KAS BANK
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2008 FULL-YEAR FIGURES: STRONG BIS RATIO DESPITE IMPAIRMENT LOSSES

- **Profit excluding exceptional items down 20% at €18.8 million (2007: €23.6 million); operating performance as expected in very difficult market conditions**
- **Net profit €39.9 million negative, reflecting impairment losses**
- **BIS ratio increases to 18% as at 31 December 2008 (year-end 2007: 14%), with Tier 1 capital of 15% (year-end 2007: 13%)**

Key figures

	2008	2007	change
Operating profit	€18.8 million	€23.6 million	-20%
Net profit	- €39.9 million	€50.9 million	
Operating profit per share	€1.27	€1.58	-20%
Net profit per share	- €2.70	€3.41	
Dividend per share	€0.45	€2.60	-83%
BIS ratio (year-end)	18%	14%	

2008 was an exceptional year. KAS BANK was not immune to the effects of the credit crunch that have spread rapidly throughout the financial world since mid-2008. Although the bank trades to only a limited extent on its own account and does not act as asset manager for third parties, it was affected as counterparty by the collapse of several banks, most notably that of Lehman. The danger was that, because of the stock-market volatility, the value of collateral in the form of securities was no longer sufficient to cover the open positions. KAS BANK clients, however, suffered no loss as a result of the insolvency of its counterparties.

Outlook

The continuing unrest on the financial markets may translate into greater investment risk and, if the financial markets deteriorate further, may lead to additional impairment losses.

The current recession may impact in particular on income from custody, securities lending and clearing/settlement. In the light of these uncertainties, the Managing Board prefers not to give a firm profit forecast.

Chairman's statement

'Despite everything, KAS BANK posted a reasonable operating profit in 2008. While we of course feel responsible for the losses that have occurred, we note that our core services performed well under pressure and that KAS BANK still enjoys its clients' full confidence,' says Albert Röell, chairman of the bank's Managing Board. 'By reducing our balance sheet, we have limited the risks as far as possible and maintained an excellent solvency and liquidity position throughout the year. With a Tier 1 ratio of 15% and a BIS ratio of 18%, KAS BANK is among the most solvent banks in the market. That reflects our endeavour to maintain a low risk profile and our refusal to take unnecessary risks at the expense of our clients.'

Financial targets

The financial targets and the actual results achieved are shown below.

	Target	2008 excl. exceptionals	2007 excl. exceptionals
Growth in non-interest income	**≥10%**	-8%	15%
Efficiency ratio	**70-77%**	81%	76%
Return on equity*	**5–8 points over 10-year interest rate**	9%	12%
Growth in earnings per share	**>8%**	-20%	22%
Dividend payout**	**60-80%**		76%
BIS ratio (average)	**Basel I ≥15%** **Basel II ≥12.5%**	15%	16%

* Based on the average long-term interest rate in 2008 (4.25%), this equates to a minimum return of 9.25%.

** Dividend payout based on unadjusted net profit.

The credit crunch prevented KAS BANK meeting its financial targets, except for the capital adequacy target. In 2009, instead of a target for growth in non-interest income, the target will be to grow revenue at least 3 percentage points faster than expenses, which will benefit profit.

The targets for efficiency ratio, RoE, BIS ratio, growth in earnings per share and dividend pay-out will remain unchanged for the time being.

Dividend proposal

An interim dividend of €0.45 already having been distributed, it will be proposed to the general meeting of shareholders that no further dividend be paid in respect of 2008.

Operating results

Excluding exceptional items, operating profit in 2008 was down 20% at €18.8 million (2007: €23.6 million). Despite the market turbulence and lower stock market prices, income was only fractionally lower, down €1 million at €132.3 million (2007: €133.2 million). Lower commission income was offset by higher interest income.

Operating expenses were 5.7% higher, in line with expectations, due to investments in IT, product development and quality of service. Compared with the second half of 2007, operating expenses in the second half of 2008 were 1.2% higher.

The negative effect on net profit for 2008 of impairment losses on loans, including Lehman and a Madoff-related investment, bonds and equities in the available-for-sale investment portfolio, goodwill and two exceptional charges, amounted to €58.7 million, reducing the net profit for 2008 including exceptional items to €39.9 million negative. This compares with a net profit in 2007 of €50.9 million, including the €27.4 million positive effect of exceptional items.

Bonds, money market paper and equities in the available-for-sale investment portfolio are analysed by rating (Moody's) as follows:

Available-for-sale investments	2008	%	2007	%
(in millions of euros)				
P1–P2	100	15%	425	31%
Aaa–Aa3*	510	75%	870	63%
A1–A3*	34	5%	21	2%
Baa1–Baa3	10	1%	11	1%
Equities	28	4%	42	3%
	682	100%	1,369	100%

** including approx. €10 million in Tier 1 instruments*

The 50% decrease in the available-for-sale investment portfolio compared with year-end 2007 is mainly due to liquidated investments being reinvested on very short (interest) terms to improve the bank's liquidity.

