KAS BANK N.V.

Annual Report 2014

KAS BANK
COMMITTED SINCE 1806

Five years in figures KAS BANK N.V.

Consolidated, in millions of euros	2014	2013	2012	2011	2010
Own funds					
Equity attributable to KAS BANK shareholders	194.2	213.1	192.3	170.6	187.0
Total assets	4,422.7	3,789.7	5,205.7	5,347.9	6,017.3
Operating income	124.2	116.2	117.7	115.3	117.1
Operating expenses	91.4	103.8	98.5	101.8	94.9
Result before tax	32.8	12.4	19.2	13.5	22.3
Net result attributable to KAS BANK shareholders	**24.3**	**12.3**	**14.1**	**8.9**	**18.5**
Figures per share of EUR 1.00 nominal value (in euros)					
Net asset value after proposed dividend	12.88	14.21	12.86	11.53	12.83
Basic earnings per share	1.65	0.84	0.97	0.61	1.27
Dividend	0.64	0.64	0.64	0.50	0.73
Share price, high	10.96	10.00	8.90	12.25	14.24
Share price, low	8.98	7.65	6.80	7.72	11.00
Share price at 31 December	9.91	9.75	7.56	8.55	11.76
Ratios					
Net return on average shareholders' equity (%)	11.8	6.3	7.9	5.0	10.0
Efficiency ratio (excluding impairments)	73	88	84	87	83
Capital ratio (at 31 December)	22	29	23	26	23
Assets under Administration (in billions of euros)	**451**	**329**	**303**	**276**	**270**

Profile of KAS BANK N.V.

KAS BANK N.V. is the European specialist for the safekeeping and administration of securities and high-end risk and reporting services. We focus entirely on wholesale securities services to professionals in the pensions and securities industries.

Our strategy and services are based on clear principles about the role and tasks of custodians in the financial world. Integrity, transparency and independence are important values for our bank, as are risk aversion and a low-risk profile. Our independent and neutral position in the market ensures that no conflicts of interest arise with our clients' core activities. For us, focusing on the client means that we are constantly developing customer-oriented and market-oriented solutions to support your organisation's activities. This means that we work with you to create lasting added value for your organisation's continuity.

KAS BANK is listed on the NYSE Euronext Amsterdam stock exchange. Our core markets are the Netherlands, the United Kingdom and Germany. Worldwide, we serve more than 90 markets. We have a total of 700 employees at your service to provide the very best support.

Contents

Personal notes

Situation as at 5 March 2015

Supervisory Board

P. (Peter) J.C. Borgdorff (1953), chairman
J. (Jean) M.G. Frijns (1947), vice-chairman
Ms. P. (Pauline) J.E. Bieringa (1959)
Ms. P. (Petri) H.M. Hofsté (1961)
R. (Ron) Icke (1957)
R. (Robert) A.H. van der Meer (1949)

The members of the Supervisory Board are Dutch nationals.

P.J.C. Borgdorff, chairman

Current principal position	Managing Director of Pensioenfonds Zorg en Welzijn (Pension fund for the care and welfare sector, PFZW)
Previous principal position	Managing Director of the Association of Industrywide Pension Funds (VB)
Other positions	Chairman of Eumedion; non-executive member of the Board of Nibud; Executive lecturer at Nyenrode Business University
First appointed	2014
Current term of office expires	2018

J.M.G. Frijns, vice-chairman

Current principal position	None
Previous principal position	Endowed Professor of Investment Theory at VU University, Amsterdam; Chief Investment Officer and member of the Management Board of Pensioenfonds ABP
Other positions	Chairman of the Supervisory Board of FMO; chairman of the Supervisory Board of Delta Lloyd; member of the Board of Directors of JP Morgan Funds (Luxembourg)
First appointed	2008
Current term of office expires	2016

Ms. P.J.E. Bieringa

Current principal position	Managing Director Public Finance at BNG Bank N.V.
Previous principal position	Managing Director ING BHF Bank AG
Other positions	Chairman of the Supervisory Board of LSP Life Sciences Fund N.V.
First appointed	2013
Current term of office expires	2017

Ms. P.H.M. Hofsté

Current principal position	None
Previous principal position	Chief Financial and Risk Officer of APG Groep N.V.; division director Banking Supervision of the Dutch Central Bank; deputy Chief Financial Officer of ABN AMRO Group N.V.; partner at KPMG Netherlands

Other positions	Member of the Supervisory Board of BNG Bank N.V.; member of the Supervisory Board of Achmea B.V.; Member of the board and chair of the audit committee of the Nyenrode Foundation
First appointed	2014
Current term of office expires	2018

R. Icke

Current principal position	None
Previous principal position	Chief Executive Officer (CEO) of USG People N.V.
Other positions	Member of the Supervisory Board and chairman of the Audit Committee of Heijmans N.V.; chairman of the Supervisory Board of DPA Group N.V.; advisor of the Board of Orizon Holding GmbH; advisor of the Supervisory Board of Partou B.V.; member of the Supervisory Board of the Dutch Land Registry and VvAA Groep B.V.; member of the Investment Committee of the Project Holland Fund; chairman of the Supervisory Board of Ormit Holding B.V.; board member Stichting Administratiekantoor V.O.Zee
First appointed	2010
Current term of office expires	2018

R.A.H. van der Meer

Current principal position	Professor of Finance at Groningen University; General Manager of P&C B.V.; deputy member of the Enterprise Section of the Amsterdam Court of Appeal
Previous principal position	Member of the Managing Board of Fortis Amev; member of the Managing Board of Aegon
Other positions	Vice-chairman of the Supervisory Board of Cório N.V.; member of the Supervisory Board of European Asset Trust N.V.
First appointed	2005
Current term of office expires	2017

Managing Board

A. (Albert) A. Röell (1959), chairman

First appointed	December 2004 (chairman as of May 2005)
Current term of office expires	none

K. (Kris) H.J. Wulteputte (1967), Chief Financial and Risk Officer (CFRO)

First appointed	October 2013
Current term of office expires	October 2017

S. (Sikko) A.J. van Katwijk (1964)

First appointed	July 2009
Current term of office expires	none

J. (Jaap) Witteveen (1967), Chief Operating Officer

First appointed	September 2014
Current term of office expires	September 2018

A more comprehensive description of the background and other positions of the members of the Managing Board is presented on the corporate governance part of KAS BANK’s website.

