



# Press release

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## Strong operational result FY2017

- Net operational result of EUR 16.5 million (FY2016: EUR 8.2 million). Total net result of EUR 15.1 million (FY2016: EUR 14.9 million).
- Operating expenses decreased 14% and operating income remained nearly stable with a minor decrease of 1%.
- Important steps taken in the transformation of the company.
- Average capital ratio (33%) and liquidity coverage ratio (215%) remain at a high level.
- Fitch Ratings reconfirmed our A- rating with stable outlook.
- Dividend of EUR 0.64, in line with prior years, resulting in a dividend yield of 6.4% (2016: 7.6%).

### Key figures

IN EUR	2017	2016	CHANGE
<b>Net result</b>	15.1 million	14.9 million	1%
<b>Net operational result<sup>1</sup></b>	16.5 million	8.2 million	101%
<b>Operating income</b>	104.6 million	106.0 million	-1%
<b>Operating expenses</b>	82.8 million	95.8 million	-14%
<b>Efficiency ratio</b>	81%	85%	
<b>Return on equity</b>	6.8%	7.2%	
<b>Assets under Administration</b>	490 billion	504 billion	-3%
<b>Earnings per share</b>	1.02	1.01	1%
<b>Dividend per share</b>	0.64	0.64	
<b>Capital ratio (average)</b>	33%	26%	

<sup>1</sup> Net operational result excludes in 2017: increase of the restructuring provision (net EUR 1.4 million) and in 2016: sale office building (net EUR 15.9 million), IT outsourcing (net EUR 2.2 million) and restructuring provision (net EUR 7.0 million).



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## **Chairman's statement**

"2017 can be characterised as the year of transformation of KAS BANK. We have robotized parts of our processes and structurally reduced our costs while maintaining our income in challenging markets. During this transformational year, we moved into our new, modern headquarter where we launched KAS Lab, our innovation hub", says Sikko van Katwijk, Chairman of the Managing Board. "We are very proud of what our people have accomplished."

"The quality of our services has improved by increasing efforts to achieve immediate client benefits. We have reduced some manual steps in our processing with our ground-breaking Robotics approach and continued to become more efficient by executing our Lean Program. With the introduction of our own Lab we have kick-started innovation, and are piloting the first initiatives. I am confident that these initiatives will contribute to the growth of our business and renewal of our business model for the coming years. We maintain our focus to improve client value and client satisfaction and continue our efforts to improve financial performance in particular through additional income."

"Our financial performance is solid and reflects the strong operational results in 2017. Our dividend pay-out remains stable at EUR 0.64 for our shareholders."

## **Affirmation of the rating**

Fitch Ratings published its Rating Action Commentary for KAS BANK in December 2017. Fitch affirmed KAS BANK's A- long-term issuer default rating. The outlook is stable. Fitch expects KAS BANK to maintain critical mass in its core asset administration business. Fitch recognizes that KAS BANK's knowledge of local reporting and regulatory requirements enabled the bank to provide tailor-made value-added reporting services to its customers.

## **Financial performance**

In 2017, we achieved a stable operating income and a considerable decrease of the operating expenses. Our net operational result doubled to EUR 16.5 million (2016: EUR 8.2 million). Including non-recurring items, the net result 2017 was slightly higher than in 2016.

In 2017, we continued the shift from more traditional core services, like custody, clearing and settlement, to more administrative and governance services like fund accounting and (regulatory) reporting. The current capital markets with low interest rates and high volumes of liquidity resulted in a continuous pressure on interest income and securities lending commission. Our strong focus on cost discipline and cost reduction programs resulted in a



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decrease of 14% of our level of operating expenses, mainly due to a strong decrease in the number of FTEs during 2017.

Capital and liquidity ratios remain stable at high levels, emphasizing the solid position of the bank.

