



Press release

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Contact: Remko Dieker – Secretary to the Managing Board
T: +31 20 557 51 80
I: www.kasbank.com

Recovery of results in H2; strategic initiatives on track

- Net operational result in 2016 of EUR 8.2 million (H2: EUR 7.3 million and H1: EUR 0.9 million; FY2015: 11.1 million). Total net result of EUR 14.9 million (H2: EUR 14.0 million and H1: EUR 0.9 million; FY2015: EUR 15.3 million).
- Operating expenses decreased 7% and KAS BANK's operating income declined by 8%.
- Strategic focus has resulted in steps taken towards our ambition to become the best administration bank.
- Assets under Administration increased by 9% from EUR 464 billion to EUR 504 billion at year-end 2016.
- Average capital ratio (26%) and liquidity coverage ratio (225%) remain at a high level.
- Fitch Ratings recognition of our financial robustness with reconfirmation of A- rating with stable outlook.
- Dividend of EUR 0.64 is in line with previous years, dividend yield of 7.6% (2015: 6.0%).



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Key figures

In EUR	2016	2015	change
Net result	14.9 million	15.3 million	-3%
Net operational result ¹	8.2 million	11.1 million	-26%
Operating income	106.0 million	115.5 million	-8%
Operating expenses	95.8 million	103.2 million	-7%
Assets under administration	504 billion	464 billion	9%
Earnings per share	1.01	1.04	-3%
Dividend per share	0.64	0.64	
Capital ratio (average)	26%	20%	
Efficiency ratio	85%	85%	

¹ Net operational result excludes in 2015: Lehman claim and in 2016: Sale office building (net EUR 15.9 million), IT outsourcing and Restructuring provision (net EUR 9,2 million))

Chairman's statement

"The year 2016 has proven to be a year with challenges, disappointments and successes. Market conditions have remained demanding, with continued low interest rates and political uncertainties. In the first half of the year, we experienced a disappointing decrease in profitability and, as a consequence, had to forego the interim-dividend. In the second half of 2016, the results recovered and overall KAS BANK managed to maintain a stable income in its core services and decreased its operating expenses" says Sikko van Katwijk, Chairman of KAS BANK's Managing Board. "We reinforce our efforts to raise the quality of services and client satisfaction and it is our ambition to develop a modern and secure management platform for investors, acting as trusted custodian of our clients' data."

First results of strategic focus are visible

The strategic transformation is based on our focus and ambition to become the best administration bank. We support our investor clients to adapt to changing markets and client preferences, delivering the security and reliability they need from us. KAS BANK's strategic plan is aimed at achieving higher financial performance, process efficiency and higher quality services. In 2016, KAS BANK made investments in continuous process improvement (LEAN). These initiatives have led to increased efficiency of processes, the first results of improved quality in our services and a reduction of personnel expenses and other costs.



Press release

The strategic focus is supported by welcoming new clients in all our home markets (the Netherlands, Germany and United Kingdom). The acquisition of new clients had a positive impact on the increase in our Assets under Administration to EUR 504 billion. The focus does not compromise our average capital and average liquidity coverage ratios. These remain stable at a high level of 26% and 225% respectively.

In the summer, KAS BANK signed and kick-started a partnership with Atos, ensuring the support of this scale player for our IT infrastructure. We have also launched various technology- and process initiatives to enhance efficiencies, lower risk and improve quality for our clients.

Affirmation of the rating

In December, Fitch Ratings published its Rating Action Commentary for KAS BANK. Fitch affirms 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. KAS BANK's knowledge of local reporting and regulatory requirements enables it to offer tailor-made value-added services to its customers.

Financial performance

The financial performance for 2016 is driven by a reduction in the operational cost level, which emphasises the success of our cost reduction plans. The operating income in 2016 shows a shift from traditional products such as custody, clearing and settlement to more value-added products like fund accounting and regulatory reporting. Our strategy with a focus on more value-added products is showing results.

In 2016 operating income declined by 8%. Challenging circumstances within the interest and securities lending markets are the main drivers behind this decline. Capital and liquidity ratios remain stable at high levels, emphasising the solid position of the bank and our low risk appetite.

Press release

Results

<i>In millions of euros</i>	2016	2015	change	%
Operating income	106.0	115.5	-9.5	-8%
Operating expenses	-95.8	-103.2	7.4	-7%
Impairment results	0.5	2.7	-2.2	-81%
Tax	-2.6	-3.9	1.3	-33%
Net result from operations	8.2	11.1	-2.9	-26%
Result of sale Lehman claim	-	5.6	-5.6	
Sale of office building	21.2	-	21.2	
Harmonisation IT personnel	-3.0	-	-3.0	
Restructuring provision	-9.3	-	-9.3	
Tax	-2.2	-1.4	-0.7	
Net result - other	6.7	4.2	2.6	
Net result for the period	14.9	15.3	-0.4	-3%

The net result from operations declined by EUR 2.9 million. A significant decrease in the cost level has not fully compensated for the decrease in operating income. The decrease in operating income is mainly driven by a declining interest result and a reduction of revenues relating to securities lending. Impairment results are related to the recovery of a former loan (EUR 0.5 million) regarding a Madoff exposure.