Compliance Officer

C.J. (Cor Jan) Dasselaar

Internal auditor

P. (Pieter) van der Wal

Secretary to the Managing Board

M. (Michiel) G.F.M.V. Janssen

Dear stakeholder,

While the European markets are recovering more slowly from the economic downturn than expected, KAS BANK achieved a satisfactory result in 2014. Our transparent pure play business model – independent, no conflicts of interest or hidden costs and a low risk appetite – has a long history and is unique for the industry. It is a positive sign that society in general and legislation in particular is supporting our way of thinking and acting. Much of the current legislation on separation of roles and duties within the financial sector or the transparent reporting of risks and costs are proof of our conviction that business models in the financial services industry need to be upgraded rather than the behaviour resulting from them. To underline our commitment to our pure play business model, we have started the institutional campaign 'The Custodian Principles'.

In 2014, we realised a healthy increase in activity in the pension fund core segment, resulting in revenue growth and a significant increase of the Assets under Administration. This growth has been achieved mainly in the Netherlands. In Germany the custodian bank market, which especially focuses on the middle and large companies, fits well with the services of KAS BANK. We are reusing our investments in systems to also strengthen our product range and services offered in Germany.

The interest rate and liquidity policies of the European Central Bank (ECB) are not to our advantage. Although the ECB aims to stimulate lending, these policies also lead to the (unintended) effect that institutional investors with a low risk appetite, such as pension funds and insurance companies, have difficulties to generate sufficient return on their investments. KAS BANK is also affected as the bank manages the liquidity positions of its clients. There is an abundance of (centrally directed) liquidity in the market, preventing market participants to generate additional return on their liquidity surpluses, while keeping their low risk appetites.

Active restructuring within the bank has ensured that operational profits largely recovered in 2014. To further enhance this process we will reinvest most of the compensation of EUR 20 million received from dwpbank after scaling down our European collaboration. This compensation will to a large extent be reinvested in the further development of our services for institutional investors in the Netherlands, the United Kingdom and Germany. We strongly believe that investing in systems, operations and people is the best guarantee to assure the long term continuity of KAS BANK, which is in the best interest of all our stakeholders.

2015 will be a challenging year for KAS BANK. Our strategy on the institutional market will focus on the inflow of new clients and a growing market share in the Netherlands, the United Kingdom and Germany. KAS BANK offers institutional parties transparency and insight into the overall cost of owning and managing assets, which enables them to significantly lower their cost base. It is our firm belief that in an institutional world where reducing costs and managing risks can result in improved performance, the KAS BANK approach and support will be welcomed.

Finally, we would like to thank our shareholders for their loyalty to the bank. In our opinion continuity and loyalty of our shareholders to the bank are closely related. The good relationship with our shareholders therefore remains important to us. After several eventful years we hope to reach calmer waters.

Amsterdam, 5 March 2015

Albert Röell
Chairman Managing Board KAS BANK N.V.

Information for shareholders

Attendance at General Meetings of Shareholders in 2014

93.1% of the issued capital was represented and entitled to vote at the annual General Meeting of Shareholders held on 23 April 2014. The shareholders and depositary receipt holders in attendance represented 42.4% of the voting capital. Stichting Administratiekantoor Aandelen KAS BANK ('KAS BANK Registrar's Office'), acting on behalf of holders of depositary receipts who did not attend the meeting in person, therefore represented 57.6% of the voting shares. All depositary receipt holders attending the meeting were automatically authorised to vote by KAS BANK Registrar's Office. Virtually all resolutions at the meeting were adopted unanimously. The result of the voting was published on the company website immediately after the meeting.

Listing

The ordinary shares have been listed on the Official Market of the stock exchange of NYSE Euronext Amsterdam N.V. in the form of depositary receipts for shares since 1986. KAS BANK is part of the Amsterdam Small cap Index (AScX index) of NYSE Euronext.

Dividend

In accordance with the dividend policy discussed with the General Meeting of Shareholders, our target is to distribute 60-80% of the net result, where the profit permits and unless prevented by exceptional circumstances. In January 2015, the ECB recommends that credit institutions which satisfy the applicable capital requirements should only distribute their net profits in dividends in a conservative manner to enable them to continue to fulfil all requirements even in the case of deteriorated economic and financial conditions.

In 2014, KAS BANK received a compensation of EUR 20 million (net of tax: EUR 15 million) from dwpbank as a result of scaling down the cooperation. As published in August 2014, KAS BANK will reinvest 80% of this amount to improve the operational environment and to strengthen the strategically approach. KAS BANK will distribute 60-80% of the net result minus the reinvestment to the shareholders.

It is proposed that a dividend of EUR 0.64 per ordinary share be declared for 2014. An interim dividend of EUR 0.33 per ordinary share already having been distributed, the final dividend will be EUR 0.31. The final dividend will be paid out in cash. This dividend is in accordance with the recommendations of the ECB.

3% holdings

The following institutions have given notification of holdings of 3% or more in KAS BANK pursuant to the Financial Supervision Act (*Wet op het financieel toezicht*) and the Decree on Disclosure of Control and Major Holdings in Listed Companies.

- APG Algemene Pensioen Groep N.V.	8.82%
- ING Groep N.V.	7.88%
- Wellington Management Group LLP	6.84%
- All Capital Holding B.V.	5.27%
- KAS BANK N.V.	5.14%
- Jan Plas S.A.	5.01%
- Dimensional Fund Advisor LP	3.14%

Share price

During 2014, the price of KAS BANK shares rose by around 2% from EUR 9.75 (at year-end 2013) to EUR 9.91 (at year-end 2014). The basic earnings per KAS BANK share in 2014 were EUR 1.65 (2013: EUR 0.84). The figures per KAS BANK ordinary share can be found in the 'Five years in figures' summary.

Financial calendar

2015

19 February 2015	- announcement of 2014 figures
	- analysts' meeting
11 March 2015	- publication of 2014 annual report
	- notice convening the Annual General Meeting of Shareholders
25 March 2015	- registration date for the Annual General Meeting of Shareholders
22 April 2015	- Annual General Meeting of Shareholders
	- interim information: first quarter 2015
24 April 2015	- ex-dividend quotation of KAS BANK N.V. depositary receipts
27 April 2015	- record date for determination of dividend entitlement
30 April 2015	- 2014 final dividend payable
27 August 2015	- publication of 2015 interim figures
	- analysts' meeting
28 August 2015	- ex-dividend quotation of KAS BANK N.V. depositary receipts
31 August 2015	- record date for determination of dividend entitlement
3 September 2015	- 2015 interim dividend payable
29 October 2015	- interim information: third quarter 2015

2016

25 February 2016	- announcement of 2015 figures
	- analysts' meeting
9 March 2016	- publication of 2015 annual report
	- notice convening the Annual General Meeting of Shareholders
23 March 2016	- registration date for the Annual General Meeting of Shareholders
20 April 2016	- Annual General Meeting of Shareholders
	- interim information: first quarter 2016
22 April 2016	- ex-dividend quotation of KAS BANK N.V. depositary receipts
25 April 2016	- record date for determination of dividend entitlement
28 April 2016	- 2015 final dividend payable
25 August 2016	- publication of 2016 interim figures
	- analysts' meeting
26 August 2016	- ex-dividend quotation of KAS BANK N.V. depositary receipts
29 August 2016	- record date for determination of dividend entitlement
1 September 2016	- 2016 interim dividend payable
27 October 2016	- interim information: third quarter 2016

Report of the Managing Board

Strategy and objectives

The role of custodians around the world and particularly in Europe is changing. New laws and regulations aim to further regulate the financial markets, especially the derivatives market. Far-reaching harmonisation is being pursued in Europe. Increasing regulations translates into more and more detailed reporting and risk management requirements to the different stakeholders.

