

**KAS BANK N.V.**

**REPORT ON THE FIRST HALF OF 2015**

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## REPORT ON THE FIRST HALF OF 2015

### Chairman's statement

'We are pleased that the strategic refocus on asset services for institutional markets has resulted in a healthy growth of revenue as well as profit' says Albert Röell, chairman of KAS BANK's Managing Board. 'The results emphasise our strong position in our core markets'.

### General overview

KAS BANK achieved a favourable result in the first half of 2015, despite the difficult economic conditions in Europe. All core segments of the bank – pension funds, insurance companies, investment funds and wealth management – supported both the result and the underlying growth of business. The Assets under Administration were strongly influenced by higher asset values in the first quarter of 2015 followed by an even stronger market adjustment in the second quarter. Including new business, Assets under Administration showed an overall growth of 2% to EUR 460 billion at 30 June 2015 compared to year-end 2014.

In the first half of 2015 KAS BANK updated its strategy. The bank will further concentrate its activities on the institutional markets in the Netherlands, the United Kingdom and Germany. The mission of the bank is to service long term assets entrusted by pensioners and savers to professional organisations such as pension funds, insurance companies, private banks and wealth managers. KAS BANK provides all necessary services to optimise the management of these assets cost efficient, transparent and with a low risk profile. These services include custody, investment accounting, transaction and overlay management, financing and advisory services. The bank will continue to focus on clients first, avoiding any conflict of interest in the way we conduct our business. Our custodian principles and key values ([www.thecustodianprinciples.com](http://www.thecustodianprinciples.com)) enforce our mission to secure, protect and develop entrusted assets at all cost.

In addition to the renewed focus on asset services, KAS BANK is investing to become the leading provider of investment accounting solutions in our core markets. With currently approximately EUR 150 billion assets on our central investment accounting platform and a compound annual growth (CAGR) of more than 25% over the last three years, the bank already is the largest independent multi-client provider in the Netherlands. The increasing complexity to administer assets, and being able to report on them in a timely and accurate manner, will lead to additional outsourcing by pension funds, insurance companies and asset managers alike. By focusing on delivery according to local market standards and governance, including the reporting to central banks, KAS BANK enables the reduction of both the operational risks as well as the overall costs for market participants. The reporting requirements according to the Financial Assessment Framework (*Financieel Toetsingskader*) of the Dutch Central Bank highlight the necessity to further standardise the administrative burden for institutional asset owners, such as pension funds.

KAS BANK will further develop its capabilities in the area of advisory services to institutional clients. In many cases, the data already provided to the bank and related to custody, transactions and/or investment accounting can be re-used to support clients with implementation management, cash management and risk services. In this way, clients can profit from a large data warehouse consisting of the data of a substantial part of the institutional market in our core markets. Our current activities in this field will be accelerated in H2 2015 and 2016 with the hiring of additional staff.

In 2014, KAS BANK received compensation from dwpbank. In H1 2015, KAS BANK has reinvested EUR 3.7 million (of in total EUR 16 million) in IT and Operations in the institutional market. We have commenced a program 'KAS BANK 2 The Next Level' with the aim of improving our service excellence as well as strengthening

our processes, compliance and business culture, necessary to operate on the highest possible level. This program will continue in 2015 and 2016.

### Changes in KAS BANK's Managing Board

KAS BANK announced that Mr. Kris Wulteputte, CFRO of the KAS BANK Managing Board, has left the bank on his own initiative effective as of the end of July 2015.

### Results

<i>In millions of euros</i>	First half of 2015	First half of 2014	change	%
Operating income	62.4	73.6	-11.2	-15%
Operating expenses	-51.3	-44.9	-6.4	14%
Tax expense	-2.8	-7.5	4.7	
<b>Net result</b>	<b>8.3</b>	<b>21.2</b>	<b>-12.9</b>	<b>-61%</b>
<b>-Non-recurring items</b>	<b>-</b>	<b>14.3</b>	<b>-14.3</b>	
<b>-Net result, excluding non-recurring items</b>	<b>8.3</b>	<b>6.9</b>	<b>1.4</b>	<b>20%</b>

In H1 2015, KAS BANK realised a net result of EUR 8.3 million (H1 2014: EUR 21.2 million). In H1 2014, non-recurring items had an impact of EUR 14.3 million (H1 2015: no non-recurring items) on the net result.

Excluding the non-recurring items, the net result increased with 20% to EUR 8.3 million in H1 2015 (H1 2014: EUR 6.9 million). In H1 2014, the non-recurring operating income was the compensation of EUR 20 million (net: EUR 15 million) received from dwpbank as a result of scaling down the cooperation. The non-recurring operating expense was the resolution levy related to the nationalisation of SNS Reaal (EUR 0.7 million, not tax deductible).

In H1 2015, operating income increased with 16% to EUR 62.4 million (H1 2014, excluding non-recurring items: EUR 53.6 million). In H1 2015, operating expenses increased with 16% to EUR 51.3 million (H1 2014, excluding non-recurring items: EUR 44.2 million). The return on equity in H1 2015 was 8% (H1 2014, excluding on-recurring items: 7%) and the efficiency ratio 83% (H1 2014, excluding non-recurring items: 82%).

