

# KAS BANK N.V.

## Report on the first half of 2019



Enabling prosperity  
for future generations

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● **TENDER PERIOD FOR PUBLIC OFFER CACEIS ENDS ON 23RD OF SEPTEMBER 2019**

● **COMPLETION OF THE TRANSACTION EXPECTED IN THE THIRD QUARTER OF 2019**

● **DECREASE OF INCOME RESULTED IN LOWER NET RESULT**

● **OFFER CACEIS ALREADY LEADS TO INCREASED COMMERCIAL MOMENTUM AMONG INSTITUTIONAL INVESTORS**

● **CONTINUED STRONG CAPITAL AND LIQUIDITY RATIOS**

● **NO INTERIM DIVIDEND OVER THE PERIOD (IS INCLUDED IN THE OFFER PRICE)**

#### **CHAIRMAN'S STATEMENT**

"This period marks an important moment in the history of KAS BANK as we concluded that the changing needs of our clients are best served by teaming up with a large and focused industry player, with international presence and a significant balance sheet. On 25 February 2019, this led to the agreement with CACEIS on a recommended public offer in cash for all securities in KAS BANK. On 26 July, CACEIS formally launched the offer.

The Managing Board and Supervisory Board unanimously support and recommend the offer, as we believe being part of CACEIS will be beneficial to our shareholders, our clients and KAS BANK employees. In the past months the preparations for the integration with CACEIS have already started while at the same time we worked hard to maintain high quality service for our clients. Meanwhile we have also seen that the intended transaction led to increased commercial momentum, and we have started discussions with potential clients. However, until CACEIS declares the offer unconditional (expected September/October 2019) we are a standalone organisation and report accordingly.

In 2019 we welcomed several new clients to KAS BANK in the various segments in our three home markets, which we welcomed after losses of (some larger) clients in previous years and the continuing impact of consolidation of the Dutch pension and insurance market. In the Netherlands, growth is generated in several segments like family offices, investment funds and independent asset managers. This change of our profile will provide a better match with the needs of institutional investors. Apart from adding scale and balance sheet power, we can offer them a broader range of services. At the same time we noticed that the offer of CACEIS already leads to increased commercial momentum among institutional investors. This should help us in achieving market leadership across all institutional segments.

In the UK there is an increasing demand for our cost transparency services where we provide insight into all the costs of participating pension schemes. In Germany, we have welcomed several new clients in the Depotbank segment. We see the client wins, the increase of the number of Requests for Proposal and the positive feedback from our (potential) clients as a strong proof that the institutional market recognises the benefits of KAS BANK becoming part of CACEIS. These positive developments form a solid basis for topline recovery in 2020 and beyond.

In H1 2019 our operating net result decreased to EUR 0.6 million. We saw a strong decrease of our topline due to the above-mentioned losses of clients and the divestment in a Dutch Mortgage Fund in 2018. Our operating cost levels have decreased by 10% compared to 2018. Controlling costs remains an important point of attention for the bank. However, performing an integration alongside the business as usual is not possible without additional costs and investments. The integration with CACEIS will have an impact on our cost levels, both structurally and temporarily.

The bank is in one of the most exciting periods of its longstanding history. We look forward to a future as an integral part of CACEIS and becoming CACEIS' global centre of excellence for the pension fund business, where we have many more options to service our (future) clients optimally while maintaining our identity as a local specialist with an eye for all our clients."

## **DIVIDEND**

In view of CACEIS' public offer for KAS BANK no interim dividend for 2019 will be declared (2018: EUR 0.21).

## **STATUS OF THE OFFER OF CACEIS ON ALL SHARES OF KAS BANK**

On 26 July 2019, CACEIS published the offer memorandum setting forth the conditions of the offer. Our position statement was published at the same time and is available on our corporate website ([www.kasbank.com](http://www.kasbank.com)). The offer period, the period in which shareholders can tender their shares under the offer, ends on 23 September 2019. CACEIS has initiated the process of obtaining regulatory approvals. We expect the offer to be completed in September/October 2019.

