

6 September 2011

## KAS BANK

## Declining earnings growth pattern slows down

FINANCIAL SERVICES  
NETHERLANDSCURRENT PRICE € 8.50  
TARGET PRICE € 12.50ACCUMULATE  
RATING UPGRADED

Performance over	1M	3M	12M
Absolute	-6%	-25%	-28%
Rel. AEX	2%	-8%	-14%
12m Hi/Lo	€ 12.73/8.41		
Bloomberg	KA NA		
Reuters	KASNC.AS		
Market Cap	€ 133m		
Next corporate event			
Payment dividend IN11: 8 September 2011			
www.kasbank.com			

FY/e 31.12	2010	2011E	2012E	2013E
NBI (€ m)	117	113	118	122
GOP (€ m)	20	21	30	36
Net profit (€ m)	18	17	25	30
Diluted, adjusted EPS	0.81	0.81	0.90	1.19
DPS (€)	0.73	0.73	0.80	0.90
P/E (x)	15.5	10.5	9.4	7.1
P/BV (x)	1.1	0.7	0.6	0.5
P/ANAV (x)	1.0	0.6	0.6	0.5
Yield	5.8%	8.6%	9.4%	10.6%

Source: KBC Securities

Kas Bank reported a 1H11 net profit of € 10.0m (-8.7%) which fell short of our forecast € 11.8m. Kas Bank will pay an interim dividend of € 0.33 per share ex-dividend on 29 August and payable on 8 September. The share price decline and the first signs of top line growth (interest income, asset servicing fees) picking up prompt us to upgrade Kas Bank to Accumulate (from Reduce) with an unchanged target of € 12.50.

## 1H11 MAIN ITEMS

- **Revenues declined by 3.4%** to € 60.8m as higher net interest income (+10.5%) was more than offset by lower net commissions (-2.3%) and results from investments (-16.9%).
- **Costs declined by 1.5%** mainly due to a reduction in external staff which resulted in a 5.0% decline in staff costs. Impairments stood at a positive € 0.6m, due to some write-back of impairments that were recorded in 2008.
- **Solvency remained very strong** with a Tier 1 ratio of 20% and a BIS ratio of 22%. Total Assets under Administration declined by 2.6% year-to-date to € 264bn.
- **Since 2009, KAS BANK has seen its earnings decline for every single reporting period** due to a top-line that suffered from the negative impact on income from lower stock lending (short selling ban and market doesn't pick up fast enough) and lower interest income (counterparties can obtain cheaper funding with ECB). 1H11 earnings seem to indicate a recovery at some of the income lines whereas cost measures taken have resulted in a continued decline in operating costs. Under the assumption that Kas Bank will maintain its dividend unchanged (temporary increase in pay out) the dividend yield is also very attractive.

## ANALYSTS

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