



Press release

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Solid performance first half 2017

- Net result of EUR 8.5 million (H1 2016: EUR 0.9 million)
- Operating income increased by 4% to EUR 53.6 million (H1 2016: EUR 51.6 million)
- Operating expenses are 17% lower at EUR 42.4 million (H1 2016: EUR 51.2 million).
- Distribution of an interim dividend of EUR 0.33 (interim dividend 2016 nil)
- Capital ratio of 35% and the liquidity coverage ratio of 214% remain strong

Key Figures

In EUR	H1 2017	H1 2016	Change
Net result	8.5 million	0.9 million	7.6 million
Operating income	53.6 million	51.6 million	2.0 million
Operating expenses	42.4 million	51.2 million	-8.8 million
Assets under Administration	515 billion	500 billion	15 billion
Earnings per share	0.58	0.06	
Dividend per share	0.33	-	
Capital ratio	35%	26%	

Chairman's statement

"We are proud of our performance over the first half of 2017. The transformation of KAS BANK is proceeding well. The main part of the restructuring is completed. The emphasis is on improving the quality of services for our clients and increasing efficiency, including the reduction of costs. The transformation clearly delivers its benefits", according to Sikko van Katwijk - the Chairman of the Managing Board. "This year, we focus on delivering a better performance for our clients and shareholders. We will continue this approach, while increasing our efforts to improve organic growth of our business."



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General overview

Our H1 2017 net result is positive, following a good H2 2016. Operating income increased to EUR 53.6 million, and operational expenses decreased to EUR 42.4 million. This is mainly driven by stable income, growth in asset servicing and the continuation of our focus on the rationalisation of our processes.

Robotics, for example, has been implemented to make our processes more reliable and predictable. This enables us to improve our custody and administration servicing to our clients and to focus on and invest in innovation and added-value services.

The position we have as a network organisation is unique and gives us the ability to support our clients in realising their businesses objectives. As a market leader in our main client segments, we are setting the industry standard for regulatory reporting services.

Despite the continuing consolidation of the Dutch pension and insurance market, we were able to sustain our operating income in H1 2017. We have welcomed new clients in H1 2017 in all our home countries. The launch of the cost transparency benchmarking service in the UK is a success. In Germany, our client base is growing as the pension industry responds to governance challenges and new rules and regulation. There is a growing demand for a specialist provider that is trusted to secure, protect and develop the assets and provide high quality services for institutional investors.

In October we are moving to a new HQ office located at De Entree 500 in Amsterdam-Zuidoost. The office is a modern and spacious building and is fully aligned with the integrated setup of our services. The bright and spacious work environment supports an open and client-oriented culture, enhances product development and enables us better to work in multi-disciplinary teams.

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Results

<i>In millions of euros</i>	First half of 2017	First half of 2016	change	%
Operating income	53.6	51.6	2.0	4%
Operating expenses	-42.4	-51.2	8.8	-17%
Impairment results	0.2	-	0.2	
Tax	-2.9	0.5	-3.4	
Net result for the period	8.5	0.9	7.6	

KAS BANK realised a net result of EUR 8.5 million in H1 2017 (H1 2016: EUR 0.9 million) and a return on equity of 8% (H1 2016: 1%). The significant improvement of the net result was caused by an increase in operating income (4%) and a decrease of operating expenses (17%). Higher Asset Servicing commission, income from foreign exchange transactions for clients and results on investments exceeded the decrease of Treasury commission and net interest result. The level of operating expenses significantly decreased to EUR 42.4 million (H1 2016: EUR 51.2 million). The results of the restructuring, outsourcing of IT activities and lean programmes are the main drivers behind this cost reduction. The efficiency ratio over the first half of 2017 amounts to 79% (H1 2016: 99%).

The impairment results over the first half 2017 relate to a partial reversal of a loan impairment, which was impaired in previous years.

Tax expense over the first half of 2017 amounts to EUR 2.9 million; the amount is almost equal to the notional rate. In the first half of 2016, the tax expenses were EUR 0.5 million positive. This positive amount was based on the outcome of settlement of previous tax years.

Operating income

Breakdown of income

<i>In millions of euros</i>	First half of 2017	First half of 2016	change	%
Net interest result	7.4	8.0	-0.6	-8%
Net commission result	35.1	35.8	-0.7	-2%
Result on investments / net trading income	10.8	7.3	3.5	48%
Other income	0.3	0.5	-0.2	-40%
Total operating income	53.6	51.6	2.0	4%

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Interest

Breakdown of net interest result

<i>In millions of euros</i>	<i>First half of 2017</i>	<i>First half of 2016</i>	<i>change</i>	<i>%</i>
Loans and deposits	1.3	3.1	-1.8	-58%
Bonds and non-trading derivatives (hedge)	6.1	4.9	1.2	24%
Total net interest result	7.4	8.0	-0.6	-8%

Net interest result decreased by 8% to EUR 7.4 million (H1 2016: EUR 8.0 million).