## Results

IN MILLIONS OF EUROS	2017	2016	CHANGE	%
Operating income	104.6	106.0	-1.4	-1%
Operating expenses	-82.8	-95.8	13.0	-14%
Impairment results	0.1	0.5	-0.4	-80%
Tax	-5.4	-2.6	-2.8	107%
<b>Net operational result excluding non-recurring items</b>	<b>16.5</b>	<b>8.2</b>	<b>8.3</b>	<b>102%</b>
Sale of office building	-	21.2		
Harmonization IT personnel	-	-3.0		
Restructuring provision	-1.9	-9.3	7.4	
Tax	0.5	-2.2	2.7	
<b>Net result – non-recurring items</b>	<b>-1.4</b>	<b>6.7</b>	<b>-8.1</b>	
<b>Net result for the period, including non-recurring items</b>	<b>15.1</b>	<b>14.9</b>	<b>0.2</b>	<b>1%</b>

## Other items

In 2017, we added EUR 1.9 million to the restructuring provision. Investments in robotics, digitalization and continuous improvement (Agile, Lean) will further reduce the number of FTEs during 2018.

## Operating income

IN MILLIONS OF EUROS	2017	2016	CHANGE	%
Net interest result	12.9	15.8	-2.9	-18%
Net commission result	67.8	69.9	-2.1	-3%
Result on investment	22.9	19.8	3.1	15%
Share of result of associates	0.1	-	0.1	
Other income	0.9	0.5	0.4	80%
<b>Total Income</b>	<b>104.6</b>	<b>106.0</b>	<b>-1.4</b>	<b>-1%</b>



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## Interest

IN MILLIONS OF EUROS	2017	2016	CHANGE	%
Loans and deposits	2.2	5.3	-3.1	-58%
Bonds and non-trading derivatives (hedge)	10.7	10.5	0.2	2%
<b>Total net interest result</b>	<b>12.9</b>	<b>15.8</b>	<b>-2.9</b>	<b>-18%</b>

Net interest decreased by 18% to EUR 12.9 million (2016: EUR 15.8 million), mainly relating to our loans and deposit portfolio. The decrease of the euro interest result is partly caused by a more favourable interest climate outside the Eurozone. Therefore, clients transferred their money into foreign currencies, resulting in a decrease of interest result and an improvement of the FX results (included in results on investment).

## Commission

IN MILLIONS OF EUROS	2017	2016	CHANGE	%
Asset Servicing	37.4	37.3	0.1	0%
Transaction Servicing	21.5	21.1	0.4	2%
Treasury	8.9	11.5	-2.6	-23%
<b>Total net commission result</b>	<b>67.8</b>	<b>69.9</b>	<b>-2.1</b>	<b>-3%</b>

Commission income modestly declined by EUR 2.1 million to EUR 67.8 million (2016: EUR 69.9 million). We further expanded our commission result in services relating to value-added products as (regulatory) reporting, AIFMD, tax reclaim and fund accounting. Due to low margins, our clients were cautious participating in our securities lending program and, as a consequence, the treasury commission declined.

## Results on investments

IN MILLIONS OF EUROS	2017	2016	CHANGE	%
Trading – foreign exchange transactions	15.7	14.8	0.9	6%
Trading - Securities and derivatives	4.1	0.8	3.3	407%
Investments – Investment portfolio	3.1	4.2	-1.1	-26%
<b>Total result on investments</b>	<b>22.9</b>	<b>19.8</b>	<b>3.1</b>	<b>15%</b>

The result of trading securities and derivatives mainly related to the closing of swap transactions. The result on forex transactions increased with EUR 0.9 million. This increase was driven by client activities and transfers of client monies from euros to foreign currencies. Results relating to the investment portfolio decreased by EUR 1.1 million. This decrease mainly related to the decline in sales out of the investment portfolio. The revaluation reserve relating



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to the investment portfolio increased during 2017 with EUR 7.3 million net of tax to EUR 25.1 million at the end of 2017 (ultimo 2016: EUR 17.8 million).

## Share of result of associates

The share of result of associates relates to KAS BANKs 20% holding in BTN Forvalting (formerly known as Neonet AB). The result was based on the application of equity accounting of this associate.

## Other income

Other income included rental revenue of office space and an additional gain relating to the sale of an investment which was sold in 2013.