In August 2014, KAS BANK announced that 80% (gross: EUR 16 million) of the compensation received from dwpbank will be reinvested to improve operations and to strengthen the strategic approach. In H1 2015, EUR 3.7 million (net: EUR 2.8 million) of operating expenses were allocated to this reinvestment plan. These expenses are included in result from operations. Excluding these expenses KAS BANK realised a net result of EUR 11.1 million and an efficiency ratio of 77%.

KAS BANK's cost reduction program is on track. Total costs – excluding the amount of EUR 3.7 million (reinvestment plan) and higher pension costs due to the extreme low interest rate – are in line with the published target of 15% over costs by the end of 2015 related to end of 2013 level.

### Operating income

#### Breakdown of income

<i>In millions of euros</i>	First half of 2015	First half of 2014	change	%
Net interest result	12.7	12.4	0.3	2%
Net commission result	37.2	33.2	4.0	12%
Result on investments	12.1	7.5	4.6	61%
Share of result of associates and joint ventures	-	-0.3	0.3	-100%
Other income	0.4	20.8	-20.4	-98%
<b>Total income</b>	<b>62.4</b>	<b>73.6</b>	<b>-11.2</b>	<b>-15%</b>

**Interest***Breakdown of net interest result*

<i>In millions of euros</i>	First half of 2015	First half of 2014	change	%
Loans and deposits	6.4	4.2	2.2	52%
Bonds and non-trading derivatives (hedge)	6.3	8.2	-1.9	-23%
<b>Total net interest result</b>	<b>12.7</b>	<b>12.4</b>	<b>0.3</b>	<b>2%</b>

Net interest result increased by 2% to EUR 12.7 million (H1 2014: EUR 12.4 million). Interest on loans and deposits increased with more than 50% to EUR 6.4 million (H1 2014: EUR 4.2 million) amongst others as a result of charging negative interest (as of July 2014) on client's deposits.

The interest result on KAS BANK's investment portfolio decreased with 23% to EUR 6.3 million (H1 2014: EUR 8.2 million), mainly due to the ineffectiveness of fair value hedges of EUR -0.7 million (H1 2014: nil) and lower interest on reverse repurchase transactions of EUR 1.0 million.

**Commission***Breakdown of net commission result*

<i>In millions of euros</i>	First half of 2015	First half of 2014	change	%
Asset Servicing	18.2	15.3	2.9	19%
Transaction Servicing	11.7	11.7	-	0%
Treasury	7.3	6.2	1.1	18%
<b>Total net commission result</b>	<b>37.2</b>	<b>33.2</b>	<b>4.0</b>	<b>12%</b>

Net commission result increased with 12% to EUR 37.2 million (H1 2014: EUR 33.2 million), virtually all aspects of our services contributed to this increase.

Asset Servicing commission result (mainly Custody, Investment Management Services and KAS Trust) increased by 19% to EUR 18.2 million (H1 2014: EUR 15.3 million). Client wins and higher asset values resulted in an increase of Assets under Administration by 28% to EUR 460 billion (June 2014: EUR 360 billion). Commission increased by a higher asset base in general and value added regulatory reporting. The regulatory reporting line consists of services related to Alternative Investment Fund Managers Directive (AIFMD), European Market Infrastructure Regulation (EMIR), look through and Financial Assessment Framework (*Financieel Toetsingskader*). The closure of the KAG (*Kapitalanlagegesellschaft*) activities in Germany (2014) had negative impact on the Asset Servicing commission result.

Transaction Servicing commission result remained stable at EUR 11.7 million (H1 2014: EUR 11.7 million). The effect of higher volatility of securities markets (higher number of transactions) compensated the effect of the strategic refocus (resulting in a planned exit of a number of smaller brokers during 2014).

Treasury commission result, mainly consisting of securities lending, increased by 18% to EUR 7.3 million (H1 2014: EUR 6.2 million). Higher client activity resulted in higher commission from securities lending, order execution and collateral management.

**Result on investments***Breakdown of result on investments*

<i>In millions of euros</i>	First half of 2015	First half of 2014	change	%
Trading - foreign exchange transactions	6.7	4.7	2.0	43%
Trading - securities and derivatives	3.0	-0.3	3.3	1100%
Investments - investment portfolio	2.4	3.1	-0.7	-23%
<b>Result on investments</b>	<b>12.1</b>	<b>7.5</b>	<b>4.6</b>	<b>61%</b>

In 2015, the main part of the result on investments consisted of client-driven foreign exchange transactions. These results showed an increase of 43% at EUR 6.7 million in H1 2015 in comparison with H1 2014 (EUR 4.7 million). New clients and higher volatility of foreign currencies contributed to this increase. The trading results on securities and derivatives consisted of duration overlay services (Institutional Risk Management) to clients and interest driven instruments, which mitigate the interest risk of part of the investment portfolio.

The result on investments of the investment portfolio consisted mainly of reallocation of the investment portfolio (H1 2015: EUR 2.2 million; H1 2014: EUR 1.3 million) and price increases for two previously impaired bonds (H1 2015: EUR 0.2 million; H1 2014: EUR 1.7 million).

The revaluation reserve for the investment portfolio increased in 2015 by EUR 7.5 million to EUR 18.2 million (December 2014: EUR 10.7 million) as a result of lower interest rates and decreasing credit spreads.

**Share of result of associates and joint ventures**

The result of associates and joint ventures increased with EUR 0.3 million to nil (H1 2014: EUR 0.3 million negative). KAS BANK's associate has been fully impaired as per December 2014. In H1 2015, KAS BANK had no joint ventures.