Declining interest rates were the main driver of the decrease in interest from loans and deposits. Interest relating to bonds and non-trading derivatives increased by EUR 1.2 million. This increase mainly results from the additional investment of EUR 100 million in a Dutch Mortgage Fund during the second half of 2016.

Commission

Breakdown of net commission result

<i>In millions of euros</i>	<i>First half of 2017</i>	<i>First half of 2016</i>	<i>change</i>	<i>%</i>
Asset Servicing	19.8	19.3	0.5	3%
Transaction Servicing	10.8	10.8	-	0%
Treasury	4.5	5.7	-1.2	-21%
Total net commission result	35.1	35.8	-0.7	-2%

Net commission result decreased by 2% to EUR 35.1 million (H1 2016: EUR 35.8 million). Commission income relating to Asset Servicing increased during the first half of 2017 to EUR 19.8 million. The decrease of overall commission income follows from lower results from securities lending (Treasury).

Result on investments / net trading income

Breakdown of result on investments / net trading income

<i>In millions of euros</i>	<i>First half of 2017</i>	<i>First half of 2016</i>	<i>change</i>	<i>%</i>
Trading - foreign exchange transactions	8.1	6.4	1.7	27%
Trading - securities and derivatives	0.3	1.0	-0.7	-70%
Investments - investment portfolio	2.4	-0.1	2.5	
Result on investments / net trading income	10.8	7.3	3.5	48%

Result on investments / net trading income increased by 48% to EUR 10.8 million (H1 2016: EUR 7.3 million). Rebalancing of the investment portfolio resulted in a positive gain of EUR 1.4 million and fair value movements of EUR 1.0 million on impaired assets. In addition, the revaluation reserve – which is part of the shareholders equity – also increased by EUR 4.7 million to EUR 22.5 million (December 2016: EUR 17.8 million).



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Increasing spreads between the euro and relevant foreign currencies and higher volumes resulted in increased forex result on client transactions during the first half of 2017.

Operating expenses

Breakdown of operating expenses

<i>In millions of euros</i>	<i>First half of</i>		<i>change</i>	<i>%</i>
	<i>2017</i>	<i>2016</i>		
Personnel expenses	23.7	33.8	-10.1	-30%
General and administrative expenses - IT	11.9	8.7	3.2	37%
General and administrative expenses - other	6.1	7.2	-1.1	-15%
Depreciation and amortisation	0.7	1.6	-0.9	-56%
Total operating expenses	42.4	51.2	-8.8	-17%

Personnel expenses

Personnel expenses decreased by 30% to EUR 23.7 million (H1 2016: EUR 33.8 million). The lower number of FTE – driven by the restructuring, including the outsourcing of IT – and external staff are the main cause of this decrease. In the first half of 2017 the average number of FTE was 489, compared to an average number of 659 FTE during the first half of 2016.

General and administrative expenses, including depreciation and amortisation

General and administrative expenses related to IT increased by 37% to EUR 11.9 million (H1 2016: EUR 8.7 million). Following the outsourcing of IT, the reduction in personnel expenses (staff) was partly compensated by cost of the insourcer. Other general and administrative expenses decreased by 15% to EUR 6.1 million (H1 2016: EUR 7.2 million) mainly driven by lower consultancy costs and lower contribution to the single resolution fund. Depreciation and amortisation decreased by 56% to EUR 0.7 million (H1 2016: EUR 1.6 million). This decrease was mainly related to the sale of the office building and IT outsourcing.

Tax expenses

Tax expenses are calculated based on the notional tax rate in the Netherlands (25%). Due to a positive outcome of a settlement of previous tax years a positive tax result was recorded in H1 2016.

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Quality of the investment portfolio

The table below shows the credit rating of the investment portfolio securities which are classified as investments available for sale.

<i>In millions of euros</i>	<i>30 June 2017</i>	<i>Percentage of bond portfolio</i>	<i>31 December 2016</i>	<i>Percentage of bond portfolio</i>
AAA - AA-	549	83%	401	75%
A+ - A-	75	11%	86	16%
BBB+ - BBB-	30	5%	40	7%
BB+ - BB-	5	1%	8	1%
<B	-	0%	1	0%
Total Bonds	659	100%	536	100%
Mortgage fund	333		337	
Shares	4		4	
Total	996		877	

KAS BANK invests in a high quality Dutch mortgage fund without an external credit rating. This mortgage fund mainly consists (at least 50%) of new mortgages guaranteed by the Dutch government (Nationale Hypotheek Garantie, NHG) and therefore KAS BANK considers the investment as having a high credit quality.