Income

Compared with 2007, interest income was 33% higher at €28.9 million (2007: €21.6 million), reflecting a wider interest margin on virtually stable client volumes.

Commission income was down 4.5% at €89.2 million (2007: €93.4 million). Commission income is analysed in the table below.

Commission income	2008	2007	change	%
(in millions of euros)				
Custody and investment management services	28.7	32.8	-4.1	-13%
Clearing and settlement	37.6	39.4	-1.8	-5%
Securities lending	17.2	15.5	1.7	11%
Other	5.7	5.7	0.0	0%
				–-
Total	89.2	93.4	-4.2	-5%

The 13% decrease in custody and investment management services income to €28.7 million (2007: €32.8 million) reflects the lower stock market prices.

Commission income from clearing and settlement in 2008 was down 5% at €37.6 million (2007: €39.4 million), due to lower transaction volumes especially in derivatives.

Income from securities lending was 11% higher at €17.2 million (2007: €15.5 million), largely the product of better margins. With market conditions deteriorating, however, income from securities lending was down in the fourth quarter of 2008.

Other commission income, at €5.7 million, showed little change despite the loss of commission income from private banking from the second quarter of 2007.

Operating results on trading and investments were 19% lower at €13.5 million (2007: €16.6 million). These results relate mainly to transactions in which KAS BANK acts as clients' counterparty.

Trading and investments (in millions of euros)	2008	2007	change	%
Trading – foreign-exchange transactions	12.1	15.3	-3.2	-21%
Trading – securities and derivatives	-0.3	0.8	-1.1	-
Investments – investment portfolio	1.8	0.5	1.3	-
Total	13.6	16.6	-3.0	-19%

The foreign-exchange trading result was 21% lower at €12.1 million (2007: €15.3 million), mainly due to lower transaction volumes.

Expenses

Operating expenses (in millions of euros)	2008	2007	Change	%
Staff costs	70.1	62.6	7.5	12%
Premises	3.6	3.2	0.4	13%
IT costs	16.1	13.6	2.5	18%
General overheads	9.6	13.0	-3.4	-26%
Depreciation/amortisation	7.9	9.1	-1.2	-13%
Total	107.3	101.5	5.8	6%

Staff costs were 12% higher in 2008 at €70.1 million (2007: €62.6 million), mainly due to the higher staff numbers in the first half of 2008 in connection with the investment in quality of service and product development. Much of the increase in staff costs relates to higher usage of temporary staff.

Most of the increase in premises costs reflects higher costs in Germany.
The higher IT costs relate to investments in improving quality and raising the efficiency of a number of processes.

General overheads were down €3.4 million at €9.6 million (2007: €13.0 million), due to lower consultancy fees and lower costs relating to processing losses.

Part of the €1.2 million decrease in depreciation/amortisation in 2008 was related to the higher 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 amortisation.

Exceptional income and expenses

The result in 2008 was depressed by impairment losses, the total negative effect of which amounted to €58.7 million (€77.0 million gross). Exceptional income and expenses had a positive effect on net profit of €27.4 million (€35.5 million gross) in 2007.

The effect of impairment losses on 2008 net profit amounted to €26.3 million. These included receivables from Lehman, for which the recovery rate has been further reduced, and an (indirect) Madoff-related investment. The effect on net profit of impairment losses on equities, including a further fall in the NYSE/Euronext share price, amounted to €8.2 million. The effect on net profit of impairment losses on bonds in the available-for-sale investment portfolio amounted to €16.3 million, of which €5.7 million relates to Lehman. There were also impairment losses on five long-term (perpetual) bonds issued by 'investment-grade' banks in the financial sector.

The 50% write-down of goodwill, amounting to €5.2 million, relates to KAS Investment Servicing GmbH and was necessary in view of the changed market conditions. The effect on pre-tax and net profit is the same.

Other exceptional items had a negative effect on net profit in 2008 amounting €2,7 million.

In 2007, the proceeds from the transfer of the private banking activities, recognised in other income, accounted for most of the exceptional items of €35.5 million gross.

Capital adequacy

Capital adequacy is determined by comparing the risk-weighted assets (and off-balance-sheet items) with actual own funds. The percentage given by this calculation is the BIS ratio. Actual own funds are made up of the core capital (Tier 1 capital) and the supplementary capital (Tier 2 capital). In 2008, the BIS ratio based on Basel II averaged 15% (2007: 16% on average, based on Basel I). As at year-end 2008, the BIS ratio was 18% (year-end 2007:14%) and the Tier 1 ratio was 15% (year-end 2007:13%).

The figures presented in this press release have not been examined by the external auditors.

Profile of KAS BANK N.V.

KAS BANK is an independent European specialist provider of wholesale securities services, linking professional financial players in Europe and beyond.

Our focus is on added-value services for Dutch and foreign players in the world of pensions and finance, working from our clients' market perspective. Custom-tailored services and transparency are our key attributes.

Annexes:

- Consolidated balance sheet
- Consolidated income statement