**Other income**

Other income decreased by EUR 20.4 million to EUR 0.4 million (H1 2014: EUR 20.8 million). In June 2014, dwpbank paid KAS BANK a compensation of gross EUR 20 million.

**Operating expenses**

In 2014, KAS BANK started a (continuous) cost reduction program to reduce costs with 15% against 2013-level, this program is on track.

*Breakdown of operating expenses*

<i>In millions of euros</i>	First half of 2015	First half of 2014	change	%
Personnel expenses	32.9	27.8	5.1	18%
General and administrative expenses - IT	7.6	7.3	0.3	4%
General and administrative expenses - other	5.5	7.4	-1.9	-26%
Depreciation and amortisation	1.8	2.2	-0.4	-18%
Impairment losses (recovery)	-0.2	0.2	-0.4	-200%
<b>Total operating expenses, excluding reinvestment plan</b>	<b>47.6</b>	<b>44.9</b>	<b>2.7</b>	<b>6%</b>
<i>Expenses related to the reinvestment plan</i>				
-Personnel expenses	1.7	-	1.7	
-General and administrative expenses - other	2.0	-	2.0	
<b>Total operating expenses, including reinvestment plan</b>	<b>51.3</b>	<b>44.9</b>	<b>6.4</b>	<b>14%</b>

### Personnel expenses

Personnel expenses, excluding costs related to the reinvestment plan, increased by 18% to EUR 32.9 million (H1 2014: EUR 27.8 million). This increase is mainly due to higher pension costs and a higher number of external employees. The external employees are supporting the increasing business activities (new clients and higher volumes) and reporting requirements to regulators for clients (Solvency and Financial Assessment Framework). KAS BANK's cost reduction program resulted in a decrease of the average number of FTEs by about 8% to 642 FTEs (average H1 2014: 696 FTEs). This decrease resulted in a decrease of salaries and social security costs with a similar percentage.

An amount of EUR 1.7 million (H1 2014: nil) is related to the reinvestment plan.

### General and administrative expenses, including depreciation and amortisation

Excluding the expenses related to the reinvestment plan, the general and administrative expenses decreased with EUR 2.0 million to EUR 14.9 million (H1 2014: EUR 16.9 million). The decrease was the mainly result of the cost reduction program. In H1 2014, KAS BANK paid EUR 0.7 million related the resolution levy related to the nationalisation of SNS Reaal.

An amount of EUR 2.0 million (H1 2014: nil) is related to the reinvestment plan. KAS BANK is investing in various programs on culture, continuous improvement (LEAN), risk and compliance resulting in higher consultancy costs.

### Impairments

In H1 2015, the impairments related to credit facilities (EUR 0.5 million positive) and to investments (EUR 0.3 million negative). The overall positive effect of impairments on the H1 2015 result amounted to EUR 0.2 million (H1 2014: negative EUR 0.2 million).

### Tax expenses

In H1 2015, the effective tax rate of 25% is equal to the statutory rate of 25%. In 2014, the higher effective tax rate of 26% (statutory tax rate: 25%) was mainly due to the write-down of a tax asset and the non-deductibility of the resolution levy.

### Quality of the investment portfolio

The table below shows investment portfolio securities which are classified as investments available for sale and investments at fair value through profit or loss according to credit rating (Moody's Investor Services).

<i>In millions of euros</i>	30 June 2015	Percentage of bond portfolio	31 December 2014	Percentage of bond portfolio
Aaa - Aa3	712	80%	827	85%
A1 - A3	60	7%	62	6%
Baa1 - Baa3	48	5%	11	1%
Ba1 - Ba3	52	6%	74	7%
< Ba3	14	2%	14	1%
<b>Total bonds</b>	<b>886</b>	<b>100%</b>	<b>988</b>	<b>100%</b>
Mortgage fund	223		213	
Shares	3		2	
<b>Total</b>	<b>1,112</b>		<b>1,203</b>	

Since mid-2014 KAS BANK invests in a high quality mortgage fund without credit rating. This mortgage fund consists mainly (at least 75%) of new mortgages guaranteed by the Dutch government (*NHG hypotheek*) and therefore has the character of an investment with a high credit rating.

**Capital adequacy**

<i>In millions of euros</i>	30 June 2015		31 December 2014	
	Carrying amount	Risk-weighted value	Carrying amount	Risk-weighted value
Due from banks	472.2	86.6	661.6	148.5
Loans	892.1	82.0	558.8	28.6
Reverse repurchase agreements	1,458.2	1.8	1,477.0	0.1
Derivative financial instruments	322.8	37.5	338.8	45.9
Financial assets designated at fair value	118.2	-	169.5	-
Financial investments available-for-sale	993.9	241.4	1,033.1	236.2
Other assets	225.5	88.4	184.0	69.3
	<b>4,482.8</b>	<b>537.7</b>	<b>4,422.7</b>	<b>528.6</b>
Off-balance sheet exposure	34.8	332.0	48.2	286.7
<b>Total of the risk-weighted items</b>		<b>869.7</b>		<b>815.2</b>

  

<b>Capital and ratios</b>	<b>Capital</b>	<b>Ratio</b>	<b>Capital</b>	<b>Ratio</b>
Common equity tier 1	190.2	22%	178.8	22%
Capital ratio	<b>190.2</b>	<b>22%</b>	<b>178.8</b>	<b>22%</b>

High capital ratios reflect KAS BANK's low risk profile. KAS BANK's common equity tier 1 and capital ratio, excluding interim profits, were 22% at the end of June 2015 (31 December 2014: 22%).