Net results - other

Other (non-operational) items mainly relate to the sale of KAS BANK's office building in December 2016. As a result of this sale KAS BANK realised a gross profit recognised within the income statement of EUR 21.2 million. In addition, it comprises the payment relating to the transfer of former KAS BANK employees to the IT insourcer and the restructuring provision.

Operating income

Breakdown of operating income

<i>In millions of euros</i>	2016	2015	change	%
Net interest result	15.8	23.3	-7.5	-32%
Net commission result	69.9	72.2	-2.3	-3%
Result on investments	19.8	19.0	0.8	4%
Share of result of associates and joint ventures	-	-	-	
Other income	0.5	1.0	-0.5	-50%
Total income	106.0	115.5	-9.5	-8%

Press release

Interest

Breakdown of net interest result

<i>In millions of euros</i>	2016	2015	change	%
Loans and deposits	5.3	10.1	-4.8	-48%
Bonds and non-trading derivatives (hedge)	10.5	13.2	-2.7	-20%
Total net interest result	15.8	23.3	-7.5	-32%

Net interest result decreased by 32% to EUR 15.8 million. Lower interest margins and recognition of non-recurring interest revenues in 2015 are the main drivers behind the decline.

Commission

Breakdown of net commission result

<i>In millions of euros</i>	2016	2015	change	%
Asset Servicing	37.3	35.2	2.1	6%
Transaction Servicing	21.1	21.6	-0.5	-2%
Treasury	11.5	15.4	-3.9	-25%
Total net commission result	69.9	72.2	-2.3	-3%

Commission income shows an increase in asset servicing commission emphasising the success of the strategic turnover from transaction servicing products to products and services relating to regulatory reporting, such as Alternative Investment Fund Managers Directive (AIFMD) and European Market Infrastructure Regulation (EMIR).

Commission relating to treasury product significantly decreased and mainly relates to challenging market conditions in the securities borrowing and lending markets.

Results on investments

Breakdown of result on investments

<i>In millions of euros</i>	2016	2015	change	%
Trading - foreign exchange transactions	14.8	13.0	1.8	14%
Trading - securities and derivatives	0.8	3.1	-2.3	-74%
Investments - investment portfolio	4.2	2.9	1.3	45%
Result on investments	19.8	19.0	0.8	4%

Trading securities and derivatives decreased by 74% in 2016. The main driver behind this decrease is non-recurring revenue in 2015 relating to an overlay transaction. The investment result increased with EUR 1.3 million. A redemption of a previously impaired debt instrument is the main driver of this increase. Furthermore, the result of Investments is driven by shifts within the investment portfolio. In addition to the increasing proceeds recognised in the



Press release

income statement of the investment portfolio, the revaluation reserve – recognised within shareholders capital – also increased by EUR 5.2 million.

The results relating to foreign exchange transactions increased by 14%. These results are fully driven by client activities. New client wins and volatility on the currency markets are important drivers behind this increase.

Other income

Other income decreased by EUR 0.5 million mainly due to the divestment of the former subsidiary, Addition Knowledge House.

Operating expenses

Breakdown of operating expenses

<i>In millions of euros</i>	2016	2015	change	%
Personnel expenses	60.9	69.2	-8.3	-12%
General and administrative expenses - IT	18.1	15.9	2.2	14%
General and administrative expenses - other	14.0	14.6	-0.6	-4%
Depreciation and amortisation	2.8	3.5	-0.7	-20%
Total operating expenses	95.8	103.2	-7.4	-7%

Personnel expenses

Personnel expenses decreased by 12% to EUR 60.9 million (2015: EUR 69.2 million). The decrease in the number of FTE's is partly responsible for this reduction. In 2016, the average number of FTEs is 624 (2015: 647 FTEs). At year-end the number of FTE is 540. Additionally, the numbers of external employees further decreased during 2016, as some of the major projects were finalised during 2016. In 2017, additional reduction in the number of FTEs is expected as a result of the announced restructuring programme which will be executed in 2017 and thereafter.

