Report on the first half year of 2008

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COMMITTED SINCE 1806

Content

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Chairman's statement

"Given the difficult market conditions, KAS BANK performed well in the first half of 2008," says Albert Röell, chairman of the bank's Managing Board. "Our market position in our core markets has improved and the bank's risk profile has stayed low. This is reflected, for example, in our high BIS ratio of 16%, which is the product of our risk-averse approach and our strong balance sheet. The slightly lower operating profit compared with the first half of 2007 is due to the effects of lower market prices and a lower level of client activity in response to the unsettled financial markets. Expenses turned out in line with expectations.

KAS BANK has focused exclusively on wholesale securities services for corporate and institutional clients since 2007. That focus and our independent position are a guarantee of neutrality and avoid conflicts of interest such as settling transactions for broker/dealers while trading oneself or measuring investment results for pension funds while investing oneself. The acquisition of Delta Lloyd Investment Managers GmbH in Germany, which was completed in July, is entirely consistent with that strategic focus and strengthens our independent position in Europe."

Results

Excluding exceptional items, operating profit was 7% lower at € 14.5 million (H1 2007: € 15.6 million). Despite the market turbulence, reduced transaction volumes and lower market prices, rising interest income coupled with stable commission income resulted in 6% higher operating income. In line with expectations, operating expenses were 11% higher in the first half of 2008, reflecting the investment in IT, product development and improving the quality of the bank's services, but were 6% lower than in the second half of 2007.

Profit after taxation, including exceptional items, in the first half of 2008 amounted to € 9.4 million (H1 2007: € 42.3 million). An exceptional item in the first half of 2008 was an impairment loss on the shareholding in NYSE/Euronext, which reduced total profit by € 5.0 million (H1 2007: € 13.0 million positive effect on profit of exceptional item). The market value of the other shares in the available-for-sale investment portfolio is well above the historical cost.

After careful assessment, it has been established that, apart from the impairment in respect of the NYSE/Euronext shareholding, there are no other impairment losses on shares or bonds.
KAS BANK has no material positions in high-risk bonds such as CDO and MBS investments.

The ratings (according to Moody's) of the bonds and money market paper in the available-for-sale investment portfolio are as follows:

In millions of euros	30 June 2008	Percentage of portfolio	31 Dec. 2007	Percentage of portfolio
Aaa - Aa3	569	68%	870	63%
A1 - A3	35	4%	21	2%
Baa1 - Baa3	9	1%	10	1%
P1 - P2	193	23%	425	31%
Shares	31	4%	43	3%
Total available-for-sale investments	837	100%	1,369	100%

The decrease of almost 40% in the portfolio of available-for-sale investments compared with year-end 2007 is mainly due to liquidated investments having been reinvested on very short interest terms to take advantage of high short-term interest rates and improve the bank's liquidity.

Excluding exceptional items, the return on equity in the first half of 2008 was 13% (H1 2007: 16%) and the efficiency ratio was 73% (H1 2007: 69%). For 2007 as a whole, again excluding exceptional items, the return on equity and the efficiency ratio were 12% and 76%, respectively. Thanks to KAS BANK's strong focus on risk management and its success in maintaining a low risk profile, its capital adequacy ratio remained relatively high in the first half of 2008, at an average of 14% based on the Basel 2 rules which came into effect in 2008 (H1 2007 under Basel 1: average 15%). As at 30 June 2008, the BIS ratio stood at 16%, which was 2% higher than the BIS ratio under Basel 2 as at year-end 2007 (14%) and well above the target of 12.5%.

Interim dividend

With the approval of the Supervisory Board, it has been decided as in the past to distribute an interim dividend of € 0.45 (H1 2007: € 0.45) per KAS BANK ordinary share, to be paid in cash.

Income

Total income, excluding exceptional items, was 6% higher in the first half of 2008 at € 71.0 million (H1 2007: € 67.3 million).

Compared with the first half of 2007, interest income was up 43% at € 13.2 million (H1 2007: € 9.2 million), mainly due to the considerable growth in funds entrusted and the improvement in the interest margin.