An Extraordinary General Meeting will be held in Amsterdam on 12 September 2019 to discuss the offer.

## **OUR SHARE PRICE AND OUR SHAREHOLDERS**

Our share price fluctuates around EUR 12.60 per share, approximately EUR 0.15 below the offer price of EUR 12.75. In comparable transactions, the share price has moved towards the offer price as the end of the offer period approaches. From 25 February 2019 daily trading volumes in our shares fluctuate strongly, the average daily trading volume in this period is about 37.000 shares.

In 2019, three new shareholders reported a holding above 3%. This means that now eight



shareholders have a holding of 3% or more. Based on the register of the Dutch regulator, the total holdings of these eight shareholders together is approximately 35%.

## CHANGES IN KAS BANK'S MANAGING BOARD

We announced that Mr. Jaap Witteveen, COO of the Managing Board of KAS BANK, has left the bank on his own initiative effective as of June 2019. Due to the outstanding public offer by CACEIS, the Supervisory Board has decided that the COO duties will for the time being be handled by the remaining members of the Managing Board.

## OUTLOOK

The remainder of 2019 will be impacted by the offer of CACEIS and the subsequent integration of activities.

In light of the envisaged transaction in H2 2019 and subsequent integration no financial outlook is provided for the second half of 2019.

## RESULTS

In millions of euros	First half of 2019	First half of 2018	change	%
Operating income	41.4	51.8	-10.4	-20%
Operating expenses	-40.7	-45.4	4.7	-10%
Impairment results	0.3	0.4	-0.1	-25%
Tax expense	-0.4	-1.7	1.3	-41%
<b>Net operating result for the period</b>	<b>0.6</b>	<b>5.1</b>	<b>-4.5</b>	<b>-88%</b>
Expenses related to the transaction with CACEIS	-1.7	-	-1.7	
Tax expense	0.5	-	0.5	
<b>Net result for the period</b>	<b>-0.6</b>	<b>5.1</b>	<b>-5.7</b>	<b>-112%</b>

We realised a net operating half year result of EUR 0.6 million (H1 2018: EUR 5.1 million). The expenses directly related to the transaction with CACEIS amounted to EUR 1.7 million (gross, H1 2018: nil). These expenses are not part of the net operating half year result. The net half year result including these transaction expenses was EUR 0.6 million negative.

Our operating income decreased by 20% to EUR 41.4 million (H1 2018: 51.8 million). The impact on our topline of the earlier lost clients is visible (EUR 4 million). The topline decrease is further caused by the result of the divestment in a Dutch Mortgage Fund in H1 2018 (EUR 6 million).

Our operating expenses decreased by 10% to EUR 40.8 million (H1 2018: EUR 45.4 million). Part of the decrease (EUR 3 million) concerns the absence of additional investments that were made in H1 2018. The remaining decrease was the result of cost savings. Some cost saving measures were postponed in light of the expected transaction with CACEIS. Several of these savings would not be sensible or less beneficial in light of the envisaged transaction with CACEIS.

In H1 2019 and H1 2018 partial reversals of impaired loans resulted in a positive result on impairments (H1 2019: EUR 0.3 million; H1 2018: EUR 0.4 million).