**Liquidity**

At the end of June 2015, 75% of KASBANK's financial assets had a maximum maturity of three months (at the end of December 2014: 65%).

The average liquidity surplus based on the Financial Supervision Act (*Wet op het financieel toezicht*) was EUR 0.8 billion in the second quarter of 2015 (fourth quarter of 2014: EUR 0.9 billion).

**Dividend**

Interim dividend will be EUR 0.33 per ordinary share (interim dividend 2014: EUR 0.33 per ordinary share) amounting to EUR 4.9 million or 59% of the net result of H1 2015, reflecting a cautious approach towards continuing unstable capital markets.

**Outlook**

KAS BANK does not expect any change in the economic and political environment which means that the market conditions will remain difficult. Historically, KAS BANK's H2 net result is lower than H1. We continue our investments out of the allocated dwpbank compensation (in H2 at a comparable level to H1) to improve operations and to strengthen the strategic approach. Additional bank levies (new ex-ante Deposit Guarantee Scheme in the Netherlands and Resolution fund contributions in the European Union) will impact the H2 2015 net result.

As a result of the focus on sustainable growth and efficiency improvements, we expect a continued growth of the productivity in the near future. We repeat the bank's aim to meet our long term external objectives.



## RESPONSIBILITY STATEMENT

In respect of Article 5:25d, section 2 (c) (1 and 2) of the Dutch Financial Supervision Act, the members of the Managing Board of KAS BANK hereby confirm, to the best of our knowledge, that

- The interim financial statements for the six months ended 30 June 2015, which have been prepared in accordance with IAS 34 'Interim Financial Reporting', give a true and fair view of the assets, liabilities, financial position and profit or loss of KAS BANK and its consolidated group companies;
- The interim report includes a fair review of information required pursuant to Section 5, subsection 25d, paragraphs 8 and 9, of the Financial Supervision Act.

Amsterdam, 26 August 2015

Managing Board

A.A. Röell, chairman

S.A.J. van Katwijk

J. Witteveen

# **CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**CONSOLIDATED INCOME STATEMENT**

<i>In thousands of euros</i>	First half of 2015	First half of 2014
<b>OPERATING INCOME</b>		
Interest income	21,261	21,503
Interest expense	8,544	9,119
Net interest result	12,717	12,384
Commission income	44,823	40,418
Commission expense	7,667	7,258
Net commission result	37,156	33,160
Net trading income	9,686	4,425
Result from financial transactions	2,413	3,087
Share of result of associates and joint ventures	-	-263
Other income	4 461	20,818
<b>Total operating income</b>	<b>62,433</b>	<b>73,611</b>
<b>OPERATING EXPENSES</b>		
Personnel expenses	34,585	27,850
General and administrative expenses	15,159	14,737
Depreciation and amortisation	1,771	2,170
Impairment losses (recovery)	-200	168
<b>Total operating expenses</b>	<b>51,315</b>	<b>44,925</b>
<b>Operating result before tax</b>	<b>11,118</b>	<b>28,686</b>
Tax expense	2,811	7,483
<b>Net result for the period</b>	<b>8,307</b>	<b>21,203</b>
<b>Attributable to:</b>		
KAS BANK shareholders	8,290	21,205
Non-controlling interests	17	-2
<b>EARNINGS PER SHARE</b>		
- basic (in euros)	0.56	1.44
- diluted (in euros)	0.56	1.43

The accompanying notes are an integral part of these consolidated interim financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<i>In thousands of euros</i>	First half of 2015	First half of 2014
<b>Net result</b>	<b>8,307</b>	<b>21,203</b>
<i>Items that will be reclassified subsequently to profit or loss when specific condition are met</i>		
Gains and losses on financial investments available-for-sale	12,199	6,935
Realised gains and losses on financial investments available-for-sale transferred to the income statement	-2,179	-1,328
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met - before tax</b>	<b>10,020</b>	<b>5,607</b>
Income tax relating to items that will be reclassified to profit or loss	-2,491	-1,402
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met - after tax</b>	<b>7,529</b>	<b>4,205</b>
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Revaluation on land and buildings	10,622	-
Actuarial gains and losses on pensions	-26	-13,290
<b>Items that will not be reclassified subsequently to profit or loss before tax</b>	<b>10,596</b>	<b>-13,290</b>
Income tax relating to items that will not be reclassified to profit or loss	-2,647	3,323
<b>Items that will not be reclassified subsequently to profit or loss after tax</b>	<b>7,950</b>	<b>-9,967</b>
<b>Net total other comprehensive income</b>	<b>15,479</b>	<b>-5,762</b>
<b>Net total comprehensive income</b>	<b>23,786</b>	<b>15,441</b>
Attributable to:		
KAS BANK shareholders	23,769	15,443
Non-controlling interests	17	-2

The accompanying notes are an integral part of these consolidated interim financial statements.