Commission income increased marginally to € 49.4 million (H1 2007: € 49.2 million). Commission income is analysed in the table below.

In millions of euros	First half 2008	First half 2007	Change	%
Custody en Investment Management Services	14.0	16.3	-2.3	-14%
Clearing en Settlement	19.6	21.1	-1.5	-7%
Securities lending	13.0	8.6	4.4	51%
Other	2.8	3.2	-0.4	-13%
Total	49.4	49.2	0.2	1%

The reduction in income from custody and investment management services was mainly due to lower custody fee income, reflecting the decrease in the value of the assets in custody due to lower market prices.

Income from clearing and settlement was 7% lower at € 19.6 million, reflecting the lower transaction volumes.

Income from securities lending increased sharply by € 4.4 million (51%) to € 13.0 million. As in past years, securities lending activity peaked in the second quarter.

Other commission income was down € 0.4 million, chiefly because this item in 2007 included the first-quarter private banking income.

Excluding exceptional items, trading and investment income was modestly lower, down € 0.3 million to € 8.2 million (H1 2007: € 8.5 million). The trading results last year included an exceptional item of € 16.3 million in respect of the conversion of Euronext shares to NYSE/Euronext shares.

Other income for the first half of 2007 included the proceeds of € 22.2 million from the transfer of the private banking operations.

Expenses

Total expenses, excluding exceptional items, were 11% higher at € 51.6 million (H1 2007: € 46.4 million). Operating expenses in the first half of 2008 were 6% lower than in the second half of last year (H2 2007: € 55.1 million).
Staff costs, excluding exceptional items, rose 17% to € 34.4 million (H1 2007: € 29.5 million), reflecting the increase in staffing levels in connection with the investments in IT, product development and raising the quality of the services.

Other administrative expenses were up 13% at € 13.6 million (H1 2007: € 12.0 million), mainly due to higher IT costs.

Depreciation expenses were € 1.3 million lower at € 3.6 million (H1 2007: € 4.9 million). This was related to some extent to the increase in IT expenses because, given the nature of the new contracts that have been entered into, more of the software costs are accounted for as IT expenses instead of depreciation expenses.

An impairment loss of € 3.2 million in respect of immovable property was recognised in the first half of 2007.

KAS Investment Servicing

As previously announced, KAS BANK acquired Delta Lloyd Investment Managers GmbH in Wiesbaden (Germany) on 1 July 2008. This acquisition will help to advance KAS BANK's growth strategy in Western Europe. Under the name 'KAS Investment Servicing GmbH', this new KAS BANK subsidiary will provide fund accounting services for institutional investors, pension funds and insurance companies, together with a comprehensive range of risk management and reporting services. The cost of this acquisition, including related expenses, was € 19 million. The new entity has equity of approximately € 6 million. KAS Investment Servicing's results will be included in KAS BANK's consolidation as from July 2008.

Outlook

One effect of the unsettled climate that has prevailed since 2007 on the financial markets is to increase liquidity and credit risk for the bank's investments. If this trend continues, it may result in additional impairment losses in the second half of 2008. In view of this uncertainty, the Managing Board prefers not to give a forecast of the full-year results for 2008.

Consolidated income statement

In thousands of euros	Total	Result exceptional items	Operational result	Total	Result exceptional items	Operational result
	first half 2008	first half 2008	first half 2008	first half 2007	first half 2007	first half 2007
Income						
Interest income	136,087	0	136,087	116,955	0	116,955
Interest expense	122,879	0	122,879	107,804	0	107,804
Net interest	13,208	0	13,208	9,151	0	9,151
Commission income	58,616	0	58,616	58,130	0	58,130
Commission expense	9,181	0	9,181	8,962	0	8,962
Net commission	49,435	0	49,435	49,168	0	49,168
Trading income	7,612	0	7,612	8,423	0	8,423
Available-for-sale income	621	0	621	16,377	16,251	126
Trading/ AFS income	8,233	0	8,233	24,800	16,251	8,549
Other income	113	0	113	22,635	22,228	407
Total income	**70,989**	**0**	**70,989**	**105,754**	**38,479**	**67,275**
Operating expenses						
Staff expenses	34,382	0	34,382	30,161	700	29,461
Other administrative expenses	13,551	0	13,551	11,994	0	11,994
Depreciation expenses	3,630	0	3,630	4,944	0	4,944
Operational operating expenses	51,563	0	51,563	47,099	700	46,399
Impairment losses	6,758	6,758	0	3,202	3,202	0
Total expenses	**58,321**	**6,758**	**51,563**	**50,301**	**3,902**	**46,399**
Profit before tax expense	**12,668**	**-6,758**	**19,426**	**55,453**	**34,577**	**20,876**
Tax expense	3,250	-1,723	4,973	13,200	7,900	5,300
Profit for the period attributable to equity holders of the bank	**9,418**	**-5,035**	**14,453**	**42,253**	**26,677**	**15,576**
Earnings per share						
- basic (in euros)	**0.63**		**0.97**	**2.83**		**1.04**
- diluted (in euros)	**0.63**		**0.96**	**2.81**		**1.04**