## Operating income

### Breakdown of income

In millions of euros	First half of 2019	First half of 2018	change	%
Net interest result	5.5	5.8	-0.3	-5%
Net commission result	26.7	30.0	-3.3	-11%
Result on investments	9.0	15.8	-6.8	-43%
Other income	0.2	0.2	-	0%
<b>Total operating income</b>	<b>41.4</b>	<b>51.8</b>	<b>-10.4</b>	<b>-20%</b>

## Interest

### Breakdown of net interest result

In millions of euros	First half of 2019	First half of 2018	change	%
Loans and deposits	2.9	1.8	1.1	61%
Bonds and non-trading derivatives (hedge)	2.6	4.0	-1.4	-35%
<b>Total net interest result</b>	<b>5.5</b>	<b>5.8</b>	<b>-0.3</b>	<b>-5%</b>

Net interest result decreased by 5% to EUR 5.5 million (H1 2018: EUR 5.8 million). The interest result on our investment portfolio decreased with EUR 1.4 million to EUR 2.6 million (H1 2018: EUR 4.0 million). During 2018 we gradually sold the investment in a Dutch mortgage fund. We have temporarily invested the proceeds in cash or bonds with a lower yield pending a new opportunity to reinvest in Dutch mortgages (total investment EUR 250 million).

The interest result on loans and deposits increased with EUR 1.8 million to EUR 2.9 million (H1 2018: EUR 1.1 million) due to improved interest margin and a lower average balance with the Dutch Central Bank.

## Commission

### Breakdown of net commission result

In millions of euros	First half of 2019	First half of 2018	change	%
Asset Servicing	15.2	16.9	-1.7	-10%
Transaction Servicing	8.4	9.2	-0.8	-9%
Treasury	3.1	3.9	-0.8	-21%
<b>Total net commission result</b>	<b>26.7</b>	<b>30.0</b>	<b>-3.3</b>	<b>-11%</b>

Net commission result decreased by 11% to EUR 26.7 million (H1 2018: EUR 30.0 million). The loss of some larger clients (announced in 2018) is the main reason for the declining level of commission income.

## Result on investments

### Breakdown of result on investments

In millions of euros	First half of 2019	First half of 2018	change	%
Trading - foreign exchange transactions	7.6	9.5	-1.9	-20%
Trading - securities and derivatives	0.4	0.2	0.2	100%
Investments - investment portfolio	1.0	6.1	-5.1	-84%
<b>Result on investments</b>	<b>9.0</b>	<b>15.8</b>	<b>-6.8</b>	<b>-43%</b>

Result on investments decreased by 43% to EUR 9.0 million (H1 2018: EUR 15.8 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 part of also EUR 150 million was sold in H2 2018. Lower volumes and spreads resulted in a decrease of the result on client-driven FX-transactions.

## Operating expenses

### Breakdown of operating expenses

In millions of euros	First half of 2019	First half of 2018	change	%
Personnel expenses	22.1	24.3	-2.2	-9%
General and administrative expenses - IT	12.5	13.8	-1.3	-9%
General and administrative expenses - other	4.1	6.5	-2.4	-37%
Depreciation and amortisation	2.0	0.8	1.2	150%
<b>Total operating expenses</b>	<b>40.7</b>	<b>45.4</b>	<b>-4.7</b>	<b>-10%</b>
Expenses related to the transaction with CACEIS	1.7	-	1.7	
<b>Total expenses</b>	<b>42.4</b>	<b>45.4</b>	<b>-3.0</b>	<b>-7%</b>

## Personnel expenses

Personnel expenses decreased by 9% to EUR 22.1 million (H1 2018: EUR 24.3 million). The external staff expenses decreased with EUR 2.0 million to EUR 1.4 million (H1 2018: EUR 3.4 million). A lower average number of FTEs (H1 2019: 431; H1 2018: 446) and slightly higher average personnel expenses per FTE (+2%) resulted in a small decrease of expenses on FTEs with EUR 0.2 million (H1 2019: EUR 20.7 million; H1 2018: EUR 20.9 million). Higher salaries (on average 5%, of which 2.5% was due to a collective salary increase) were partly compensated by lower pension costs and other employee expenses, resulting in the increase in personnel expenses per FTE.

## General and administrative expenses, including depreciation and amortisation

The non-personnel expenses decreased by 12% to EUR 18.6 million (H1 2018: EUR 21.1 million). The main reason for the decrease in costs lies in the lower number of projects in H1 2019 compared to H1 2018. The expenses directly related to the transaction with CACEIS (mainly financial and legal advisors) amounted to EUR 1.7 million (H1 2018: nil).