KAS BANK facilitates complex infrastructural services such as the management of widely diversified investment administrations. Based on our position as an independent custodian and administrator of third-party securities and capital, we are able to service our clients in a wide array of asset services. We sharpened our strategy by focusing at four core segments: pension funds (and their administrative organisations), insurance companies, investment funds and wealth management.

All four segments aim for maximum protection of the assets entrusted to them, so that their societal task is safeguarded. They are obliged to comply with new rules and regulations and codes of conduct, requiring them to adjust their governance, improve their access to information and implement better controls. For that reason, they seek a custodian with a clear understanding of local rules and regulations, who can set up the required organisational infrastructure for them.

Based on our role as an independent custodian, KAS BANK is a good match for these parties. As a neutral and independent player, KAS BANK safeguards un-conflicted custody and monitoring of assets thereby focusing on the tasks that are crucial to fulfil this role optimally: core custody, information services, risk management and reports to regulators. Focusing on four institutional segments in our three core markets – the Netherlands, the United Kingdom and Germany - has resulted in a healthy increase in activity during 2014 mainly in the pension fund core segment, resulting in revenue growth and a significant increase of the Assets under Administration. The introduction of new European regulations for both fund managers and derivatives settlement processes (AIFMD – Alternative Investment Fund Managers Directive and EMIR – European Market Infrastructure Regulation) is resulting in additional commercial activity for KAS BANK.

Our services for brokers and other financial institutions focus on high-quality STP (Straight-through processing) service provision. By translating market standards and requirements into client relevancy, we are minimising market complexity and at the same time creating added value and continuity for both KAS BANK and our clients. We expect an increasing number of institutional clients to start using our (post) trading facilities in order to enhance the transparency of their transaction costs.

Trends and regulations

Knowledge of local reporting requirements, local regulations and systems remain important prerequisites. With local offices in the Netherlands, the United Kingdom and Germany, KAS BANK is well positioned to optimally serve these markets. KAS BANK expects to expand its role in the pension segment in the coming years by offering additional services to pension funds, such as collateral management, derivatives services, order execution, cost management and other forms of fiduciary management. KAS BANK's independent and neutral business model offers institutional parties transparency and insight into the overall cost of managing assets, which can lead to substantial savings.

Innovation

Innovation is critical to the long term success and growth of any organisation, especially at KAS BANK. The establishment and culture of an organisation are important factors influencing innovation. Successful innovation requires a planned approach. For this, KAS BANK has set up a separate department Market management. This department monitors trends and regulations and assesses the challenges, needs and demands of market participants. The innovative ideas which sprout from this process are reviewed on strategic fit, risks and attractiveness and the turnout is swiftly brought to market. This allows the bank to develop sophisticated solutions and products which meet advanced market standards and client demands.

AIFMD

As of 22 July 2014, the AIFMD is effective. The AIFMD applies to managers of investment funds that qualify as Alternative Investment Fund under the AIFMD. They should have appointed an independent custodian as of 22 July 2014. KAS Trust & Depositary Services B.V. acts as an independent custodian for investment funds. Ultimo 2014 KAS Trust performs this function for a multitude of alternative investment funds.

EMIR

In response to the financial crisis of 2008 the G20 countries have decided to further regulate the derivatives markets with new legislations and regulations. In Europe this has resulted in EMIR. EMIR intends to gain a clear insight into the risks on the derivatives markets in order to be able to control them. It introduces regulation for the post trade processing of derivatives by central counterparties (CCPs) as well as mandatory authorisation of CCPs, requirements involving collateral and position transfers, even if the Over The Counter (OTC) derivative contracts have not been cleared through a CCP. These strict requirements are set out to manage and control the counterparty risk. This implies strict collateral management by an independent custodian as KAS BANK.

The implementation of EMIR has significant impact on the operational conduct and liquidity requirements of every financial as well as every non-financial party that takes part in the derivatives markets. KAS BANK actively supports both parties to meet the various obligations set by EMIR on time. In 2014, we were the first provider in the market who is able to report derivatives transactions to a trade repository on behalf of all parties in the party chain.

TARGET2-Securities

The integration and harmonisation of the European capital market is increasingly taking shape. However, the European securities markets still operate largely separate from each other. Each market may have its own specific criteria and market practices vary. These differences mean that the European markets are inefficient and do not function as a whole. The European markets must be further harmonised to be able to compete with other financial markets in the future, such as those in the United States and Asia. One of the initiatives in this direction is TARGET2-Securities, the ECB’s new system for uniform settlement of securities transactions in central bank money. TARGET2-Securities will have a major impact on the competitive relationships in European post-trading services. Major investments and changes will be needed to the current systems of the European Central Securities Depositories and their direct participants in order for them to be able to connect with the new settlement platform. KAS BANK will accommodate these changes accordingly.

Tactical approach

• Focus on wholesale securities services	• pure play; independent; securities specialist for entrusted assets of third parties • specialised in administrative and reporting services; no active asset management • standardised securities processing and STP services • trading only facilitating for third parties; no active trading for own account
• Main areas	• four core segments: pension funds, insurance companies, investment funds and wealth management • three core markets: the Netherlands, the United Kingdom and Germany
• Focus on core values and services	• professional and transparent; expertise workforce • low risk; high risk awareness • operational excellence; 'in control' standardised • cooperation with partners that increase the added value of our service level (network bank)
• Client intimacy	• better integration with clients by focusing on securities specialism; no conflicts of interest with our clients' activities • product development in cooperation with clients and market participants

Financial targets

KAS BANK's long-term financial targets represent averages over a number of years. It is therefore possible that the targets are not achieved in any one year, for example due to unrest on the financial markets or an acquisition. Our financial targets confirm KAS BANK's low risk tolerance.

