

**Company results**  
 25 August 2011

**Buy** (maintained)

 Price (25/08/11)  
 €9.39

 Target price (12-mth)  
 €13.70 (maintained)

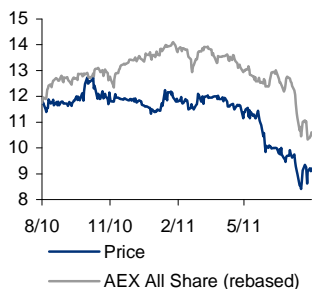
 Forecast total return  
 55.3%

**Financial Services**  
**Netherlands**  
 Bloomberg: KA NA  
 Reuters: KASnc.AS

**Share data**

Avg daily volume (3-mth)	8,934
Free float (%)	44.0
Market cap (€m)	137.2
Dividend yield (1F, %)	9.4

Source: Company data, ING estimates

**Share price performance**


Source: ING

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# KasBank

## Dividend yield signals a 'golden cross'

Generally speaking, if it sounds too good to be true, it usually is. However, in the case of KasBank, we have the impression that we have been rather conservative in our 2H11 estimates (with 14% lower 2H11 EPS than 1H11) and in our pay-out ratio of 70% (management guides for 60-80%). Therefore, we feel reassured in our impressive FY11F dividend yield of 9.4%, strengthened by KasBank's robust Tier 1 ratio of 20% at 1H11. In our view, a further deterioration of financial markets will have its impact on KasBank, but not as severe as in the previous crisis given the sharply improved risk profile. We reiterate our target price of €13.7, justifying a BUY recommendation.

**Dull results are not necessarily bad nowadays.** KasBank recorded 1H11 results that were better than expected and showed an improving underlying trend both in interest income and in cost control. Net income decreased YoY by 9% to €10m in 1H11, 16% ahead of our expected €8.6m. Management does not provide a clear outlook statement, but points towards the risk of impairment if financial markets deteriorate (not a surprise).

**EPS estimates for 2H11 lower than 1H11.** We have adjusted our FY11, FY12 and FY13 estimates on the back of the better-than-expected 1H11 earnings. Even though we pencil in 9% higher average EPS estimates for FY11, FY12 and FY13 supported by the recent increase in 3-months Euribor, our 2H11F EPS is seen 14% lower than 1H11 to reflect the current financial market circumstances.

**FY11F dividend yield is currently 9.4%.** Our FY11F DPS currently amounts to €0.88, equalling a 9.4% dividend yield. Given that we believe that we (1) prudently estimated 2H11 earnings, (2) set the pay-out ratio within management guidance at 70% and (3) see KasBank's solvency as amongst the highest in the sector with a Tier 1 ratio of 20%, we believe there is deep value in the shares.

**New target price de-risked.** We believe modelling in higher minimum capital thresholds is justified, given the uncertain economic environment (strengthened by Basel III). As a consequence, our excess capital scenario is delayed, resulting in a lower discounted excess capital per share of €1.9. All in all, our earnings and discounted tangible book value valuation point to an unchanged TP of €13.7 and thus we reiterate our BUY recommendation. KasBank currently trades at a FY12F PER of 7.4x and FY11F P/BV of 0.7x. Given that the FY11F dividend yield of 9.4% currently exceeds the PER, we consider this as a 'golden cross'.

**Risks** to our target price and rating remain capital market developments and increased competition in the Dutch and German market.

**Forecasts and ratios**

Year end Dec (€m)	2009	2010	2011F	2012F	2013F
Revenues	132	112	123	124	126
Pre-provision profit	27	14	25	25	27
Net profit	25	19	19	19	20
Reported EPS (€)	1.69	1.27	1.27	1.29	1.37
Dividend per share (€)	0.73	0.73	0.88	0.89	0.95
PER (x)	5.6	7.4	7.4	7.3	6.9
Dividend yield (%)	7.8	7.8	9.4	9.5	10.1
Price/book (x)	0.71	0.73	0.71	0.69	0.67
Price/tangible book (x)	0.79	0.82	0.78	0.75	0.71
Reported ROE (%)	13.6	9.8	9.8	9.6	10.0

Source: Company data, ING estimates