## CONSOLIDATED BALANCE SHEET

<i>In thousands of euros</i>	30 June 2015	31 December 2014
<b>Assets</b>		
Cash and balances with central banks	140,467	120,846
Due from banks	472,154	661,588
Loans	892,142	558,815
Reverse repurchase agreements	1,458,208	1,476,994
Derivative financial instruments	322,758	338,787
Financial assets designated at fair value	118,202	169,483
Financial investments available-for-sale <i>of which pledged as collateral</i>	993,887 465,634	1,033,077 519,131
Investments in associates and joint ventures	-	-
Current tax assets	3,286	2,674
Other assets	37,354	26,754
Property and equipment	2 33,922	23,490
Intangible assets	3,358	3,031
Deferred tax assets	7,081	7,178
<b>Total assets</b>	<b>4,482,819</b>	<b>4,422,717</b>
<b>Equity and liabilities</b>		
Due to banks	278,569	338,155
Due to customers	3,455,199	3,241,777
Repurchase agreements	201	135,056
Derivative financial instruments	346,859	352,878
Financial liabilities designated at fair value	119,616	124,304
Other liabilities	3 58,380	30,868
Deferred tax liabilities	10,631	5,344
<b>Total liabilities</b>	<b>4,269,455</b>	<b>4,228,382</b>
Issued capital	15,699	15,699
Treasury shares	-22,484	-22,740
Share premium	21,569	21,569
Revaluation reserve	30,238	14,740
Other reserves (including profit for the period)	168,342	164,969
Equity attributable to KAS BANK shareholders	213,364	194,237
Non-controlling interests	-	98
<b>Total equity</b>	<b>213,364</b>	<b>194,335</b>
<b>Total equity and liabilities</b>	<b>4,482,819</b>	<b>4,422,717</b>
Contingent liabilities	20,703	34,300
Irrevocable facilities	14,100	13,863

The accompanying notes are an integral part of these consolidated interim financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In thousands of euros</i>	Issued capital	Treasury shares	Share premium	Revaluation reserve	Other reserves (incl. profit for the period)	Total attributable to shareholders	Non-controlling interests	Total equity
<b>Balance as at 1 January 2014</b>	<b>15,699</b>	<b>-23,612</b>	<b>21,569</b>	<b>9,246</b>	<b>190,184</b>	<b>213,086</b>	<b>81</b>	<b>213,167</b>
Comprehensive income	-	-	-	4,205	11,238	<b>15,443</b>	-2	<b>15,441</b>
Purchase/sale of treasury shares	-	663	-	-	-663	-	-	-
Share-based payments	-	-	-	-	389	<b>389</b>	-	<b>389</b>
Final dividend 2013	-	-	-	-	-4,551	<b>-4,551</b>	-	<b>-4,551</b>
Other movements	-	-	-	-	7	<b>7</b>	-	<b>7</b>
<b>Balance as at 30 June 2014</b>	<b>15,699</b>	<b>-22,949</b>	<b>21,569</b>	<b>13,451</b>	<b>196,604</b>	<b>224,374</b>	<b>79</b>	<b>224,453</b>
<b>Balance as at 1 January 2015</b>	<b>15,699</b>	<b>-22,740</b>	<b>21,569</b>	<b>14,740</b>	<b>164,969</b>	<b>194,237</b>	<b>98</b>	<b>194,335</b>
Comprehensive income	-	-	-	15,498	8,271	<b>23,769</b>	17	<b>23,786</b>
Purchase/sale of treasury shares	-	256	-	-	-256	-	-	-
Share-based payments	-	-	-	-	62	<b>62</b>	-	<b>62</b>
Final dividend 2014	-	-	-	-	-4,565	<b>-4,565</b>	-	<b>-4,565</b>
Other movements	-	-	-	-	-139	<b>-139</b>	-115	<b>-254</b>
<b>Balance as at 30 June 2015</b>	<b>15,699</b>	<b>-22,484</b>	<b>21,569</b>	<b>30,238</b>	<b>168,342</b>	<b>213,364</b>	<b>-</b>	<b>213,364</b>

The accompanying notes are an integral part of these consolidated interim financial statements.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

<i>In thousands of euros</i>	First half of 2015	First half of 2014
Net result	8,307	21,203
Other cash flow from operating activities	-275,408	283,327
Total net cash flow from operating activities	-267,101	304,530
Total net cash flow from investment activities	90,947	61,984
Total net cash flow from financing activities	-4,565	-4,551
<b>Net cash flow</b>	<b>-180,719</b>	<b>361,963</b>
Cash and cash equivalents at 1 January	759,756	435,670
<b>Cash and cash equivalents at 30 June</b>	<b>579,037</b>	<b>797,633</b>
<i>Reconciliation of cash flow statement with balance sheet items</i>		
Cash and balances with central banks	140,467	2,023
Due on demand from banks	438,570	795,610
<b>Cash and cash equivalents at 30 June</b>	<b>579,037</b>	<b>797,633</b>
<i>Reconciliation of due from banks with balance sheet items</i>		
Due from banks - on demand	438,570	795,610
Due from banks - not on demand (cash flow from operating activities)	33,585	90,768
<b>Due from banks at 30 June</b>	<b>472,155</b>	<b>886,378</b>

The accompanying notes are an integral part of these consolidated interim financial statements.

## SELECTED EXPLANATORY NOTES

### ACCOUNTING POLICIES

#### Corporate information

KAS BANK is a public limited liability company, incorporated under Dutch law and registered in Amsterdam, the Netherlands. KAS BANK, founded in 1806, is listed on the stock exchange of NYSE Euronext Amsterdam.