Ratio	Norm	2014	2013
Growth in income versus growth in expenses*	**≥3%**	18.6%	-5.8%
Efficiency ratio*	**70-77%**	72.5%	87.8%
Return on equity**	**10-yr interest + 5-8%**	11.8%	6.3%
Growth in earnings per share	**>8%**	96%	-13%
Dividend pay-out***	**60-80%**	39%	75%
Capital ratio (average) ****	**≥16%**	24%	23%

* Excluding impairments
** 10-year interest rate 2014: 1.5%; 2013: 2.0%
*** There is an 76% dividend pay-out on the result decreased by the announced re-investment of 80% of the compensation received from dwpbank
**** 2014: Basel III phased in; 2013: Basel II

2014 in retrospect

General

KAS BANK is active all over Europe, with the Netherlands, the United Kingdom and Germany as core markets. At the end of 2013 KAS BANK refocused on four institutional core segments, which are pension funds, insurance companies, investment funds and wealth management (private banks, asset managers, charities). Financial intermediaries are being served through our high-quality STP securities services.

Volumes in transaction services remain low, partly caused by additional legislation on the sell side (brokers), aimed at protecting asset owners. In asset services, the bank has realised a healthy increase in activity mainly in the pension fund core segment, resulting in revenue growth and a significant increase of the Assets under Administration. The bank now manages approximately EUR 140 billion of assets on its central investment accounting platform and expects continuing growth. This growth has been mainly achieved in the Netherlands and the United Kingdom. New legislation in the institutional markets, including AIFMD and EMIR, generates additional opportunities for fiduciary services for pension funds such as Governance, Risk and Compliance. We will invest in our operational systems to remain compliant with all current and future legislation and regulations.

At the end of 2013, KAS BANK announced a targeted reduction of operational costs by 15% by the end of 2015. The savings have been primarily achieved through lower personnel and housing expenses. The restructuring measures which began at the start of 2014 are on schedule. Costs fell by 14% in 2014, particularly staff costs, housing expenses and costs of purchasing services from third parties.

The collaboration with dwpbank, which would have commenced from mid-2015 onwards, has been scaled down on request of dwpbank to a modest support in the German market by KAS BANK. The compensation of EUR 15 million after tax (EUR 20 million before tax) that has been paid by dwpbank to KAS BANK at the end of June 2014, will to a large extent be reinvested in the further development of the service offered to our institutional core segments.

In connection with the strengthening of the strategic focus on four core segments an organisational redistribution of tasks and areas was implemented. Our Demand organisation focuses on excellent servicing of all existing clients and assisting for new clients. Our Supply department is responsible for all operational services to our clients. The new Market management department is the liaison between Demand and Supply and is responsible for product innovation within the bank.

For product development a methodology was designed. A strategic compass against which new initiatives, products and services are measured is providing more guidance on what fits the strategy and the risk profile and what does not.

Partnership with dwpbank

The ricocheting of the plans to outsource major parts of the back office operations to dwpbank forced KAS BANK to reconsider the capabilities of its internal operational environment. A consultant was hired to assess the mid-term viability of the current set-up, and concluded positively. A project was started to investigate the long-term Target Operating Model of KAS BANK, and renewed focus and attention were given to operational excellence. The Managing Board was strengthened with a fourth member (Mr. Witteveen) with an excellent track record in the areas of operations and IT.

In response to the combined risk analysis, the failed outsourcing and the regulatory dialog the Managing Board has established a major program under the name “KAS BANK 2 the Next Level” in the second half year. This program is aimed at the continuous improvement of our services as well as risk awareness at KAS BANK. It consists of three streams:

- Stream ‘Processes’: aimed at an improved ‘in control’ environment and improved efficiency;
- Stream ‘Governance, Risk and Compliance’: aimed at strengthening the effective operation of the three lines of defense, the committee structure, risk and compliance awareness and monitoring; and
- Stream ‘Conduct and Culture’: aimed at improved accountability and ownership among management and all employees.

Transaction servicing

As of 12 February 2014 all derivative transactions in Europe must be reported to one of the six recognised trade repositories in Europe on a daily basis. To meet this obligation, KAS BANK offers a third party reporting solution to more than 100 clients through our connection to trade repository REGIS-TR. From the start, KAS BANK has been reporting OTC derivative transactions and positions of its client towards trade repository REGIS–TR successfully. As of July 2014 we are also reporting Exchange Traded Derivatives (ETD) directly to the trade repository. KAS BANK is one of the first market participants in Europe who is able to report under EMIR. With submitting these reports, our clients are compliant with the guidelines of EMIR.

Asset servicing

Besides the daily operational activities, Asset Servicing dedicates much time and effort to the implementation of new regulations in its services. The main focus has been on regulatory reporting (Financial Assessment Framework (*Financieel Toetsingskader*)), our look-through service for the underlying assets of investment funds in the pension funds’ portfolio, and cost transparency.
Through our dashboard and mobile devices we integrate all regulatory reporting demands in one reporting tool. With the new Liability Driven Investment module in the KAS BANK Pension Monitor pension funds can implement and execute the good practices of the Dutch Central Bank (DNB) regarding the monitoring and evaluation of their interest rate hedging policy.

KAS BANK’s central operating platform enables our clients to simplify and optimise their connections to the securities infrastructure in Europe. As a result they can fully focus on their core business and achieving their business aims. Our customers in the United Kingdom, Germany and the rest of Europe also benefit from the synergies of this 'orange' platform.

Treasury

Interest rates continued to remain extremely low in 2014 and Central Banks will continue to provide free liquidity to the markets. The interest rate and liquidity policies of the ECB aim to stimulate lending. This also leads to the (unintended) effect that institutional investors with a low risk appetite, such as pension funds and insurance companies, have difficulties to generate sufficient return on their investments. As the bank manages the liquidity positions of its clients, KAS BANK is also affected by the abundance of (centrally directed) liquidity in the market because parties are unable to generate additional return on their liquidity surplus. In 2014, the surplus liquidity held by clients with KAS BANK grew substantially.

KAS Trust

Since 22 July 2014, investment schemes in the European Union (EU) must comply with the AIFMD. Consequently, they have to appoint an AIFMD-compliant Depositary for the investment scheme's funds. The Depositary is responsible for the oversight and supervision duties and custody of the fund's assets. It performs its duties primarily to protect the investors in the fund. The choice of a good depositary is therefore in the interest of the participants in the fund.

KAS BANK has a unique position in the market because it separates the functions of depositary and the custodian. KAS Trust & Depositary Services B.V. (KAS Trust) is an independent subsidiary of KAS BANK with an independent board. As a neutral entity, KAS Trust does not trade and manage any investment for its own account. This ensures that they can optimally monitor the funds in the interest of the participants.

Because of its vast experience in the capital market, KAS Trust focuses specifically on the depositary function for investment schemes with listed financial instruments. In 2014 KAS Trust monitored about EUR 40 billion Assets under Administration for more than 200 investment schemes. We expect further growth in 2015.