General and administrative expenses, including depreciation and amortisation

The general and administrative expenses and the depreciation and amortisation together increased by EUR 0.8 million. Main drivers behind this increase are the IT outsourcing project and the outsourcing costs incurred in the last quarter of 2016. The project resulted in non-recurring costs relating, in particular, to consultants. Furthermore, the outsourcing service started as of 1 October 2016, therefore the IT cost level increased significantly. This increase is fully compensated within the Personnel expenses line item as approximately 65 former KAS

Press release

BANK IT employees were transferred to the insourcing partner resulting in lower Personnel expenses, as explained before.

Tax expenses

The effective tax rate of 24.4% is just below the notional tax rate of 25%. Differences in rates mainly caused this deviation.

Quality of the investment portfolio

<i>In millions of euros</i>	31 December 2016	Percentage of bond portfolio	31 December 2015	Percentage of bond portfolio
AAA - AA-	401	75%	339	58%
A+ - A-	86	16%	146	25%
BBB+ - BBB-	40	7%	54	9%
BB+ - BB-	8	1%	46	7%
< BB-	1	0%	4	1%
Total bonds	536	100%	589	100%
Mortgage fund	337		225	
Shares	4		2	
Total	877		816	

Since 2014, KAS BANK invests in a high quality mortgage fund without an external credit rating. This mortgage fund consists mainly of (at least 75%) new mortgages guaranteed by the Dutch government (Nationale Hypotheek Garantie, NHG) and therefore KAS BANK considers the investment as having a high credit rating. During 2016, KAS BANK invested an additional EUR 100 million in the mortgage fund.

Solvency

The high capital ratios support the low risk appetite of KAS BANK. The capital ratio, the qualifying capital as a percentage of risk-weighted assets, came to 30% at year-end 2016 (year-end 2015: 24%). KAS BANK's capital consists exclusively of common equity tier 1 capital. The qualifying capital increased mainly due to the increasing revaluation reserve and the result of 2015. The average capital ratio in 2016 was 26% (average 2015: 20%).

The Capital Requirements Regulation is being implemented in phases as of 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'). Based on an entire transition of the Capital Requirements Regulation, at year end 2016 the risk-weighted assets would be EUR 659.7 million and the capital would be EUR 206.2 million. The capital ratio would be 31%.

Press release

As from 2018, reporting on the leverage ratio is also mandatory. This is the total assets in relation to the qualified capital. At the end of 2016 the leverage ratio of KAS BANK amounts to 4.3% (minimum level is 3%).

<i>In millions of euros</i>	31 December 2016		31 December 2015	
	Carrying amount	Risk-weighted value	Carrying amount	Risk-weighted value
Due from banks	232.2	42.6	418.0	82.4
Loans	779.7	41.4	561.3	31.1
Reverse repurchase agreements	662.4	-	1,091.0	0.5
Derivative financial instruments	413.2	45.0	325.5	45.0
Financial assets designated at fair value	-	-	56.7	-
Financial investments available-for-sale	877.6	201.8	759.8	254.8
Other assets	1,433.4	47.5	890.7	98.6
	4,398.5	378.3	4,103.0	512.4
Off-balance sheet exposure		281.4		271.9
Total of the risk-weighted items		659.7		784.3

Capital and ratios	Capital	Ratio	Capital	Ratio
Common equity tier 1	199.2	30%	184.3	24%
Capital ratio	199.2	30%	184.3	24%

Fitch has published a Rating Action Commentary for KAS BANK. The A- long-term issuer default rating and stable outlook is reaffirmed. Short-term issuer default rating is affirmed at F2. Fitch expects KAS BANK to maintain critical mass in its core asset administration business and views the risk appetite as low.

Liquidity

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

Maturity calendar as at 31 December 2016	On demand	< = 3 months	< = 1 year	< = 5 year	> 5 year	Total
<i>In percentages</i>						
Banks, loans and other financial assets	74%	25%	1%	0%	0%	100%
Financial investments available-for-sale	0%	3%	3%	72%	22%	100%
Total financial assets	58%	21%	1%	15%	5%	100%

Maturity calendar as at 31 December 2015	On demand	< = 3 months	< = 1 year	< = 5 year	> 5 year	Total
<i>In percentages</i>						
Banks, loans and other financial assets	59%	29%	10%	0%	2%	100%
Financial investments available-for-sale	0%	2%	14%	21%	63%	100%
Total financial assets	47%	23%	11%	4%	15%	100%

The high level of liquidity is emphasised by the outcome of the maturity levels. Almost 79% (2015: 70%) of the financial assets have a maximum maturity of three months.



Press release

As of October 2015, a new liquidity ratio, the liquidity coverage ratio, is applicable to KAS BANK. 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 of 31 December 2016 and the estimated cash outflow during 30 days. As a result of both numbers, the Liquidity Coverage Ratio as of 31 December 2016 amounts to 225% (143%).