KAS BANK's consolidated interim financial statements for the period ending 30 June 2015 include the parent company and all its subsidiaries, together referred to as 'KAS BANK'. An overview of the principal subsidiaries is included in the 2014 annual report.

The consolidated interim financial statements were approved by the Managing Board on 26 August 2015. These consolidated interim financial statements have been reviewed and not audited.

#### Basis of presentation

The consolidated interim financial statements do not include all information and disclosures required in annual financial statements and should therefore be read in conjunction with the 2014 annual report of KAS BANK. KAS BANK's annual report for 2014 is available on KAS BANK's website.

In preparing the consolidated interim financial statements for the first half of 2015, the same accounting policies, critical accounting estimates and judgements are used as for the consolidated financial statements for the year ended 31 December 2014. The financial statements are presented in euros, which is the functional currency of KAS BANK, rounded to the nearest thousand (unless stated otherwise).

#### Statement of compliance

The consolidated interim financial statements for the period ending 30 June 2015 are presented in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union.

#### Changes in accounting policies

The accounting policies applied in these interim financial statements are consistent with those used for the 2014 financial statements. The following changes in IFRS had no financial impact:

- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
- Annual improvements to IFRSs (2010-2012 cycle)
- Annual improvements to IFRSs (2011-2013 cycle)

#### New IFRS standards and interpretations not yet adopted

A number of new, amended or revised standards were not applied in preparing these financial statements as these standards were either not effective for the current period or have not been adopted by the EU. These standards will not have a significant impact on the preparation of the financial statements in the near future. These new, amended or revised standards are listed below:

- Amendments to IAS 1: Disclosure Initiative, effective as of 2016
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation, effective as of 2016 (to be amended)
- Amendments to IAS 16 and IAS 41: Bearer Plants, effective as of 2016
- Amendments to IAS 27: Equity Method in Separate Financial Statements, effective as of 2016
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, effective as of 2016



- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception, effective as of 2016
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations, effective as of 2016
- IFRS 14: Regulatory Deferral Accounts, effective as of 2016
- Annual Improvements to IFRSs 2012–2014 Cycle, effective as of 2016
- IFRS 15 Revenue from Contracts with Customers, effective as of 2017
- IFRS 9 Financial instruments, effective as of 2018

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Fair value measurement

The following table presents the financial instruments carried at fair value, broken down according to the fair value hierarchy. The fair value hierarchy distinguishes three levels of fair value:

- Level 1: Unadjusted quoted prices obtained in an active and liquid market.
- Level 2: Valuation techniques based on observable market data other than quoted prices included in level 1. This level includes quoted prices in less active markets and derivatives that are valued using inputs from observable market data.
- Level 3: Valuation techniques using variables other than observable market data. This level includes all instruments of where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation, these instruments are valued mainly by third parties.

Some equity instruments are measured at historical cost since no market data exists. There were no changes in valuation techniques during the period.

The fair value of a financial instrument is the price that would be received to sell or paid to transfer a particular asset or liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which KAS BANK has access at that date. KAS BANK determines fair value either by reference to quoted market prices or dealer price quotations without adjustment for transaction costs for those financial instruments that are currently traded in an active market. The fair value measurement is based upon the bid price for financial assets and the ask price for financial liabilities. These financial instruments are reported as level 1 in the fair value hierarchy.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

The fair value of financial instruments not quoted in an active market is determined using specific valuation techniques. These valuation techniques are applied using, where possible, relevant market observable inputs (level 2). Valuation techniques include:

- Use of quoted market prices or dealer tickets for similar instruments
- Estimated future cash flows based on observable yield curves (fair value of interest rate derivatives and unlisted debt instruments)
- Use of forward exchange rates at the balance sheet date (fair value of foreign exchange derivatives)

30 June 2015					
<i>In thousands of euros</i>	Level 1	Level 2	Level 3	Cost	Total
Derivative financial instruments (assets)	58,594	264,164	-	-	322,758
Financial assets designated at fair value	118,202	-	-	-	118,202
Available-for-sale debt instruments	598,333	128,658	264,316	-	991,307
Available-for-sale equity instruments	262	833	1,315	170	2,580
<b>Total financial assets</b>	<b>775,391</b>	<b>393,656</b>	<b>265,631</b>	<b>170</b>	<b>1,434,848</b>
Derivative financial instruments (liabilities)	58,594	288,265	-	-	346,859
Financial liabilities designated at fair value	119,616	-	-	-	119,616
<b>Total financial liabilities</b>	<b>178,210</b>	<b>288,265</b>	<b>-</b>	<b>-</b>	<b>466,475</b>

31 December 2014					
<i>In thousands of euros</i>	Level 1	Level 2	Level 3	Cost	Total
Derivative financial instruments (assets)	82,721	256,066	-	-	338,787
Financial assets designated at fair value	169,483	-	-	-	169,483
Available-for-sale debt instruments	638,715	177,989	214,195	-	1,030,899
Available-for-sale equity instruments	-	776	1,232	170	2,178
<b>Total financial assets</b>	<b>890,919</b>	<b>434,831</b>	<b>215,427</b>	<b>170</b>	<b>1,541,347</b>
Derivative financial instruments (liabilities)	82,721	270,157	-	-	352,878
Financial liabilities designated at fair value	124,304	-	-	-	124,304
<b>Total financial liabilities</b>	<b>207,025</b>	<b>270,157</b>	<b>-</b>	<b>-</b>	<b>477,182</b>

### Reclassifications from level 2

In 2015, unadjusted quoted prices in an active and liquid market for a number of debt instruments formerly classified as level 2 were obtained. As a consequence, assets with a fair value of EUR 46.3 million were transferred from level 2 to level 1 (2014: EUR 82.1 million). Assets (Collateralised Loan Obligations) with a fair value of EUR 40.4 million were transferred from level 2 to level 3, since the value of these instruments is based on unobservable market data.