Thought leadership

KAS BANK has signed a cooperation agreement with CFA (Chartered Financial Analyst) Society Netherlands. CFA Society is a global non-profit organisation for financial analysts, portfolio managers and other investment professionals. The mission of CFA ("To lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society") fits perfectly with the mission of KAS BANK to be a long standing and trusted partner of clients in our core segments.

Our online knowledge platform 10TALKS accommodates the debate on the future of the pension system and the financial sector in the Netherlands. Last year 10TALKS published over 100 blogs that are regularly picked up by various media. We will also launch 10TALKS in the United Kingdom in 2015.

Last year, the bank again organised a large number of knowledge sessions for clients and prospects. At these meetings we share our knowledge on current affairs to involve our clients in developing practical solutions for the flood of reports and legislation for the financial sector. A good example is the development of the Pension Monitor and the Insurer Monitors for various devices. These apps give trustees and other stakeholders 24/7 access to their investment information, Key Performance Indicators and their reporting requirements towards their respective supervisor, thus enabling them to remain 'in control' of their risks and investments.

In November 2014, KAS BANK was awarded the Custody Risk Award for 'European Pension Fund Custodian of the Year' for the second consecutive time. Additionally this year we also received the Custody Risk Award for 'Custodian of the year – Benelux'. The judges' panel praised KAS BANK as "the bank for pension funds, helping trustees and directors to cope with new rules and regulations. KAS BANK is among the first European custodian banks providing information on asset management and transaction costs."

Custodian principles

Mid-2014 we started developing a unique institutional campaign around 'The Custodian Principles' which was launched in February 2015. As a custodian we are sailing on a compass of clear cultural and moral values. These Custodian Principles define who we are and how we work and are the reason why our clients can trust that we act in their best interest.

As our clients act in a constantly changing environment with increasingly comprehensive legislation, we must re-earn their confidence every day again by putting ourselves in our client's place when we are developing new services and products in the area of governance, compliance, order execution, risk management and reporting. Therefore, our custodianship must always remain of present interest. For this, we constantly need to keep our Custodian Principles lively. We do this by mirroring our principles to the ideas of people with whom we work and to the views and beliefs of custodians from the world of art, culture and science. Their vision can be viewed at www.thecustodianprinciples.com.

Germany

In Germany, KAS BANK shifted the focus to the institutional market for self-administered pension funds. Unlike other countries in Europe companies in Germany may administer their accrued pension commitments in-house. This custodian bank market, which especially focuses on the medium and large sized companies in Germany, fits well with the services that KAS BANK is also offering in the Netherlands and the United Kingdom and uses the same systems. In this way, from 2014 onwards, the bank can also reuse its investments in systems in Germany. This will in particular benefit the product range and services offered.

KAS BANK's strategic focus in Germany is to provide depotbank services for pension funds. Like Dutch pension funds German pension funds are facing new regulatory obligations in the field of reporting, compliance and internal governance. However, the inclusion of pension liabilities into a reporting engine is still a rarely offered solution by our major competitors. KAS BANK's Pension Monitor app therefore draws much attention in the German market. Our KAG (Kapitalanlage Gesellschaft) services were terminated by the end of 2014. In September 2014 we moved our German office to Frankfurt am Main.

United Kingdom

Like in the Netherlands and Germany the demand for stricter risk management and independent reports is growing in the United Kingdom. This is matched by a need for greater transparency on issues such as costs. We are among the first custodians providing cost reports on transaction and (asset) management costs, as well as other costs within the pension value chain. KAS BANK UK continues to offer its existing clients clearing and settlement services.

Corporate Social Responsibility

On 1 April 2014 KAS BANK became a member of Transparency International Netherlands (TI-NL), thus contributing to corporate governance leadership. KAS BANK shares the vision of TI-NL to "promote integrity, transparency and accountability in the wider society". As a corporate member of TI-NL, KAS BANK supports the dialogue instigated by the organisation, recently surrounding best practice in corporate governance and corporate social responsibility; both of which are generally accepted throughout the industry. Whenever possible we will bring the activities of TI-NL to the attention of our clients and to the wider financial sector.

Results 2014

In millions of euros	2014	2013	change	%
Operating income	124.2	116.2	8.0	7%
Operating expenses	-91.4	-103.8	12.4	-12%
Tax expense	-8.5	-0.1	-8.4	
Net result	**24.3**	**12.3**	**12.0**	**97%**
-Non-recurring items	**12.8**	**3.4**	**9.4**	
-Result from operations	**11.5**	**8.9**	**2.6**	**29%**

KAS BANK realised a net result of EUR 24.3 million (2013: EUR 12.3 million) for 2014. Excluding non-recurring items, net result increased with 29% up to EUR 11.5 million (2013: EUR 8.9 million).

Operating income, excluding non-recurring items, decreased with 6% to EUR 104.2 million (2013: EUR 111.0 million) as a result of less sales in the investment portfolio, pressure on margins and the ECB's liquidity policies. In 2014 the non-recurring item was the compensation of EUR 20 million (net: EUR 15 million) received from dwpbank as a result of scaling down the cooperation.
Operating expenses, excluding non-recurring items, decreased with 11% to EUR 89.2 million (2013: EUR 99.7 million). In 2014, the non-recurring items were the impairment of an interest in a European broker (EUR 1.1 million, not tax deductible) and the resolution levy related to the nationalisation of SNS Reaal (EUR 1.1 million, not tax deductible).

KAS BANK will reinvest 80% (gross: EUR 16 million) of the compensation received from dwpbank to improve the operations and to strengthen the strategic approach. In 2014, EUR 1.7 million (net: EUR 1.3 million) of operating expenses were allocated to this reinvestment. These expenses are included in result from operations.

The return on equity in 2014 was 11.8% (2013: 6.3%) and the efficiency ratio amounted to 72.5% (2013: 87.8%).

Income

Breakdown of Income

In millions of euros	2014	2013	change	%
Net interest result	25.4	21.2	4.2	20%
Net commission result	65.3	67.3	-2.0	-3%
Result on investments	12.2	23.9	-11.7	-49%
Share of result of associates and joint ventures	-0.5	1.0	-1.5	-150%
Other income	21.8	2.8	19.0	679%
Total income	**124.2**	**116.2**	**8.0**	**7%**

Interest

Breakdown of Net interest result

In millions of euros	2014	2013	change	%
Loans and deposits	7.7	6.2	1.5	24%
Bonds and non-trading derivatives (hedge)	17.7	14.9	2.8	19%
Total net interest result	**25.4**	**21.1**	**4.3**	**20%**

Net interest result increased by 20% to EUR 25.4 million (2013: EUR 21.1 million), driven by higher volumes and higher margins on investments in the investment portfolio.