Solvency

<i>In millions of euros</i>	<i>30 June 2017</i>		<i>31 December 2016</i>	
	<i>Carrying amount</i>	<i>Risk-weighted value</i>	<i>Carrying amount</i>	<i>Risk-weighted value</i>
Due from banks	171.7	26.1	232.2	42.6
Loans	743.4	57.3	779.7	41.4
Reverse repurchase agreements	736.7	-	662.4	-
Derivative financial instruments	360.5	37.1	413.2	45.0
Financial investments available-for-sale	995.5	188.8	877.6	201.8
Other assets	1,917.8	59.0	1,433.4	47.5
	4,925.6	368.3	4,398.5	378.3
Other off-balance sheet risk	-	238.7	-	281.4
Total of the risk-weighted items		607.0		659.7
Capital and ratios	Capital	Ratio	Capital	Ratio
Common equity tier 1	212.5	35%	199.2	30%
Capital ratio	212.5	35%	199.2	30%

The high capital ratio reflects KAS BANK's low risk profile. KAS BANK's common equity tier 1 and capital ratio, excluding interim profits, was 35% at the end of June 2017 (31 December 2016: 30%).

As from 2018, the leverage ratio requirements are applicable to KAS BANK. At 30 June 2017 the leverage ratio of KAS BANK amounts to 4.3% (31 December 2016: 4.3%). The minimum level of the leverage ratio is 3%.



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Liquidity

<i>In millions of euros</i>	30 June 2017	31 December 2016
High quality liquid assets	2,663	2,135
Net cash outflow < 30 days	1,244	948
Liquidity Coverage Ratio (LCR)	214%	225%

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 2017, this ratio is 214% (31 December 2016: 225%). The regulatory requirement on the Liquidity Coverage Ratio is at minimum 100%.

Dividend

KAS BANK will distribute an interim dividend of EUR 0.33 (interim dividend 2016 nil).

Outlook

In the second half of 2017, we expect no major changes in the macro-economic conditions which could affect KAS BANK. The ongoing consolidation in the Dutch pension and insurance market will result in a lower level of assets under administration at the end of 2017. We see a market potential within our current strategic focus and are increasing our efforts to improve organic growth in both custody and administration services. To strengthen our position as market leader and adapt to the changing needs of our clients, we are making increased investments in innovation in our services.

We expect that our investments will increase in the second half of 2017 with Robotics initiatives and the move to our new office building. We therefore anticipate the cost decline to continue at lower pace, than in H1 2017.

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 leading European provider of custodian and fund administration services to institutional investors and financial institutions. We view the market from the perspective of our clients – tailor-made services and complete transparency are paramount in helping them to meet their business objectives.

Our core focus is on keeping assets safe and secure. KAS BANK operates as a “pure player”, maintaining integrity through our neutral approach. We stay independent; working directly for institutional clients, avoiding conflicts of interest. We concentrate on what we do best - providing added-value services to national and international organisations active in the pensions and securities industries. This means our clients can concentrate on performing “Best in Class”. KAS BANK has branches in Amsterdam, London and Frankfurt am Main and is listed on Euronext Amsterdam.

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This press release contains information that qualifies, or may qualify as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

This press release will be published in English and Dutch. In case the Dutch press release differs from the English press release, the English press release is leading.

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Annex 1: Consolidated income statement

<i>In thousands of euros</i>	First half of 2017	First half of 2016
Income		
Interest income	17,419	16,300
Interest expense	10,032	8,264
Net interest result	7,387	8,036
Commission income	43,080	43,090
Commission expense	7,942	7,339
Net commission result	35,138	35,751
	-	-
Net trading income	8,301	7,468
Result from financial transactions	2,444	-144
Other income	310	482
Total operating income	53,580	51,593
Expenses		
Personnel expenses	23,721	33,794
General and administrative expenses	17,998	15,818
Depreciation and amortisation	662	1,613
Total operating expenses	42,381	51,225
Impairment losses (recovery)	-182	5
Total expenses	42,199	51,231
Result before tax	11,381	362
Tax expense	2,881	-511
Net result for the period	8,500	873
Earnings per share		
- basic (in euros)	0.58	0.06
- diluted (in euros)	0.58	0.06

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Annex 2: Consolidated balance sheet

<i>In thousands of euros</i>	30 June 2017	31 December 2016
Assets		
Cash and balances with central banks	1,866,575	1,387,886
Due from banks	171,735	232,205
Loans	743,376	779,721
Reverse repurchase agreements	736,682	662,378
Derivative financial instruments	360,535	413,168
Financial investments available-for-sale	995,757	877,577
Investments in associates and joint ventures	92	92
Current tax assets	2,910	6,579
Other assets	36,774	27,910
Property and equipment	626	761
Intangible assets	2,157	2,398
Deferred tax assets	8,360	8,007
Total assets	4,925,579	4,398,682
Equity and liabilities		
Due to banks	382,027	267,103
Due to customers	3,876,007	3,438,065
Repurchase agreements	300	454
Derivative financial instruments	390,161	403,822
Current tax liabilities	620	12,182
Other liabilities	40,303	46,176
Deferred tax liabilities	7,453	5,895
Total liabilities	4,696,870	4,173,697
Issued capital	15,699	15,699
Treasury shares	-21,866	-21,980
Share premium	21,569	21,569
Revaluation reserve	22,437	17,763
Other reserves (including profit for the period)	190,869	191,934
Total equity	228,709	224,985
Total equity and liabilities	4,925,579	4,398,682
Contingent liabilities	3,054	19,129
Irrevocable facilities	10,100	11,100