Consolidated statement of recognised income and expense

In thousands of euros	First half 2008	First half 2007
Revaluation of available-for-sale investments	-20,694	-24,298
Change in tax assets and liabilities	5,277	5,385
Income and expense recognised directly in equity	-15,417	-18,913
Profit for the period attributable to equity holders of the bank	9,418	42,253
Total recognised income and expense attributable to equity holders of the bank	-5,999	23,340

Consolidated balance sheet

In thousands of euros	30 June 2008	31 December 2007
Assets		
Cash and deposits at the central bank	1,105,106	936,146
Banks	1,948,198	2,023,207
Loans and advances	2,383,394	2,353,276
Reverse repurchase agreements	1,670,164	1,402,608
Derivative financial instruments	89,900	169,273
Investments held-for-trading	700	0
Available-for-sale investments	836,670	1,369,324
Property and equipment	50,594	51,439
Intangible assets	7,172	6,744
Deferred tax assets	3,116	8,736
Current tax assets	17,474	9,805
Other assets	35,573	27,521
Prepayments and accrued income	26,137	13,716
Total assets	**8,174,198**	**8,371,795**
Equity and Liabilities		
Banks	1,914,537	1,981,458
Funds entrusted	5,900,193	5,862,940
Derivative financial instruments	77,593	152,326
Deferred tax liabilities	9,917	12,446
Current tax liabilities	1,233	2,507
Other liabilities	25,694	54,540
Accruals and deferred income	30,367	32,160
Employee benefits	2,804	7,137
Subordinated liabilities	0	11,344
Total liabilities	7,962,338	8,116,858
Issued share capital	15,699	15,699
Treasury shares	-19,817	-14,675
Share premium	21,569	21,569
Revaluation reserve	3,473	18,890
Other reserves	181,518	169,582
Unappropriated profit	9,418	43,872
Total equity attributable to equity holders of the bank	211,860	254,937
Total equity and liabilities	**8,174,198**	**8,371,795**
Contingent liabilities	91,367	140,908

Consolidated cash flow statement

In thousands of euros	First half 2008	First half 2007
Profit for the period attributable to equity holders of the bank	9,418	42,253
Other cash flows from operating activities	163,603	801,732
Cash flow from investing activities	258,383	-142,149
Cash flow from financing activities	-50,239	-13,753
Net cash flow	381,165	688,083
Cash and cash equivalents at the beginning of the year	2,555,281	578,440
Cash and cash equivalents at the end of the semiannual year	2,936,446	1,266,523

Notes to the consolidated financial statements

General

KAS BANK N.V. has its registered office in Amsterdam, Netherlands. The company's condensed consolidated interim figures for the period ending 30 June 2008 include the company and all its group companies, together referred to as 'KAS BANK'.

Statement of compliance

The condensed consolidated interim figures of KAS BANK have been prepared in accordance with the International Financial Reporting Standard (IFRS) IAS 34 'Interim Financial Reporting', as adopted within the European Union. This means that not all information is stated, as is required for a full consolidated annual report. The interim figures must therefore be read in the context of the consolidated annual accounts of 2007.