The interest result on KAS BANK's investment portfolio increased with 19% to EUR 17.7 million (2013: EUR 14.9 million). Within our low risk appetite KAS BANK was able to achieve sufficient returns.

Commission

Breakdown of Net commission result

In millions of euros	2014	2013	change	%
Asset Servicing	30.7	29.1	1.6	5%
Transaction Servicing	23.2	23.9	-0.7	-3%
Treasury	11.4	14.3	-2.9	-20%
Total net commission result	**65.3**	**67.3**	**-2.0**	**-3%**

Net commission result decreased by 3% to EUR 65.3 million (2013: EUR 67.3 million).

Asset Servicing commission income (mainly Custody and Investment Management Services) increased by 5% to EUR 30.7 million (2013: EUR 29.1 million). Client wins and higher asset values resulted in an increase of Assets under Administration by 37% to EUR 451 billion at year-end 2014 (year-end 2013: EUR 329 billion).

Revenues increased by a higher asset base in general and value added regulatory reporting. The regulatory reporting line consists of services related to AIFMD, EMIR, look through and Financial Assessment Framework (*Financieel Toetsingskader*). The pressure on fee levels and the closure of the KAG activities in Germany had negative impact on Asset Servicing commission income.

The 3% decrease in Transaction Servicing commission income to EUR 23.2 million (2013: EUR 23.9 million) was the result of lower volumes mainly in off-exchange settlements. Low volumes were due to strategic refocus, resulting in a planned exit of a number of smaller brokers during 2014.

Treasury income, mainly securities lending, decreased by 20% to EUR 11.4 million (2013: EUR 14.3 million). The lower income from securities lending was primarily due to a market wide liquidity surplus which decreased the prices for securities lending services.

Result on investments

Breakdown of Result on investments

In millions of euros	2014	2013	change	%
Trading - foreign exchange transactions	9.4	9.7	-0.3	-3%
Trading - securities and derivatives	-0.1	0.7	-0.8	-114%
Investments - investment portfolio	2.9	13.5	-10.6	-79%
Result on investments	**12.2**	**23.9**	**-11.7**	**-49%**

In 2014, the main part of the result on investments consisted of client-driven foreign exchange transactions. These results showed a small decrease of 3% at EUR 9.4 million in 2014 in comparison with 2013 (EUR 9.7 million). The trading results on securities and derivatives are mainly caused by interest driven instruments, which mitigate our interest risk of part of the investment portfolio.

The result on investments of the investment portfolio consisted of sales of bonds and price increases for bonds for which impairments were recorded in 2008. The result on investments of EUR 2.9 million (2013: EUR 13.5 million) comprises sales of bonds (2014: EUR 2.6 million; 2013: EUR 7.8 million) and price increases for bonds for which impairments were recorded in 2008 (2014: EUR 0.3 million; 2013: EUR 2.6 million). In 2013, the sale of KAS BANK's stake in LCH.Clearnet contributed EUR 3.1 million (2014: nil) to the return on investments.

The revaluation reserve for the investment portfolio increased in 2014 by EUR 5.5 million (December 2014: EUR 10.7 million; December 2013: EUR 5.2 million) as a result of lower interest rates and decreasing credit spreads.

Result of associates and joint ventures

The result of associates and joint ventures decreased with EUR 1.5 million to EUR 0.5 million negative (2013: EUR 1.0 million positive). The results related to a share of KAS BANK in its participations. In 2013 the purchase below the book value of a minority stake in a European broker contributed positively to the result. In 2014 KAS BANK recorded a negative result of EUR 0.4 million (2013: EUR 1.2 million positive) with regard to this broker.

Other income

The other revenue increased by EUR 19.0 million to EUR 21.8 million (2013: EUR 2.8 million). In June 2014 KAS BANK and dwpbank scaled down their cooperation. As compensation for the loss for KAS BANK of the anticipated annual cost savings from the middle of 2015 onwards, dwpbank paid a compensation of EUR 20 million in June 2014.

Operating expenses

The operating expenses decreased by 12% to EUR 91.4 million (2013: EUR 103.8 million) as a result of the restructuring program which started in the first quarter of 2014. All expenses contributed to the decreases with the exception of the other general and administrative expenses.

Breakdown of operating expenses

In millions of euros	2014	2013	change	%
Personnel expenses	57.5	68.0	-10.5	-15%
General and administrative expenses - IT	15.1	16.4	-1.3	-8%
General and administrative expenses - other	13.4	12.7	0.7	6%
Depreciation and amortisation	4.0	4.9	-0.9	-18%
Impairment losses (recovery)	1.4	1.8	-0.4	-22%
Total operating expenses	**91.4**	**103.8**	**-12.4**	**-12%**

Personnel costs

Personnel expenses decreased by 15% to EUR 57.5 million (2013: EUR 68.0 million). As a result of the restructuring program the average number of FTEs (Full-time equivalents) decreased by more than 7% to 682 FTEs (2013: 736 FTEs). The agreements in the new Collective Labour Agreement (*Collectieve Arbeidsovereenkomst*) impacted the cost level with EUR 0.9 million (2013: nil).

In 2013, non-recurring items influenced the cost level with EUR 4.4 million (2014: nil). These items primarily related to the restructuring of the organisation and to changes in the pension scheme and the variable remuneration.

General and administrative expenses, including depreciation and amortisation

General and administrative expenses, including depreciation and amortisation decreased by 4% to EUR 32.5 million (2013: EUR 34.0 million). The decrease was the result of an enhanced focus on cost efficiency, including centralisation of the procurement process. The sale of one of KAS BANK's offices (December 2013) and the announced liquidation of the German subsidiaries resulted in a decrease in the depreciation and amortisation with 18% to EUR 4.0 million (2013: EUR 4.9 million).

The other expenses increased by 6% to EUR 13.4 million (2013: EUR 12.7 million) due to the resolution levy related to the nationalisation of SNS Reaal (2014: EUR 1.1 million; 2013: nil) and higher consultancy costs.

KAS BANK will reinvest 80% (EUR 16 million) of the compensation received from dwpbank to improve operations and to strengthen the strategic approach. In 2014 about EUR 1.7 million (net: EUR 1.3 million) of operating expenses were allocated to this reinvestment.

Impairments

In 2014, impairments related to credit facilities (EUR 0.3 million) and a minority interest in a European broker (EUR 1.1 million).

In 2013, impairments mainly related to (the reversal of) credit facilities and to assets related to the closing of KAS BANK's KAG activities in Germany in 2014. On balance, the negative effect of impairments on the 2013 result amounted to EUR 1.8 million.

