

KAS BANK and dwpbank: “creating a pan-European securities growth platform”

Strategic update



Amsterdam, 14 December 2011

A good strategic fit...

PARTNERSHIP

- KAS BANK and dwpbank have been in active conversations since early 2011
- Both banks are low risk, “pure play” and infrastructure driven securities specialists:
 - KAS BANK wholesale oriented
 - dwpbank retail oriented
 - Both banks are market leaders in their home markets
- A Memorandum of Understanding was signed on 13 December to emphasize the partnership: the final contract will be concluded in the first half of 2012

.....with a leading German Securities processing specialist

WHO IS dwpbank – KEY FACTS

- Market leader in Germany for securities processing services with a market share of approximately 30%;
7,5 million securities accounts, 30 million transactions p.a.
- Owned by its clients, of which 50% DZ Bank. Other shareholders include Sparkassen, Private Banks and Landesbanken (total of 1,600 financial institutions)
- Pure play securities processing specialist

Both top line as well as scale opportunities

OUTLINE OF THE PARTNERSHIP

1. A pan-European securities platform will be set up to service financial institutions in The Netherlands and later elsewhere in Europe (comparable to the Equens initiative for cash payments)
2. In Germany KAS BANK's wholesale securities solutions will be tailored towards the needs of dwpbank's banking clients
3. A branch of dwpbank will be set up in Amsterdam to service international clients. KAS BANK will transfer transaction servicing capability to the new entity

Dutch retail securities market is largely untapped

1. A PAN-EUROPEAN SECURITIES PLATFORM FOR RETAIL

- Retail transaction processing in The Netherlands (and elsewhere) is fragmented. The Dutch market is sizeable with approximately 5 million securities accounts
- Additional markets such as DC-pension savings, banksparen and PPI-investments are offering opportunities to offer a low cost service, compliant with current and future regulations, such as T2S, MiFID 2 and FATCA
- The combined know how of KAS BANK and dwpbank offers a reliable, low risk solution with large European potential

Substantial opportunities in German banking markets

2. GERMAN MARKET FOR WHOLESALE TRANSACTION SERVICES

- dwpbank manages an asset base of € 2,000 bn for 1,600 institutions
- KAS BANK will add wholesale securities services to the retail offering for dwpbank clients; we will also offer additional services, such as: brokerage, fx services, global subcustody and compliance services
- Direct client introduction of KAS BANK by dwpbank in Germany

First cross border securities processing platform

3. SECURITIES PROCESSING BRANCH OF dwpbank SET UP IN AMSTERDAM

- The retail systems of dwpbank will be finetuned to service the Dutch retail and wholesale market, offering the Dutch banking sector a robust and proven processing solution
- KAS BANK will transfer approximately 160 specialists to the new entity. Also KAS BANK's wholesale securities processing will be transferred, thus providing KAS BANK with scale advantages
- The new company will be set up as a branch of dwpbank under the supervision of BaFin and DNB. Management will be transferred from KAS BANK to dwpbank

Europe needs compelling securities processing solutions

DRIVING FORCES - EUROPE

- Europe is quickly becoming more European
- Securities processing has been local and fragmented; due to European regulation, scale and transparency is becoming more important
- KAS BANK and dwpbank are both strong infrastructural players: by combining retail and wholesale processing, this convergence provides a strong impulse to solve the issues of quality improvements and reducing the risk profile of the securities markets

Dutch market surprisingly inefficient

DRIVING FORCES – THE NETHERLANDS

- The Dutch securities processing market consists of approximately 5 million securities accounts. This number will continue to grow due to the emergence of DC-pension savings, banksparen and PPI's
- The Dutch securities market is very fragmented with no robust and proven offering for financial institutions considering to outsource. The market is actively searching for scalable and neutral solutions
- As has happened with the payment sector, large savings can be realized by combining the flows of many players on one central platform. KAS BANK and dwpbank combined have the know how and systems to achieve this goal

Top line growth, cost savings, higher flexibility

VALUE DRIVERS FOR KAS BANK

- KAS BANK expects significant revenue growth in Germany and The Netherlands over the coming years
- Opportunities resulting from other markets in Europe have not been calculated
- As a consequence of this partnership KAS BANK's total cost base will be lowered over the coming years. Additionally, future cost reductions and investments will be shared between KAS BANK, dwpbank and new clients of the securities platform

Low risk deal with potential high value impact

STRATEGIC RATIONALE FOR KAS BANK

- Strong and balanced partnership emphasizes our independent and specialized business model in Europe
- Partnership addresses scale issues and opens up new markets and segments
- Increasing regulatory complexity (MiFID II, FATCA, T2S, etc.) will be a driver for business growth across Europe

Win-win for all parties involved

IN SUMMARY

- KAS BANK is a first mover to harmonize the European securities processing market together with a first class German partner. The combined entities will offer the market a low risk, high quality solution
- The Dutch retail market is prepared to outsource infrastructural services. The proposed securities processing centre in Amsterdam is positive for the labour market and also for the Dutch financial services industry as a whole
- The partnership will enable KAS BANK to focus more on value added securities services, while increasing its flexibility in processing and lowering overall costs

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