The implementation of IFRS 16 'Lease accounting' as per 1 January 2019 resulted in transfer of expenses from General and administrative expenses (EUR 1.0 million) to Depreciation and amortisation (EUR 0.8 million) and Interest expenses (EUR 0.2 million).

## Tax expenses

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

## Quality of the investment portfolio

The table below shows the credit rating of the investment portfolio securities. This portfolio comprises the Financial assets at fair value through profit or loss and the Financial assets through other comprehensive income.

In millions of euros	30 June 2019	Percentage of portfolio	31 December 2018	Percentage of portfolio
AAA - AA-	873	89%	821	83%
A+ - A-	38	4%	28	3%
BBB+ - BBB-	50	5%	73	7%
BB+ - BB-	5	0%	5	1%
<b>Total Bonds</b>	<b>966</b>	<b>98%</b>	<b>927</b>	<b>94%</b>
Shares	15	2%	63	6%
<b>Total investments</b>	<b>981</b>	<b>100%</b>	<b>990</b>	<b>100%</b>



The quality of our investment portfolio remains at a high level of credit quality. The main part of the portfolio has a credit rating between AAA and AA-. The decrease in shares is related to the investment in a short-term Money Market Fund.

## Solvency

In millions of euros	30 June 2019		31 December 2018	
	Carrying amount	Risk-weighted value	Carrying amount	Risk-weighted value
Loans and advances to banks and customers	1,039.5	117.5	807.0	61.8
Trading assets	187.4	17.7	230.5	20.5
Investment securities	980.7	178.2	990.1	171.9
Other assets	1,184.9	71.7	1,737.1	80.1
<b>Total</b>	<b>3,392.5</b>	<b>385.1</b>	<b>3,764.7</b>	<b>334.3</b>
Other off-balance sheet exposure		214.6		208.9
<b>Total of the risk-weighted items</b>		<b>599.7</b>		<b>543.2</b>
<b>Capital and ratios</b>	<b>Capital</b>	<b>Ratio</b>	<b>Capital</b>	<b>Ratio</b>
Capital ratio	197	33%	203.2	37%

Our capital ratio at 30 June 2019 was 33% (31 December 2018: 37%) reflecting our strong financial position. The December 2018 ratio was relatively high compared to the average. The June 2019 ratio is in line with our average ratio. Our leverage ratio at 30 June 2019 was 5.7% (31 December 2018: 5.1%). The minimum level of the leverage ratio is 3%.

## Liquidity

IN MILLIONS OF EUROS	30 June 2019	31 December 2018	Change	%
High quality liquid assets	1,584	2,030	-446	-22%
Net cash outflow < 30 days	828	852	-24	-3%
<b>Liquidity coverage ratio</b>	<b>191%</b>	<b>238%</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 2019, this ratio is 191% (31 December 2018: 238%). The regulatory minimum of this ratio is 100%.

## RESPONSIBILITY STATEMENT

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

- The interim financial statements for the period ended 30 June 2019, 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 the consolidated group companies;
- The interim report includes a fair review of information required pursuant to article 5:25d, paragraphs 8 and 9, of the Dutch Financial Supervision Act.