Presentation

For the consolidated interim figures, the same accounting principles have been used as for the annual account of 2007. These principles have been included in the annual accounts of 2007, which have been posted on the company's website (www.kasbank.com).

In preparing the interim figures, the management is required to form judgments and make estimates and assumptions which affect the items presented in the balance sheet and explanatory notes and the items presented in the income statement for the reporting period. Although these estimates are based on past experience and take into account the latest developments, the reality may differ.

In preparing the summary of the consolidated interim figures, the same assumptions were used with regard to significant estimates as in preparing the consolidated annual accounts of 2007.

Notes to the consolidated income statement on the first half year of 2008

Impairment losses

The result for the first half of 2008 includes an impairment loss of € 6.8 million in respect of the NYSE/Euronext shares. There was an impairment loss of € 3.2 million in respect of immovable property in the first half of 2007.

Pension schemes

As there have been no significant changes to the pension schemes or the market conditions, KAS BANK has not revised the pension commitments.

Profit segmentation

The main target groups for KAS BANK's specialised services and products are Institutional Investors and Financial Institutions.

Services are available to all client categories, for which often the same information systems and operational departments are used. As a result, the distribution of material fixed assets and related liabilities is impossible. It is however, possible to attribute financial fixed assets and liabilities, in the balance sheet, to the various client groups.

KAS BANK has Dutch, European and other international clients. Support is provided to these clients from London, Amsterdam, Frankfurt and Wiesbaden. The London office serves the UK market and many of the international clients. Processing is mainly carried out on the IT systems in Amsterdam.

Client segmentation

In millions of euros	Financial Institutions[1]	Institutional Investors	Other[2]	Total
First half year 2008				
Income	23.3	41.2	6.5	71.0
Direct costs	-16.4	-19.6	-3.2	-39.2
Net revenue	6.9	21.6	3.3	31.8
Unattributable expenses				-12.3
Exceptional items				-6.8
Profit before tax expense				12.7
Segment assets	1,527	2,052	4,595	8,174
Segment liabilities	2,753	4,950	471	8,174
First half 2007				
Income	28.6	34.4	4.3	67.3
Direct costs	-16.4	-16.5	-2.4	-35.3
Net revenue	12.2	17.9	1.9	32.0
Unattributable expenses				-11.1
Exceptional items				34.6
Profit before tax expense				55.5
Segment assets	1,304	2,503	4,139	7,946
Segment liabilities	2,180	5,031	735	7,946

[1] Including Private Banking

[2] Other mainly refers to treasury activities

Geographical segmentation of income

In millions of euros	First half year 2008	First half year 2007
Europe	66.1	61.8
Other	4.9	5.5
Total	71.0	67.3

Recognised income and expense

The total recognised income and expense includes all movements in the shareholders' equity attributable to KAS BANK shareholders during the reporting period, with the exception of dividends paid to shareholders.

The revaluation of available-for-sale investments mainly comprises revaluations of (listed) bonds and shares.

Risk management

Apart from intensified monitoring of counterparty risks and the quality of the collateral lodged with the bank, the risk management policy and structure in the first half of 2008 have been continued in conformity with that described in the 2007 annual report.

Given the highly liquid nature of the balance sheet, the bank's liquidity risk is low. The composition of the balance sheet means that KAS BANK is experiencing very little difficulty in raising funds in the current credit and liquidity crisis.

Review report

To the Managing Board and Supervisory Board of KAS BANK N.V.

Introduction

We have reviewed the (condensed) consolidated interim figures comprising the balance sheet at 30 June 2008, the income statement, the statement of recognised income and expense and the cash flow statement for the six months period ended 30 June 2008 included in this report on the first half year of 2008 of KAS BANK N.V. established in Amsterdam. The company's Managing Board is responsible for preparation and fair presentation of the interim figures in accordance with IAS 34 'Interim Financial Reporting', as adopted within the European Union. Our responsibility is to issue a conclusion on these interim figures 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 Auditor of the Entity'. 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 (condensed) consolidated interim figures for the six months period ended 30 June 2008 have not, in all respects of material significance, been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted within the European Union.

Amstelveen, 27 August 2008

KPMG ACCOUNTANTS N.V.

D. Korf