

# KAS Bank

## Two new growth opportunities, all about execution

The partnership with dwp creates two new growth opportunities. First, with the large dwp platform it can now offer the execution of retail securities transactions in the NL to financial companies (like Binck). Second, it can contact the German clients of dwp to offer value added services. It is all about execution, as deals first have to be closed. We expect gradual earnings contribution from 2013 onwards. Hold.

Forecast	2010	2011E	2012E	2013E
Net income (EURm)	18.5	12.0	17.7	18.7
EPS Reported New	1.18	0.76	1.13	1.19
EPS Reported Old	1.18	0.76	1.10	1.09
Dividend per share	0.73	0.73	0.73	0.73
Book value per share	11.91	12.10	12.50	12.96
P/E	10.6	11.1	7.5	7.1
P/B	0.7	0.7	0.7	0.7
Dividend Yield (%)	8.6	8.6	8.6	8.6

Source: Company data, Rabobank International

Year to December, fully diluted

### Opportunity 1: new competitive offering of retail transaction processing in the NL

KasBank will start to offer financial parties in the NL to process the retail securities transactions. Due to the large size of the dwp transaction platform in Germany (7.5m accounts) it benefits directly from economies of scale enabling KasBank to make a competitive price offering to clients. Also the proven track record of dwp and the neutral position (as it does not offer banking services) should help to win clients. The most interesting opportunities would be if one of the larger banks would outsource this. SNS bank already outsourced the retail part to Binck professional services which is the key competitor in this market. ING bank basically took the Binck professional software in licence. Opportunity but it is all about execution, as deals with clients have to be closed. [For more on Binck see next page]

### Opportunity 2: KasBank can cross sell in Germany, but it is all about execution

The KasBank - dwp partnership is until 2024, implying more than in the case of a merger (difficult as dwp is more of a utility without a profit target) that both parties have to continue to work hard to get the benefits of the relation. This is especially critical in Germany where KasBank will try to win new clients for services that dwp does not offer, like custody (the dwp clients have EUR 700bn assets under custody outside Germany at other custody providers; note that KasBank has EUR 275bn), risk and regulatory reporting, treasury services, network management, the more cash related parts of clearing and settlement, and wholesale offerings (dwp only does retail). Dwp does not offer any capital intensive services, as it only executes/reports data transactions. KasBank can approach the clients of dwp (which are also its shareholders) for these services and it can approach their KAG's. However, it is up to these clients/shareholders if they choose the services of KasBank. The benefits of the offering of KasBank is more driven that the business stays 'in house' and that it can fully integrate the additional services with the securities transactions which already go via dwp.

### It will take a few years to get a clear positive EPS contribution

The deal will be closed mid 2012. At that moment KasBank will put its own transactions (and 160 of its staff) on the dwp platform resulting in visible cost synergies in 2013. The revenue synergy will come gradually later as it takes time (at least six months) to close a deal. We believe that in five years, so in 2017, this partnership can contribute EUR 20m in cost benefits and revenue enhancement, which is about EUR 10m in extra net profit. However, the size depends on execution. To be conservative we put EUR 5m higher net profits in our 2017 estimates. The dividend development will depend on the growth of more capital intensive services. We keep stable dividend for now.



Rabo

Rating	Hold =
Price target (12m)	EUR 11.75 ▲
Price 13-Dec-2011	EUR 8.48
Up-/downside	38.6%

#### Diversified Financials

##### Netherlands

##### Market capitalization

EUR 133m

##### Avg (3month) daily turnover

6.385

##### Reuters

KAS.NL.AS

##### Bloomberg

KA NA

##### Web site

[www.kasbank.nl](http://www.kasbank.nl)

#### Share Performance

	1m	3m	12m
KAS Bank	-0.9	2.1	-28.6
ASCX	-8.0	-7.9	-24.3
Stoxx Europe 600 Bank	-3.1	3.5	-35.4

#### Agenda

None --

#### Analysts

##### Cor Kluis

+31 (0)30 712 4467

[cor.kluis@rabobank.com](mailto:cor.kluis@rabobank.com)

#### Rabobank International GFM

Equity Sales	+31 30 216 9101
Equity Sales Trading	+31 30 216 9123

[www.rabotransact.com](http://www.rabotransact.com)

**More price competition for Binck professional services, if KasBank executes it well**

With the new offering of retail transaction processing in the NL KasBank will basically compete with Binck Professional Services (this unit is approximately 10% of Binck Bank). Binck Professional Services is currently doing the securities transactions for many smaller asset managers, intermediaries, and banks (e.g. SNS Bank, Friesland bank), and delivers the (Syntel) execution software to ING Bank. Clients outsource these processes to lower their expenses and be less impacted by regulation. On paper KasBank with the dwp partnership with the 7.5m securities accounts has an economies of scale advantage, versus BinckBank with 0.5m securities accounts, however Binck is a low cost commercial organisation with much experience. Also Binck Professional Services has multi-year contracts, many contracts are fit to the clients and Binck is benefitting from the first mover advantage. This is important as switching from securities transaction provider is labour/risk intensive. As KasBank probably will start working with the dwp platform in the NL in 2012, and as contracts in general take six months to close we expect the first indications of the competitive impact for Binck from 2013 onwards. In total, it is safe to assume that the new competition from KasBank will put pricing pressure on the Binck Professional services business, but the extend depends on the execution by KasBank.