Amsterdam, 4 September 2019

Managing Board

Sikko van Katwijk, Chairman of The Managing Board

Mark Stoffels, Chief Financial & Risk Officer

# **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

In thousands of euros	First half of 2019	First half of 2018
<b>Income</b>		
Interest income from financial assets using the effective interest method	12,350	14,963
Other interest income	118	94
Interest expense	6,946	9,285
<b>Net interest result</b>	<b>5,522</b>	<b>5,772</b>
Commission income	32,856	37,434
Commission expense	6,123	7,417
<b>Net commission result</b>	<b>26,733</b>	<b>30,017</b>
Net trading income	8,030	9,742
Net investment income	966	6,085
Other income	144	164
<b>Total operating income</b>	<b>41,395</b>	<b>51,780</b>
<b>Expenses</b>		
Personnel expenses	22,101	24,291
General and administrative expenses	18,329	20,239
Depreciation and amortisation	2,011	845
<b>Total operating expenses</b>	<b>42,441</b>	<b>45,375</b>
Credit impairment losses	-285	-379
<b>Total expenses</b>	<b>42,156</b>	<b>44,996</b>
<b>Result before tax</b>	<b>-761</b>	<b>6,784</b>
Tax expense	-147	1,712
<b>Net result for the period</b>	<b>-614</b>	<b>5,072</b>
<b>Earnings per share</b>		
- basic (in euros)	-0.04	0.34
- diluted (in euros)	-0.04	0.34

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<b>In thousands of euros</b>	<b>First half of 2019</b>	<b>First half of 2018</b>
<b>Net result for the period</b>		
Net result for the period	-614	5,072
<b>Items that may be reclassified to profit or loss</b>		
Net gains and losses on investments in debt instruments measured at FVOCI	3,900	-4,009
Net gains and losses on financial assets measured at FVOCI reclassified to profit or loss on disposal	-724	-4,514
<b>Items that may be reclassified to profit or loss</b>	<b>3,176</b>	<b>-8,523</b>
<b>Items that will not be reclassified to profit or loss</b>		
Net gains or losses on investments in equity instruments designated at FVOCI	-	389
<b>Items that will not be reclassified to profit or loss</b>	<b>-</b>	<b>389</b>
<b>Other comprehensive income, net of tax</b>	<b>3,176</b>	<b>-8,134</b>
<b>Total comprehensive income, net of tax</b>	<b>2,562</b>	<b>-3,062</b>

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

In thousands of euros	30 June 2019	31 December 2018
<b>Assets</b>		
Cash and balances with central banks	1,085,323	1,604,801
Loans and advances to banks	481,158	345,235
Loans and advances to customers	558,273	461,782
Trading assets	187,372	230,491
Financial assets at fair value through profit or loss	16,617	64,581
Financial assets at fair value through other comprehensive income	964,069	925,515
Investments in associates	135	135
Current tax assets	6,396	1,805
Property and equipment	12,841	2,018
Intangible assets	10,282	9,612
Deferred tax assets	9,998	9,990
Other assets	60,053	108,731
<b>Total assets</b>	<b>3,392,517</b>	<b>3,764,696</b>
<b>Equity and liabilities</b>		
Deposits from banks	134,511	118,375
Deposits from customers	2,768,681	3,143,673
Trading liabilities	197,126	229,595
Hedging derivatives	6,211	1,756
Current tax liabilities	261	-
Deferred tax liabilities	495	495
Other liabilities	65,559	53,691
<b>Total liabilities</b>	<b>3,172,844</b>	<b>3,547,585</b>
Issued capital	15,699	15,699
Treasury shares	-21,670	-21,670
Share premium	21,569	21,569
Revaluation reserve	2,089	-1,087
Other reserves (including net result for the period)	201,986	202,600
<b>Total equity</b>	<b>219,673</b>	<b>217,111</b>
<b>Total equity and liabilities</b>	<b>3,392,517</b>	<b>3,764,696</b>
Contingent liabilities	894	1,327
Irrevocable facilities	2,423	1,100