## Operating expenses

IN MILLIONS OF EUROS	2017	2016	CHANGE	%
Personnel expenses	46.8	60.9	-14.1	-23%
General and administrative expenses - IT	24.1	18.1	6.0	33%
General and administrative expenses - other	10.4	14.0	-3.6	-26%
Depreciation and amortization	1.5	2.8	-1.3	-46%
<b>Total operating expenses</b>	<b>82.8</b>	<b>95.8</b>	<b>-13.0</b>	<b>-14%</b>

## Personnel expenses

Personnel expenses decreased by 23% to EUR 46.8 million (2016: EUR 60.9 million). The substantial decrease in the number of FTEs (about 75 FTEs) was the main driver behind this downward trend, mainly caused by the outsourcing of IT and the implementation of Robotics, digitalization and continuous improvement (Lean). In addition, the number of external employees further decreased during 2017.

## General and administrative expenses, including depreciation and amortization

The general and administrative expenses, including depreciation and amortization increased by EUR 1.1 million. The IT-expenses increased by EUR 6.0 million to EUR 24.1 million (2016: EUR 18.1 million) mainly as a result of the outsourcing of our IT function to Atos.

However, this expense was more than compensated by lower personnel expenses of IT employees. Another driver of the increasing IT expenses was the increased data costs.

The other general and administrative expenses, including depreciation and amortization decreased by EUR 4.9 million to EUR 11.9 million (2016: EUR 16.8 million). The decrease resulted from a lower contribution to the resolution fund, lower housing expenses and lower



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depreciations due to the outsourcing of IT and our relocation to our new office in Amsterdam-Zuidoost.

## Tax expenses

The effective tax rate of 24.6% was just below the notional tax rate of 25%. Non-deductible items mainly affected this deviation.

## Implementation of IFRS 9 “Financial Instruments”

In July 2014, the IASB issued IFRS 9 “Financial Instruments” which replaced IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 essentially covers three topics: Classification and Measurement, Impairments and Hedge Accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Although the implementation of IFRS 9 was a significant project for KAS BANK, the impact on our balance sheet, income statement and equity is limited. In our annual report, we further elaborate on the impact of IFRS 9 as per 1 January 2018.

## Quality of the investment portfolio

The table below shows the investment portfolio Financial instruments classified as available for sale according to credit rating (Moody’s Investor Services):

IN MILLIONS OF EUROS	31 DECEMBER 2017	PERCENTAGE OF INVESTMENT PORTFOLIO	31 DECEMBER 2016	PERCENTAGE OF INVESTMENT PORTFOLIO
AAA – AA-	654	87%	401	75%
A+ - A-	24	3%	86	16%
BBB+ - BBB-	70	9%	40	7%
BB+ - BB-	5	1%	8	1%
<B	-	0%	1	0%
<b>Total bonds</b>	<b>753</b>	<b>100%</b>	<b>536</b>	<b>100%</b>
Mortgage fund	340		337	
Shares	33		4	
<b>Total</b>	<b>1,126</b>		<b>877</b>	

KAS BANK invests in a high-quality mortgage fund without an external credit rating. This mortgage fund consists considerably of mortgages guaranteed by the Dutch government (in Dutch: Nationale Hypotheek Garantie, NHG) and therefore KAS BANK considers the investment as having a high credit rating.



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## Solvency

The high capital ratios support our low risk appetite. The capital ratio, the qualifying capital as percentage of risk-weighted assets, amount to 35% (2016: 30%). The average capital ratio in 2017 was 33% (average 2016: 26%). KAS BANK's capital solely consists of common equity tier 1 capital.

The capital requirements are implemented in phases since 2014 up to and including 2018. From 2019 onwards, reporting is exclusively based on the Capital Requirements Regulation (also called 'fully loaded' or 'fully phased in'). When applying this Capital Requirement Regulation (fully loaded capital ratio) to 2017, the risk-weighted assets would be EUR 618.2 million (2016: EUR 659.7 million), the capital would be EUR 218.4 million (2016: EUR 206.2 million) and the capital ratio would be 35.3% (2016: 31.3%).