### Reconciliation of fair value at level 3

The movements in financial instruments measured using a level 3 method were as follows:

<i>In thousands of euros</i>	Financial investments available-for-sale	
	30 June 2015	31 December 2014
Position as at 1 January	215,427	1,967
Reclassification to Level 3	40,397	34
Result on reclassification	-	-
Redemptions	-11	-
Purchases of assets	-	200,000
Revaluation recognised in equity during the year	9,664	13,030
Total income and charges		
· Unrealised gains/losses	8	-8
· Fair value movement recognised in the income statement	146	404
<b>Level 3 assets at balance date</b>	<b>265,631</b>	<b>215,427</b>

The instruments valued by a third party represent a fair value of EUR 264.4 million (2014: EUR 214.3 million). The other investments are based on an internal analysis of the assets and liabilities and represent a fair value of EUR 1.2 million (2014: EUR 1.2 million).

Since mid-2014, KAS BANK invests in a high quality mortgage fund, classified as Financial instruments available-for-sale. The fund has a joint account structure in which the investor has a direct exposure on the underlying mortgages. Around 75% of the mortgages are guaranteed by the Dutch guarantee scheme (*Nationale Hypotheekgarantie*). The fund is long term in nature but given the size of the fund and the prepayment rate an early exit is a likely possibility. Redemptions occur at the prevailing Net Asset Value. Each month the fund manager calculates the Net Asset Value. The calculation is based on the discounted cash flows of the underlying assets (Dutch mortgages). KAS BANK has committed EUR 200 million to the fund in two equal instalments as one of the first investors in the fund. At the end of June 2015 the fair value of KAS BANK's investment in this mortgage fund amounts EUR 222.8 million (at the end of 2014: EUR 212.9 million). At the end of June 2015 the total value of this mortgage fund amounts to EUR 3.3 billion (at the end of 2014: EUR 2.0 billion).

A movement of 25 basis points in either direction of the discount rate applied in the calculation of the Net Asset Value results in a change of 2% (December 2014: 2%) of the Net Asset Value of the fund.

### Financial instruments for which carrying value approximates fair value

Certain financial assets and liabilities that are not carried at fair value are carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk. These financial assets and

liabilities include cash and balances with central banks, due from other banks, loans, reverse repurchase agreements, due to banks, due to customers, and repurchase agreements.

### Non-financial assets valued at fair value

Land and buildings are valued at fair value. The carrying amount of the land and buildings (level 3) as of 30 June 2015 was EUR 29.6 million (31 December 2014: EUR 19.2 million). The land and buildings were last revalued as of June 2015 based on an external appraisal.

## 2. Property and equipment

In June 2015, an independent external appraiser performed a valuation of KAS BANK's head office in Amsterdam. This office is measured according to the revaluation model with the assumption that the head office would continue to be used. The value concept of 'continuing use of the head office' is the amount that could reasonably be realised in a private sale to a third party, whereby the aim would be to continue the activity established in the buildings in the same or a similar way.

As a result of the recent valuation, the carrying amount of the head office increased with EUR 10.4 million to EUR 29.6 million (December 2014: EUR 19.2 million). The valuation is recognised in the revaluation reserve as at 30 June 2015.

## 3. Other liabilities

A restructuring provision of EUR 4.7 million was recognised in 2013, which is aimed at structural improvement of the results as of 2014. The restructuring programme started in the first quarter of 2014. As per June 2015 EUR 3.3 million (December 2014: EUR 2.3 million) of the total restructuring provision is paid to employees in the restructuring programme, the other EUR 1.4 million (December 2014: EUR 2.4 million) is subject to constructive obligations and is expected to be used in 2015.

Changes in restructuring provision	
<i>In thousands of euros</i>	2015
Balance as at 1 January	2,446
Used during year	-1,071
<b>Balance as at 30 June</b>	<b>1,375</b>

## 4. Other income

In June 2014 KAS BANK and dwpbank scaled down their European collaboration. As a compensation for the loss of the anticipated annual savings that KAS BANK would have realised from mid-2015 onwards, dwpbank paid KAS BANK a compensation of EUR 20 million in June 2014. KAS BANK recognised this compensation in H1 2014.

## 5. Segment information

KAS BANK's products and services focus primarily on the core segments: pension funds, insurance companies, investment funds and wealth management. Another important activity at KAS BANK is Treasury. KAS BANK does not report assets and liabilities on a segment level to the Managing Board. Due to KAS BANK's strategic refocus the internal management information provided to the Managing Board was restructured to core segments, Treasury and Other. The previous segments Institutional Investors and Financial Institution have been merged and a small part of the previous Financial Institutions segments has been transferred to Other as they are no longer part of KAS BANK's core segments. This segment information overview reflects the internal management information provided to the Managing Board.