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



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

In thousands of euros	Issued capital	Treasury shares	Share premium	Revaluation reserve	Other reserves (incl. result for the period)	Total equity
<b>Balance as at 1 January 2018</b>	<b>15,699</b>	<b>-21,866</b>	<b>21,569</b>	<b>25,096</b>	<b>192,594</b>	<b>233,092</b>
Changes on initial application of IFRS 9	-	-	-	-9,086	8,904	-182
<b>Restated balance at 1 January 2018</b>	<b>15,699</b>	<b>-21,866</b>	<b>21,569</b>	<b>16,010</b>	<b>201,498</b>	<b>232,910</b>
Net result for the period	-	-	-	-	8,143	<b>8,143</b>
Other comprehensive income	-	-	-	-16,850	-	<b>-16,850</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-16,850</b>	<b>8,143</b>	<b>-8,707</b>
Dividends	-	-	-	-	-7,356	<b>-7,356</b>
Sale of treasury shares	-	196	-	-	-196	-
Other movements	-	-	-	-247	511	<b>264</b>
<b>Balance as at 31 December 2018</b>	<b>15,699</b>	<b>-21,670</b>	<b>21,569</b>	<b>-1,087</b>	<b>202,600</b>	<b>217,111</b>
Net result for the period	-	-	-	-	-614	<b>-614</b>
Other comprehensive income	-	-	-	3,176	-	<b>3,176</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,176</b>	<b>-614</b>	<b>2,562</b>
<b>Balance as at 30 June 2019</b>	<b>15,699</b>	<b>-21,670</b>	<b>21,569</b>	<b>2,089</b>	<b>201,986</b>	<b>219,673</b>

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

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

<b>In thousands of euros</b>	<b>First half of 2019</b>	<b>First half of 2018</b>
Net result	-614	5,072
Other cash flow from operating activities	-520,791	187,959
Total net cash flow from operating activities	-521,405	193,031
Total net cash flow from investment activities	14,120	42,566
Total net cash flow from financing activities	-	-4,253
<b>Net cash flow</b>	<b>-507,285</b>	<b>231,344</b>
Cash and cash equivalents at 1 January	1,689,536	1,601,333
<b>Cash and cash equivalents at 30 June</b>	<b>1,182,251</b>	<b>1,832,677</b>
<b>Reconciliation of Cash Flow Statement with Balance Sheet Items</b>		
Cash and balances with central banks	1,085,323	1,704,467
Due on demand from banks	96,798	128,210
<b>Cash and cash equivalents at 30 June</b>	<b>1,182,121</b>	<b>1,832,677</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 2019 include the parent company and all its subsidiaries, together referred to as 'KAS BANK'.

The condensed consolidated interim financial statements were approved by the Managing Board on 4 September 2019. These condensed consolidated interim financial statements have been reviewed by an independent auditor. The review report is included on page 22.

#### 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 2018 annual report of KAS BANK. KAS BANK's annual report for 2018 is available on KAS BANK's website.

The condensed consolidated financial statements are presented in euros, which is the functional currency of KAS BANK, rounded to the nearest thousands (unless stated otherwise). Critical accounting estimates and judgements are based on the same assumptions as used for the year ended 31 December 2018. The accounting policies as used in preparing the condensed consolidated interim financial statements are revised as a result of the implementation of IFRS 16 'Lease accounting' as per 1 January 2019. See for more details 'Changes in accounting policies'.

#### Statement of compliance

The condensed consolidated interim financial statements for the period ending 30 June 2019 are presented in accordance with accounting standard IAS 34 'Interim Financial Reporting', as adopted by the European Union.

#### Changes in accounting policies

During the first half of 2019, new EU endorsed standards became effective. The following standards have been adopted by KAS BANK.

##### *IFRS 16 Lease accounting*

KAS BANK has adopted IFRS 16 retrospectively from 1 January 2019 and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing requirements are therefore recognised in the Statement of financial position as per 1 January 2019.

On adoption of IFRS 16, KAS BANK's leases will be recognised in the Statement of financial position with exemptions for short-term leases and leases of low-value assets. KAS BANK, as a lessee, is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment relating to that lease recognised in the balance sheet as at 31 December 2018. The lease liability in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases' are measured at present value of the remaining lease payments, discounted using KAS BANK's incremental borrowing rate as of 1 January 2019.