<i>In millions of euros</i>	2016	2015	change	%
High quality liquid assets	2,135	1,935	200	10%
Net cash outflow < 30 days	948	1,353	-405	-30%
Liquidity Coverage Ratio (LCR)	225%	143%		82%

Dividend

KAS BANK will propose to the General Meeting of Shareholders a total cash dividend for 2016 of EUR 0.64 for each ordinary KAS BANK share (2015: 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.

Outlook

Looking forward, we understand the nature of the challenges that lie before us as well as the opportunities. KAS BANK continues its drive to improve client value and satisfaction and carries on its focus to improve financial performance through additional income and ongoing cost reduction initiatives. After the first half of 2016, we set a target for a structural annual cost reduction of EUR 20 million (based on the existing income level) to be implemented in the period up to and including 2019. The restructuring announced in 2016 for which a provision was made, will have a positive impact on the cost level in 2017. KAS BANK will continue to invest in its investment accounting platform and other business development initiatives (e.g. transparency benchmarking, regulatory reporting) to provide the service our clients expect and require to perform well themselves.

Financial markets rules and regulations will continue to change and increase. KAS BANK continues to be an expert in this field and supports its clients to remain in control. In order to allow our clients to focus on their core objectives of creating maximum asset value for their clients, we increasingly find ourselves being a back office partner to our clients supporting their core activities and delivering fully compliant services.



Press release

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

Appendices:

- Consolidated Balance sheet
- Consolidated Income statement

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 at Euronext Amsterdam.

Disclaimer: Although the information in this press release is drawn up with the utmost precision and in KAS BANK's judgement is a true reproduction of the state of affairs at the time of publication of this release, KAS BANK cannot guarantee that this information is or continues to be correct and/or complete. KAS BANK does not accept any liability for losses as a consequence of the use of, the trust in the information in this release or acting or refraining as a result of the information in this press release.

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.

Press release

Consolidated balance sheet

<i>In thousands of euros</i>	Note	31 December 2016	31 December 2015
Assets			
Cash and balances with central banks		1,387,886	798,754
Due from banks		232,205	418,009
Loans		779,721	561,310
Reverse repurchase agreements		662,378	1,091,034
Derivative financial instruments		413,168	325,539
Financial assets designated at fair value		-	56,659
Financial investments available-for-sale <i>of which pledged as collateral</i>		877,577 475,306	759,759 315,060
Investments in associates and joint ventures		92	-
Current tax assets		6,579	2,042
Other assets		27,910	46,263
Property and equipment		761	33,345
Intangible assets		2,398	2,736
Deferred tax assets		8,007	7,515
Total assets		4,398,682	4,102,965
Equity and liabilities			
Due to banks		267,103	270,121
Due to customers		3,438,065	3,180,146
Repurchase agreements		454	240
Derivative financial instruments		403,822	334,293
Financial liabilities designated at fair value		-	60,853
Current tax liabilities		12,182	1,947
Other liabilities		46,176	37,526
Deferred tax liabilities		5,895	8,325
Total liabilities		4,173,697	3,893,451
Issued capital		15,699	15,699
Treasury shares		-21,980	-22,444
Share premium		21,569	21,569
Revaluation reserve		17,763	24,733
Other reserves (including profit for the period)		191,934	169,957
Equity attributable to KAS BANK shareholders		224,985	209,514
Non-controlling interests		-	-
Total equity		224,985	209,514
Total equity and liabilities		4,398,682	4,102,965
Contingent liabilities		19,129	20,665
Irrevocable facilities		11,100	14,100

Press release

Consolidated Income statement

<i>In thousands of euros</i>	Note	2016	2015
Income			
Interest income		32,904	44,457
Interest expense		17,144	15,465
Net interest result		15,760	28,992
Commission income		84,898	87,348
Commission expense		15,041	15,169
Net commission result		69,857	72,179
Net trading income		15,639	16,070
Result from financial transactions		4,181	2,921
Share of result of associates and joint ventures		32	-
Other income		21,762	1,009
Total operating income		127,231	121,171
Expenses			
Personnel expenses		73,241	69,183
General and administrative expenses		32,095	30,619
Depreciation and amortisation		2,810	3,507
Total operating expenses		108,146	103,309
Impairment losses (recovery)		-518	-2,698
Total expenses		107,628	100,611
Result before tax		19,603	20,560
Tax expense		4,750	5,275
Net result for the period		14,854	15,285
Attributable to:			
KAS BANK shareholders		14,854	15,268
Non-controlling interests		-	17
Earnings per share			
- basic (in euros)		1.01	1.04
- diluted (in euros)		1.01	1.02