments*

IN MILLIONS OF EUROS	First half of 2018	First half of 2017	change	%
Trading - foreign exchange transactions	9.5	8.1	1.4	17%
Trading - securities and derivatives	0.2	0.3	-0.1	-33%
Investments - investment portfolio	6.1	2.4	3.7	154%
<b>Result on investments</b>	<b>15.8</b>	<b>10.8</b>	<b>5.0</b>	<b>46%</b>

Result on investments increased by 46% to EUR 15.8 million (H1 2017: EUR 10.8 million) mainly due to positive FX-results/spreads and an increase of the realized result on the investment portfolio of EUR 3.7 million. The divestment of EUR 150 million (notional) of the investment in a Dutch Mortgage Fund contributed EUR 5.7 million in the first half of 2018. The remaining investment in a Dutch Mortgage Fund amounts to EUR 150 million.



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Increasing spreads between the euro and relevant foreign currencies resulted in a positive development of the FX-results on client transactions during the first half of 2018.

## Operating expenses

### *Breakdown of operating expenses*

<b>IN MILLIONS OF EUROS</b>	<b>First half of 2018</b>	<b>First half of 2017</b>	<b>change</b>	<b>%</b>
Personnel expenses	24.3	23.7	0.6	3%
General and administrative expenses - IT	13.8	11.9	1.9	16%
General and administrative expenses - other	6.5	6.1	0.4	7%
Depreciation and amortisation	0.8	0.7	0.1	14%
<b>Total operating expenses</b>	<b>45.4</b>	<b>42.4</b>	<b>3.0</b>	<b>7%</b>

## Personnel expenses

Personnel expenses increased by 3% to EUR 24.3 million (H1 2017: EUR 23.7 million). The cost of external employees increased (EUR 1.0 million) compared to the first half of 2017 due to investments in strategic and improvement projects. The personnel expenses relating to running the bank have decreased year-on-year. In the first half of 2018 the average number of FTE was 446, compared to an average number of FTE of 490 during the first half of 2017.

## General and administrative expenses, including depreciation and amortisation

General and administrative expenses related to IT increased by 16% to EUR 13.8 million (H1 2017: EUR 11.9 million). Our IT expenditures increased due to the mentioned investments in strategic and improvement projects (EUR 1.5 million) during the first half of 2018, compared to the first half of 2017.

Other general and administrative expenses increased by 7% to EUR 6.5 million (H1 2017: EUR 6.1 million). This line item also includes the contribution to the single resolution fund. Depreciation and amortisation increased slightly to EUR 0.8 million (H1 2017: EUR 0.7 million). This increase is mainly caused by investments in the new office building.

## Tax expenses

Tax expenses are calculated based on the notional tax rate in the Netherlands (25%).

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## Quality of the investment portfolio

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

IN MILLIONS OF EUROS	30 June 2018	Percentage of Portfolio	31 December 2017	Percentage of Portfolio
AAA - AA-	794	74.0%	654	58.1%
A+ - A-	29	2.7%	24	2.1%
BBB+ - BBB-	65	6.1%	70	6.2%
BB+ - BB-	5	0.5%	5	0.4%
<b>Total Bonds (rated)</b>	<b>893</b>	<b>83.3%</b>	<b>753</b>	<b>66.9%</b>
Mortgage Fund (unrated)	165	15.3%	340	30.2%
Shares	15	1.4%	33	2.9%
<b>Total Investments</b>	<b>1,073</b>	<b>100.0%</b>	<b>1,126</b>	<b>100.0%</b>

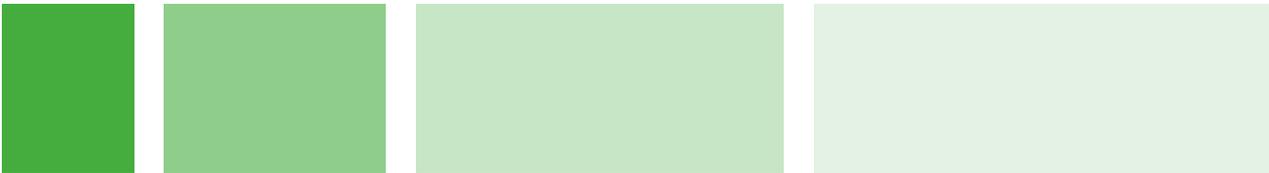
The investment in a Dutch Mortgage Fund consists for a large part (45%) of mortgages guaranteed by the Dutch government (Nationale Hypotheek Garantie, NHG) which is considered as a high credit quality investment. During the first half of 2018 we sold 50% of the investment.

## Solvency

IN MILLIONS OF EUROS	30 June 2018		31 December 2017	
	Carrying amount	Risk-weighted value	Carrying amount	Risk-weighted value
Loans and advances to banks	386.1	30.7	315.4	26.4
Loans and advances to customers	792.0	53.4	932.8	38.7
Trading assets	230.0	17.8	271.3	22.8
Investments securities	1,073.4	197.1	1,126.1	206.7
Other assets	1,913.6	135.4	1,553.6	58.9
<b>Total</b>	<b>4,395.1</b>	<b>434.4</b>	<b>4,199.2</b>	<b>353.5</b>
Off-balance sheet exposure	-	265.5	-	264.9
<b>Total of the risk-weighted items</b>	<b>-</b>	<b>699.9</b>	<b>-</b>	<b>618.4</b>
<b>Capital and ratios</b>	<b>Capital</b>	<b>Ratio</b>	<b>Capital</b>	<b>Ratio</b>
Capital ratio	215.2	31%	218.4	35%

The high capital ratio reflects our low risk profile. Our capital ratio, excluding interim profits, was 31% at the end of June 2018 (31 December 2017: 35%). The December 2017 ratio was relatively high compared to the average. The June 2018 ratio is in line with our average ratio.