Set out below, are the carrying amounts of KAS BANK's right-of-use assets and lease liabilities and the movements during the period.

In thousands of euros	Right-of-use assets			Lease liability
	Property	Vehicles	Total	
As at 31 December 2018	-	-	-	-
Additions due to introduction of IFRS 16	11,366	546	11,912	11,912
Depreciation and amortisation	-690	-101	-791	-
Interest expense	-	-	-	127
Payments (cash outflow)	-	-	-	-1,117
<b>Total financial assets as per 30 June 2019</b>	<b>10,676</b>	<b>445</b>	<b>11,121</b>	<b>10,922</b>

*Implemented amendments with non-significant impact on the preparation of the interim-report*

- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19: Plan Amendment Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in Associates and Joint-Ventures
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9: Prepayment Features with Negative Compensation

**New standards, amendments and interpretations not yet effective**

The following amendments to IFRS have been issued by the IASB but are not yet effective or are not endorsed by the EU.

- IFRS 17 Insurance Contracts
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 Business Combinations
- Amendments to IAS 1 and IAS 8: Definition of Material

KAS BANK expects that the implementation of these new or amended standards will not have significant impact on the financial statements after 2019.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Fair value measurement

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, non-significant, 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)

The following table presents the financial instruments carried at fair value, broken down according to the fair value hierarchy.

30 June 2019					
In thousands of euros	Level 1	Level 2	Level 3	Expected Credit Loss	Total
Financial assets at fair value through profit or loss	16,617	-	-	-	16,617
Financial assets at fair value through other comprehensive income	759,425	198,992	5,708	-56	964,069
Trading assets	138,463	48,909	-	-	187,372
Hedging derivatives	-	-	-	-	-
<b>Total financial assets</b>	<b>914,505</b>	<b>247,901</b>	<b>5,708</b>	<b>-56</b>	<b>1,168,058</b>
Trading liabilities	138,463	58,663	-	-	197,126
Hedging derivatives	-	6,211	-	-	6,211
<b>Total financial liabilities</b>	<b>138,463</b>	<b>64,874</b>	<b>-</b>	<b>-</b>	<b>203,337</b>
31 December 2018					
In thousands of euros	Level 1	Level 2	Level 3	Expected Credit Loss	Total
Financial assets at fair value through profit or loss	64,581	-	-	-	64,581
Financial assets at fair value through other comprehensive income	629,873	289,982	5,719	-59	925,515
Trading assets	145,863	84,628	-	-	230,491
Hedging derivatives	-	-	-	-	-
<b>Total financial assets</b>	<b>840,317</b>	<b>374,610</b>	<b>5,719</b>	<b>-59</b>	<b>1,220,587</b>
Trading liabilities	145,351	84,244	-	-	229,595
Hedging derivatives	-	1,756	-	-	1,756
<b>Total financial liabilities</b>	<b>145,351</b>	<b>86,000</b>	<b>-</b>	<b>-</b>	<b>231,351</b>

In June we invested in a Dutch mortgage backed note EUR 105 million. This note is recognised under loans and advances against amortised costs. The fair value of the note as of June 2019 is in line with the amortised cost.

### Reclassifications from level 2

There were no transfers between levels 1 and 2 for recurring fair value measurements during the half year. For transfers in and out of level 3 measurements see table below. KAS BANKs policy is to recognise transfers into and transfers out of fair value hierarchy levels 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:

In thousands of euros	2019 Halfyear	2018 Full year
<b>Position as at 1 January</b>	5,719	351,886
Purchases / (sales) of assets		-339,590
Revaluation recognised in Other Comprehensive Income	-11	-6,577
<b>Level 3 assets at balance date</b>	<b>5,708</b>	<b>5,719</b>

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

The balance sheet items Central banks, due from other banks, loans, reverse repurchase agreements, due to banks, due to customers are valued against amortised costs. The amortised cost approximates the fair value due to their short-term nature and generally negligible credit risk.