<b>First half of 2015</b>	<b>Core</b>	<b>Treasury</b>	<b>Other</b>	<b>Total</b>
<i>In millions of euros</i>	<i>segments</i>			
Interest income and expenses	8.0	3.6	1.1	12.7
<i>Commission income and expense:</i>				
- Asset Servicing	17.8	-	0.4	18.2
- Transaction Servicing	9.4	-	2.3	11.7
- Treasury	6.4	0.8	0.1	7.3
Result on financial transactions and trading income	6.4	5.5	0.1	12.0
Other income	-	-	0.5	0.5
<b>Total income</b>	<b>48.0</b>	<b>9.9</b>	<b>4.5</b>	<b>62.4</b>
Operating expenses (direct)	-15.4	-1.6	-2.8	-19.8
Contribution	32.6	8.3	1.7	42.6
Operating expenses (other)			-31.5	-31.5
<b>Result for the period before tax</b>				<b>11.1</b>

<b>First half of 2014</b>	<b>Core</b>	<b>Treasury</b>	<b>Other</b>	<b>Total</b>
<i>In millions of euros</i>	<i>segments</i>			
Interest income and expenses	8.7	1.9	1.8	12.4
<i>Commission income and expense:</i>				
- Asset Servicing	13.8	-	1.5	15.3
- Transaction Servicing	8.8	-	2.9	11.7
- Treasury	5.2	0.7	0.3	6.2
Result on financial transactions and trading income	3.7	3.6	0.2	7.5
Other income	-	-	20.5	20.5
<b>Total income</b>	<b>40.2</b>	<b>6.2</b>	<b>27.2</b>	<b>73.6</b>
Operating expenses (direct)	-13.1	-0.5	-4.1	-17.7
Contribution	27.1	5.7	23.1	55.9
Operating expenses (other)			-27.2	-27.2
<b>Result for the period before tax</b>				<b>28.7</b>

## 6. Dividend

After the General Meeting of Shareholders of 22 April 2015, the proposed final dividend for 2014 of EUR 4.6 million (EUR 0.31 per share) was distributed to the shareholders in the first half of 2015.

## 7. Companies acquired and divested

### Acquisitions

There were no acquisitions in H1 2015. At 30 June 2014 KAS BANK obtained all shares in Secpoint, the joint operation of KAS BANK and dwpbank. KAS BANK bought the 50%-interest from dwpbank at fair value. As a consequence, Secpoint is no longer classified as a joint venture as of 30 June 2014.

### Divestments

In May 2015, KAS BANK sold its entire interest of 50.25% in Addition Knowledge House (AKH) to the remaining shareholder of AKH. The transaction did not have an impact on the result of KAS BANK. The transaction settled on 1 May 2015.

In June 2015, KAS BANK liquidated Secpoint. The liquidation of KAS BANK Deutschland Holding GmbH and KAS Investment Servicing GmbH is still in progress. KAS BANK expects that the final liquidation of these companies will be finalised at the end of 2015.

There were no divestments in H1 2014.

## 8. Related parties

In the normal course of business, KAS BANK enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of KAS BANK include the members of the Managing Board, the members of the Supervisory Board, the company pension fund "Stichting Pensioenfonds van de KAS BANK" and the associate Neonet. Transactions between related parties have taken place on an

arm's length basis. Transactions with related parties are disclosed in Note 44 'Related parties' in the annual report 2014 of KAS BANK.

In June 2015, KAS BANK invested EUR 0.3 million (total issue of EUR 1.5 million) in an investment (perpetual convertible debentures) of KAS BANK's associate Neonet (20% interest), a European broker. KAS BANK's part in this investment equals KAS BANK's interest in Neonet. This investment allows Neonet the right to convert the debenture to additional tier 1 capital at predetermined capital ratio triggers. This transaction has no impact on the capital position of KAS BANK. No draw down has been made by Neonet as at 30 June 2015.

#### **9. Legal proceedings**

There is one legal proceeding outstanding against KAS BANK at 30 June 2015. No provision has been made as at 30 June 2015, as the best estimate from KAS BANK's legal advisors indicates that it is unlikely that any significant loss will arise.

#### **10. Bank levies**

In 2015, KAS BANK will be exposed to two new bank levies: new ex-ante Deposit Guarantee Scheme in the Netherlands and Resolution fund contributions under Directive 2014/59/EU. These levies will have financial impact on KAS BANK. The ex-ante Deposit Guarantee Scheme will become applicable with effect 1 October 2015. The Resolution fund contributions under the Directive are applicable as of 1 January 2015. In order to be effective, the Directive needs to be enacted into local law, which is still pending.

#### **11. Subsequent events**

There were no subsequent events that have material impact on the consolidated interim financial statements.

Amsterdam, 26 August 2015

Managing Board  
A.A. Röell, chairman  
S.A.J. van Katwijk  
J. Witteveen

## **REVIEW REPORT**

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

#### **Introduction**

We have reviewed the accompanying consolidated interim financial information for the six-month period ended 30 June 2015 of KAS BANK N.V., Amsterdam, which comprises the consolidated balance sheet as at 30 June 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the condensed consolidated cash flow statement and the selected explanatory notes for the six-month period then ended. The Managing Board is responsible for the preparation and presentation of this consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information 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 Independent Auditor of the company. 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 accompanying consolidated interim financial information as at 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Rotterdam, 26 August 2015

PricewaterhouseCoopers Accountants N.V.

Original has been signed by drs. S. Barendregt-Roojers RA