IN MILLIONS OF EUROS	31 DECEMBER 2017		31 DECEMBER 2016	
	Carrying amount	Risk-weighted value	Carrying amount	Risk-weighted value
Due from banks	116.9	26.4	232.2	42.6
Loans	682.8	38.7	779.7	41.4
Reverse repurchase agreements	448.4	-	662.4	-
Derivative financial instruments	271.2	22.8	413.2	45.0
Financial investments available -for-sale	1,126.1	206.7	877.6	201.8
Other assets	1,553.8	58.9	1,433.4	47.5
	<b>4,199.2</b>	<b>353.5</b>	<b>4,398.5</b>	<b>378.3</b>
Operational and market risk	-	264.9	-	281.4
<b>Total of the risk-weighted items</b>		<b>618.4</b>		<b>659.7</b>
<b>Capital and ratios</b>	<b>Capital</b>	<b>Ratio</b>	<b>Capital</b>	<b>Ratio</b>
Common equity tier 1 and capital ratio	<b>213.4</b>	<b>35%</b>	<b>199.2</b>	<b>30%</b>
Common equity tier 1 and capital ratio (fully loaded)	<b>218.4</b>	<b>35%</b>	<b>206.2</b>	<b>31%</b>

As from 2018 the leverage ratio is applicable to KAS BANK. The leverage ratio measures the unweighted assets versus the tier 1 capital. At the end of 2017 the leverage ratio of KAS BANK amounted to 4.9% (2016: 4.3%). The minimum level of the leverage ratio is 3%.

In December 2017, the Basel Committee on Banking Supervision (BCBS) and the Group of Central Bank Governors and Heads of Supervision (GHOS) published the Basel IV accords. These Basel IV accords mainly focus on the calculation of the risk-weighted assets. KAS BANK



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uses the standardized approach for the calculation of the risk-weighted assets. Based on our first analysis, we expect the impact of Basel IV on our risk-weighted assets to be limited. Our first calculations are based on the Basel IV rules as published, these rules may differ from the final implementation in European legislation.

## Liquidity

The table below shows in percentages the cash flows (undiscounted) for the financial assets based on the contractual maturity date (excluding shares):

MATURITY CALENDAR AS OF 31 DECEMBER 2017 IN PERCENTAGES	ON DEMAND	<= 3 MONTHS	<= 1 YEAR	<= 5 YEAR	>5 YEAR	TOTAL
Banks, loans and other financial assets	82%	18%	0%	0%	0%	100%
Financial investments available-for-sale	0%	4%	3%	84%	9%	100%
<b>Total financial assets</b>	<b>58%</b>	<b>14%</b>	<b>1%</b>	<b>25%</b>	<b>3%</b>	<b>100%</b>

MATURITY CALENDAR AS OF 31 DECEMBER 2016 IN PERCENTAGES	ON DEMAND	<= 3 MONTHS	<= 1 YEAR	<= 5 YEAR	>5 YEAR	TOTAL
Banks, loans and other financial assets	74%	25%	1%	0%	0%	100%
Financial investments available-for-sale	0%	3%	3%	72%	22%	100%
<b>Total financial assets</b>	<b>58%</b>	<b>21%</b>	<b>1%</b>	<b>15%</b>	<b>5%</b>	<b>100%</b>

The high level of liquidity of the bank is shown above. 72% (2016: 79%) of the financial assets have a maximum maturity of three months.

The prudential (regulatory) liquidity is measured by the Liquidity Coverage Ratio. The Capital Requirement Regulation requires financial institutions to hold an amount of high quality liquid assets equal to or exceeding their outflow within a time frame of 30 days. The minimum outcome must be 100%. The table below shows the amount of qualifying High Quality Liquid Assets of KAS BANK as at 31 December 2017 and the estimated cash outflow during 30 days. As an outcome of both numbers the Liquidity Coverage Ratio as at 31 December 2017 amounts to 221% (31 December 2016: 225%).