### Other liabilities

As at 31 December 2018 the restructuring provision amounted EUR 3.6 million. During 2019 EUR 0.7 million was used. At the end of June 2019, the restructuring provision amounts EUR 3.0 million. The table below shows the changes in the restructuring provision.

In thousands of euros	2019	2018
Balance as at 1 January	3,663	6,448
Used during year	-736	-2,785
<b>Balance as at reporting date</b>	<b>2,927</b>	<b>3,663</b>



## 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 2019</b> <b>IN MILLIONS OF EUROS</b>	<b>Core segments</b>	<b>Treasury</b>	<b>Other</b>	<b>Total</b>
Interest income and expenses	4.3	0.9	0.3	5.5
Commission income and expense:				
- Asset Servicing	14.9	-	0.3	15.2
- Transaction Servicing	7.8	-	0.6	8.4
- Treasury	2.4	0.7	-	3.1
Result on financial transactions and trading income	2.9	6.1	-	9.0
Other income	-	-	0.1	0.1
<b>Total income</b>	<b>32.3</b>	<b>7.7</b>	<b>1.3</b>	<b>41.3</b>
Operating expenses (direct)	-16.5	-0.6	-1.0	-18.1
<b>Contribution</b>	<b>15.8</b>	<b>7.1</b>	<b>0.3</b>	<b>23.2</b>
Operating expenses (other)			-24.0	-24.0
<b>Result for the period before tax</b>				<b>-0.8</b>

<b>First half of 2018</b> <b>IN MILLIONS OF EUROS</b>	<b>Core segments</b>	<b>Treasury</b>	<b>Other</b>	<b>Total</b>
Interest income and expenses	5.5	-0.2	0.5	5.8
Commission income and expense:				
- Asset Servicing	16.5	-	0.4	16.9
- Transaction Servicing	8.8	-	0.4	9.2
- Treasury	3.0	0.7	0.2	3.9
Result on financial transactions and trading income	3.1	12.7	-	15.8
Other income	-	-	0.2	0.2
<b>Total income</b>	<b>36.9</b>	<b>13.2</b>	<b>1.7</b>	<b>51.8</b>
Operating expenses (direct)	-17.6	-0.6	-1.1	-19.3
<b>Contribution</b>	<b>19.3</b>	<b>12.6</b>	<b>0.6</b>	<b>32.5</b>
Operating expenses (other)	-	-	-25.7	-25.7
<b>Result for the period before tax</b>				<b>6.8</b>

## Dividend

At the General Meeting of Shareholders of 24 April 2019, it was approved not to distribute a final dividend for 2018.

## Companies acquired and divested

In the first half year of 2019 we did not acquire any company. We have finalised the liquidation of most of our non-operating subsidiaries and sold one at book value. These liquidations had no financial impact. The liquidation of KAS Securities Ltd is in progress and will be finalised before the end of 2019. We expect to have only two subsidiaries by the end of 2019: KAS Trust & Depositary Services B.V. and KAS Nominees Ltd.

### **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 2018 of KAS BANK.

### **Subsequent events**

There are no subsequent events that have an impact on the statement of financial position and/or the results for the first half of 2019 or the comparative figures.

Amsterdam, 4 September 2019

Managing Board

Sikko van Katwijk, Chairman of the Managing Board

Mark Stoffels, Chief Financial & Risk Officer

## **REPORT OF THE INDEPENDENT AUDITOR – REVIEW REPORT**

### **Introduction**

We have reviewed the accompanying condensed consolidated interim financial statements for the six-month period ended 30 June 2019 of KAS BANK N.V. Amsterdam, which comprises the consolidated balance sheet as at 30 June 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and 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 this 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 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 or the six-month period ended 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 4 September 2019

PricewaterhouseCoopers Accountants N.V.

Original has been signed by C.C.J. Segers RA

# Disclaimer

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