Tax expenses

The effective tax rate of 26% (2013: 0%) is just above the nominal tax rate of 25%. The resolution levy related to the nationalisation of SNS Reaal (EUR 1.1 million) and the impairment of a minority interest in a European broker (EUR 1.1 million) were both not tax deductible. In 2013, the effective tax rate of 0% is mainly caused by tax facilities with respect to the sale of KAS BANK's office, the sale of our interest in LCH.Clearnet and the liquidation of our German subsidiaries.

Quality of the investment portfolio

The table below shows the investments available for sale, investments designated at fair value and investments held to maturity according to credit rating (Moody's Investor Services).

In millions of euros	31 December 2014	Percentage of bond portfolio	31 December 2013	Percentage of bond portfolio
Aaa - Aa3	827	85%	863	80%
A1 - A3	62	6%	59	5%
Baa1 - Baa3	11	1%	115	10%
Ba1 - Ba3	74	8%	59	5%
< Ba3	4	0%	1	0%
Total bonds	**977**	**100%**	**1,097**	**100%**
Mortgage fund	223		-	
Shares	2		2	
Total	**1,203**		**1,099**	

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 hypotheken*) and therefore has the character of an investment with a high credit rating.

Solvency (capital ratios)

The high capital ratios reflect the low risk appetite of KAS BANK. The introduction of the Capital Requirement Regulation (CRR, implements Basel III) as of 1 January 2014 results in a capital ratio of 22% (2013: 27%, based on Basel II) of KAS BANK at the end of 2014. The core Tier 1 capital decreased mainly due to adjustment of the pensions to EUR 178.8 million (2013: EUR 203.7 million). The average capital ratio for 2014 amounted to 24% (for 2013: 23%, based on Basel II).

In millions of euros	31 December 2014 Carrying amount	Risk-weighted value	31 December 2013 Carrying amount	Risk-weighted value
Due from banks	661.6	148.5	278.4	54.3
Loans	558.8	28.6	545.4	71.8
Reverse repurchase agreements	1,477.0	0.1	1,403.7	0.0
Derivative financial instruments	338.8	45.9	149.9	33.4
Financial assets designated at fair value	169.5	-	97.8	-
Financial investments available-for-sale	1,033.1	236.2	990.5	185.4
Financial investments held-to-maturity	-	-	10.4	-
Other assets	184.0	69.3	313.6	104.3
	4,422.7	**528.6**	**3,789.7**	**449.2**
Off-balance sheet exposure	48.2	286.7	53.5	298.9
Total of the risk-weighted items		**815.2**		**748.1**

Capital and ratios	Capital	Ratio	Capital*	Ratio
Tier 1	178.8	22%	199.6	27%
Tier 2	-		4.1	
Capital ratio	**178.8**	**22%**	**203.7**	**27%**

**Based on Basel II*

CRR is being implemented in phases during 2014 up to and including 2018. From 2019 onwards reports must be submitted entirely on the basis of CRR (also called 'fully loaded' or 'fully phased in'). Assuming an entire transition to CRR, at year-end 2014 the risk-weighted value of the credit would amount to EUR 812.6 million and the capital to EUR 187.6 million, resulting in a capital ratio of 23.1%.

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 2014 *In percentages*	On demand	< = 3 months	< = 1 year	< = 5 year	> 5 year	Total
Banks, loans and other financial assets	41%	46%	5%	4%	4%	100%
Financial investments available-for-sale	0%	1%	21%	32%	46%	100%
Total financial assets	**31%**	**34%**	**9%**	**11%**	**15%**	**100%**

Maturity calendar as at 31 December 2013 *In percentages*	On demand	< = 3 months	< = 1 year	< = 5 year	> 5 year	Total
Banks, loans and other financial assets	34%	60%	2%	3%	1%	100%
Financial investments available-for-sale	0%	10%	9%	48%	33%	100%
Total financial assets	**24%**	**46%**	**4%**	**16%**	**10%**	**100%**

The high level of liquidity is shown by the fact that, as at the end of 2014, 65% of financial assets had a maximum maturity of three months (at the end of 2013: 70%).

The average liquidity surplus based on the Financial Supervision Act (*Wet op het financieel toezicht*) was EUR 0.9 billion in the fourth quarter of 2014 (fourth quarter of 2013: EUR 1.1 billion).

Financial reporting risks

In the areas of solvency and liquidity regulation the implementation of the Capital Requirement Directive (CRD IV) and the CRR is on track, and further developments surrounding the technical implementation of the rules are monitored closely.

KAS BANK reports in accordance with the International Financial Reporting Standards (IFRS), as adopted within the EU. KAS BANK takes into account directives, requests and wishes of other stakeholders such as the Enhanced Disclosure Task Force of the Financial Stability Board (FSB). Financial and risk management information is continuously reviewed by the bank. The structure and functioning of the internal risk control and monitoring systems are regularly evaluated in the light of the bank's objectives and risk profile, and assessed by internal and external supervisors. Discussion also takes place in the Risk Management Supervision Committee.

Corporate governance statement

The corporate governance statement pursuant to Section 2a of the Decree on additional requirements for annual reports (*Vaststellingsbesluit nadere voorschriften inhoud jaarverslag)* of 1 April 2009 is posted on the company's website: www.kasbank.com/investorrelations/corporategovernance. The corporate governance statement is deemed to have been inserted and repeated in this annual report.

Amsterdam, 5 March 2015

The Managing Board

A.A. Röell, chairman
K.H.J. Wulteputte, CFRO
S.A.J. van Katwijk
J. Witteveen (as of 1 September 2014)

Report of the Supervisory Board

To the stakeholders of KAS BANK,

We hereby present the annual report and financial statements for the 2014 financial year, as prepared by the Managing Board. The Supervisory Board discussed the 2014 financial statements with the Managing Board and the independent auditor. The Supervisory Board agrees with this annual report, the financial statements and the report from the independent auditor. We therefore propose to the General Meeting of Shareholders that:

- the 2014 financial statements be adopted;
- the 2014 dividend be set at EUR 0.64 per ordinary share. An interim dividend of EUR 0.33 per ordinary share already having been distributed for 2014, the final dividend for 2014, which will be payable in cash, will be EUR 0.31. The proposed dividend is consistent with the company's dividend policy;
- the members of the Managing Board be discharged of liability for their management in 2014 and the members of the Supervisory Board for their supervision in 2014.

In our report, we inform you of the working method and activities of the Supervisory Board and its committees in 2014, how we have supervised the bank's policy and general course of affairs and the remuneration policy for the members of the Managing Board.

Meetings of the Supervisory Board

Number of meetings

The Supervisory Board met with the Managing Board eight times in 2014 in accordance with the meeting schedule adopted. In June the Board held a full day strategy session with the Managing Board and conducted numerous meetings by telephone in response to the downscaling of the cooperation with dwpbank. On a regular base the Supervisory Board has meetings in the absence of the Managing Board. Once a year, there is a meeting between the Supervisory Board, the internal auditor and the external auditor. The attendance at the meetings was close to 100%. Supervisory Board members participated twice in the Workers Council's consultative meeting.