IN MILLIONS OF EUROS	2017	2016	CHANGE	%
High quality liquid assets	2,150	2,135	15	1%
Net cash outflow < 30 days	971	948	23	2%
Liquidity Coverage Ratio	221%	225%	(0)	-2%





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## **Dividend**

KAS BANK will propose to the General Meeting of Shareholders a total cash dividend for 2017 of EUR 0.64 for each ordinary KAS BANK share (2016: EUR 0.64). This is in line with our policy of distributing a dividend of 60-80% of the total net result under normal market conditions. EUR 0.33 for each ordinary share has already been distributed as interim dividend for 2017.

## **Outlook**

After the first half of 2016, we set a target for a structural annual cost reduction of EUR 20 million to be implemented in the period up to and including 2019. We have now planned to realize the full benefits by the end of 2018.

In the coming years, we shift our focus towards growth and continue our change program. Market developments will bring momentum and new opportunities to KAS BANK. We expect an increased demand by institutional clients for outsourcing of non-core activities. Complexity and regulatory pressure will drive the need for KAS BANK's services. We also see continued consolidation in our markets which we expect to impact both top line and our client portfolio.

We continue our efforts to generate new business in all three home markets and to diversify our product range. In the UK and Germany, we expect to seize business opportunities by providing fintech- and governance solutions.

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

### 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.

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## Consolidated Income statement

IN THOUSANDS OF EUROS	2017	2016
<b>Income</b>		
Interest income	32,254	32,904
Interest expense	19,368	17,144
Net interest result	12,886	15,760
Commission income	83,139	84,898
Commission expense	15,296	15,041
Net commission result	67,843	69,857
Net trading income	19,741	15,639
Result from financial transactions	3,099	4,181
Share of result of associates	65	32
Other income	925	21,762
<b>Total operating income</b>	<b>104,559</b>	<b>127,231</b>
<b>Expenses</b>		
Personnel expenses	48,719	73,241
General and administrative expenses	34,454	32,095
Depreciation and amortization	1,496	2,810
Impairment losses (recovery)	-129	-519
<b>Total expenses</b>	<b>84,540</b>	<b>107,627</b>
<b>Result before tax</b>	<b>20,019</b>	<b>19,604</b>
Tax expense	4,920	4,750
<b>Net result for the period</b>	<b>15,099</b>	<b>14,854</b>
Earnings per share		
- basic (in euros)	1.02	1.01
- diluted (in euros)	1.02	1.01



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## Consolidated balance sheet

IN THOUSANDS OF EUROS	31 DECEMBER 2017	31 DECEMBER 2016
<b>Assets</b>		
Cash and balances with central banks	1,504,060	1,387,886
Due from banks	116,941	232,205
Loans	682,759	779,721
Reverse repurchase agreements	448,417	662,378
Derivative financial instruments	271,238	413,168
Financial investments available-for-sale	1,126,126	877,577
Investments in associates	157	92
Current tax assets	966	6,579
Other assets	34,756	27,910
Property and equipment	1,994	761
Intangible assets	3,361	2,398
Deferred tax assets	8,414	8,007
<b>Total assets</b>	<b>4,199,189</b>	<b>4,398,682</b>
<b>Equity and liabilities</b>		
Due to banks	172,789	267,103
Due to customers	3,454,966	3,438,065
Repurchase agreements	196	454
Derivative financial instruments	274,701	403,822
Current tax liabilities	161	12,182
Other liabilities	55,187	46,176
Deferred tax liabilities	8,097	5,895
<b>Total liabilities</b>	<b>3,966,097</b>	<b>4,173,697</b>
Issued capital	15,699	15,699
Treasury shares	-21,866	-21,980
Share premium	21,569	21,569
Revaluation reserve	25,096	17,763
Other reserves (including profit for the year)	192,594	191,934
<b>Total equity</b>	<b>233,092</b>	<b>224,985</b>
<b>Total equity and liabilities</b>	<b>4,199,189</b>	<b>4,398,682</b>
Contingent liabilities	2,205	19,129
Irrevocable facilities	12,147	11,100