As from 2018, the leverage ratio requirements are also applicable to KAS BANK. At 30 June 2018 our leverage ratio amounts to 4.6% (31 December 2017: 4.9%). The minimum level of the leverage ratio is 3%.



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## Liquidity

<b>IN MILLIONS OF EUROS</b>	<b>30 June 2018</b>	<b>31 December 2017</b>	<b>Change</b>	<b>%</b>
High quality liquid assets	2,288	2,150	138	6%
Net cash outflow < 30 days	1,077	971	106	11%
<b>Liquidity coverage ratio</b>	<b>213%</b>	<b>221%</b>	<b>-9%</b>	<b>-4%</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 2018, this ratio is 213% (31 December 2017: 221%). The regulatory minimum of the Liquidity Coverage Ratio is 100%.

## Financial calendar

To further emphasize the long-term view of our business operations, we have decided to discontinue our quarterly trading updates. Our annual results will be published on 7 March 2019. We plan to organize an investor day before the end of the year. The exact date will be announced in the coming weeks.

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



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## 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.

*Disclaimer: Although the information in this press release is drawn up with the utmost precision and in KAS BANK's judgement is a true reproduction of the state of affairs at the time of publication of this release, KAS BANK cannot guarantee that this information is or continues to be correct and/or complete. KAS BANK does not accept any liability for losses as a consequence of the use of, the trust in the information in this release or acting or refraining as a result of the information in this press release. This press release contains information that qualifies, or may qualify as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.*

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## Annex 1: Consolidated income statement

IN THOUSANDS OF EUROS	First half of 2018	First half of 2017
<b>Income</b>		
Interest income from financial assets using the effective interest method	14,963	17,419
Other interest income	94	-
Interest expense	9,285	10,032
<b>Net interest result</b>	<b>5,772</b>	<b>7,387</b>
<b>Commission</b>		
Commission income	37,434	43,080
Commission expense	7,417	7,942
<b>Net commission result</b>	<b>30,017</b>	<b>35,138</b>
<b>Operating income</b>		
Net trading income	9,742	8,301
Result from financial transactions	6,085	2,444
Other income	164	310
<b>Total operating income</b>	<b>51,780</b>	<b>53,580</b>
<b>Expenses</b>		
Personnel expenses	24,291	23,721
General and administrative expenses	20,239	17,998
Depreciation and amortisation	845	662
<b>Total operating expenses</b>	<b>45,375</b>	<b>42,381</b>
Impairments	-379	-182
<b>Total expenses</b>	<b>44,996</b>	<b>42,199</b>
<b>Result before tax</b>	<b>6,784</b>	<b>11,381</b>
Tax expense	1,712	2,881
<b>Net result for the period</b>	<b>5,072</b>	<b>8,500</b>
<b>Earnings per share</b>		
- basic (in euros)	0.34	0.58
- diluted (in euros)	0.34	0.58

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## Annex 2: Consolidated balance sheet

In thousands of euros	30 June 2018	1 January 2018	31 December 2017
<b>Assets</b>			
Cash and balances with central banks	1,704,467	1,504,060	1,504,060
Loans and advances to banks	386,136	315,201	315,358
Loans and advances to customers	792,037	932,753	932,760
Trading assets	226,197	264,783	264,783
Hedging derivatives	3,812	6,455	6,455
Financial assets at fair value through profit or loss	15,507	64,757	n/a
Financial assets at fair value through other comprehensive income	1,057,856	1,061,290	n/a
Available-for-sale financial assets	n/a	n/a	1,126,126
Investments in associates	55	157	157
Current tax assets	3,666	1,027	966
Other assets	189,452	34,756	34,756
Property and equipment	2,033	1,994	1,994
Intangible assets	5,058	3,361	3,361
Deferred tax assets	8,870	8,414	8,414
<b>Total assets</b>	<b>4,395,146</b>	<b>4,199,008</b>	<b>4,199,190</b>
<b>Equity and liabilities</b>			
Deposits from banks	98,426	172,789	172,789
Deposits from customers	3,760,457	3,455,162	3,455,162
Trading liabilities	211,401	266,220	266,220
Hedging derivatives	7,635	8,481	8,481
Current tax liabilities	123	161	161
Other liabilities	87,110	55,187	55,187
Deferred tax liabilities	4,076	8,097	8,097
<b>Total liabilities</b>	<b>4,169,228</b>	<b>3,966,097</b>	<b>3,966,097</b>
Issued capital	15,699	15,699	15,699
Treasury shares	-21,866	-21,866	-21,866
Share premium	21,569	21,569	21,569
Revaluation reserve	8,453	16,587	25,096
Other reserves (including profit for the period)	202,063	200,922	192,594
<b>Total equity</b>	<b>225,918</b>	<b>232,911</b>	<b>233,092</b>
<b>Total equity and liabilities</b>	<b>4,395,146</b>	<b>4,199,008</b>	<b>4,199,190</b>
Contingent liabilities	1,003	2,205	2,205
Irrevocable facilities	13,100	12,147	12,147