Priority areas for 2014

The Supervisory Board adopted at the start of the year a number of priorities for 2014, including improvement of the company’s results, strengthening of the internal organisation and design and execution of the bank’s strategy.

Improvement of the results

The Supervisory Board notes that the low risk appetite, the pure play business model and the strong solvency and liquidity are important reasons for market parties to work with KAS BANK. In 2014 significant steps were taken to realise strengthening of the bank. As a result of the persistently decreasing transaction volumes, it is necessary for operating income to grow and for the efficiency ratio to be brought within the long term external objectives. To that end, the bank’s organisation structure was sharpened further at the end of 2013 and was implemented in the course of 2014. In addition, cost reductions planned for 2014 to reduce the bank’s costs have been implemented. This was by no means an easy task with sometimes painful consequences for the employees involved. The board wishes to express its appreciation to the employees and the management for the effective and careful way the programme was executed. The Supervisory Board also expresses its confidence in the organisation.

The Supervisory Board ensured it was frequently and extensively informed on the state of affairs via regular reports and verbal updates.

Risk tolerance

The Supervisory Board regularly discusses the policy concerning KAS BANK's risk tolerance with the Managing Board and Risk Management. The Supervisory Board reconfirmed the low risk appetite for 2014. The Board considered in this respect that the bank's risk profile arises from its core activities and that a low risk tolerance is inherently connected with its services. Important reasons for the low risk tolerance are also to protect the bank's reputation, safeguard the continuity of the bank (even under stress) and guarantee the interests of all stakeholders of the bank, the majority of which (clients, shareholders, employees, regulators and other participants in the financial infrastructure) enter into a long-term relationship with KAS BANK. The low risk appetite has a clear signalling function in the market.

Capital structure

The capital structure and liquidity position of KAS BANK are sound. Given the need of a strong capital position as a stand-alone bank on the one hand and the wish to be an attractive yield stock for its share-owners.

Clients and operations

The commercial progress in the core markets is a permanent point of attention at every meeting of the Supervisory Board. Despite the difficult market conditions the business volume, measured as Assets under Custody and Assets under Administration, showed a steady growth. However, the ongoing pressure on fees, the low interest rate environment, low volumes and the consolidation of institutional clients make for a challenging overall business environment.

Strengthening internal organisation

Chief Operating Officer in Managing Board

First class front- and back-office processes and systems in combination with effective control and compliance systems are a condition sine qua non for KAS BANK. These processes and systems have to be supported by up to date IT infrastructure. Scaling down the cooperation with dwpbank enabled KAS BANK to rethink and redesign its systems architecture and its IT infrastructure. For these reasons the Supervisory Board has decided, in line with the advice from the Managing Board, to appoint a fourth Managing Board member as Chief Operating Officer. In August Mr. Witteveen has been presented to the Extraordinary General Meeting of Shareholders and appointed as Chief Operating Officer of KAS BANK.

Strengthening internal control structure

The Supervisory Board has discussed the quality of the internal control structure with the Managing Board and the internal and external auditor. The Managing Board has performed a risk analysis and after that presented a plan ('KAS BANK 2 the Next Level') to improve the internal control structures, to strengthen the three lines of defense model and to enhance the (risk) culture. This plan has been approved by the Supervisory Board.

Conduct and culture

Based on the results of the above mentioned risk analysis and the results of the employee survey the Managing Board decided to enhance the culture. Internal communications, transparent decision-making and reinforcing active feedback mechanisms form part of the improvement program initiated by the Managing Board. In the fourth quarter of 2014, KAS BANK started a culture program with the support of external specialists. The Supervisory Board supports this program and will closely monitor the progress.

DNB has made conduct and culture at financial institutions one of its supervisory priorities. In response to this, the Supervisory Board and the Managing Board took measures to improve cooperation between the Supervisory Board and the Managing Board and to be able to track follow-up action concretely and measurably. Both Boards put the interests of a strong culture and transparent communication first in this regard.

Strategy

Focus and standardisation

The Supervisory Board ensures that the bank's business model focuses on the interests of clients. In 2014 the Managing Board decided to bring more focus in the client groups. The adjusted strategy is necessary in order to respond to changes in the environment and in the organisation, and in order to improve the bank's profitability in the longer term. The bank will concentrate on its core competencies and added value for its clients, with a specific focus on institutional clients as well as transaction services with a high level of STP.

The core segments in which KAS BANK is best able to distinguish itself and add value are: pension funds, insurance companies, investment funds and wealth management. The core markets remain the Netherlands, the United Kingdom and Germany.

In addition to the client focus strategy it was decided that a further standardisation of processes will be the number two top strategic priority. This will improve efficiency and lead to economies of scale. For financial intermediaries the emphasis will be on high-quality STP services.

Cooperation with dwpbank

The outsourcing agreement between KAS BANK and dwpbank was terminated in the course of 2014. The cooperation has been scaled down to a modest cooperation in the German market. The Supervisory Board was closely involved in the preparation of this partnership and also in the decision to scale down the cooperation. The network banking strategy of KAS BANK remains unchanged, looking for sourcing partners where appropriate.

New business opportunities in the form of higher value added services for the focus client groups

The business volume, measured as Assets under Custody and Assets under Administration, showed steady growth. Unfortunately due to increased margin compression the business value development is less than expected. On the other hand new regulations and requirements on internal checks and balances within the client organisations also create opportunities for KAS BANK to develop and grow higher value added services for the focus client groups.

The Supervisory Board endorses the choices made by the Managing Board in adjusting the strategy. The bank needs an effective strategic model focusing on the core objectives. The Supervisory Board is convinced that successful implementation of this strategy is necessary, enabling the bank as a niche player to sustainably add value for its clients, its shareholders and, last but not least, its employees. The execution of this strategy will be a major point of attention for the Supervisory Board in 2015.

The interests of all stakeholders are emphatically taken into account in the Supervisory Board's considerations. The bank puts client interests first and in doing so is convinced it creates sustainable shareholder value. The bank has to operate within an increasingly demanding political and regulatory environment and more critical supervisors. The Supervisory Board also takes into account the interests of the employees and is well aware that the execution of an ambitious strategy and the ongoing costs reduction programmes create a challenging environment for employees.

Corporate governance code and the Banking Code

Comprehensive information on how the bank has applied the principles of the Dutch corporate governance code and the Banking Code can be found in the chapter 'Corporate governance', which also explains the bank's corporate governance structure.

Dialogue with the workers council

The Supervisory Board seeks an active and open dialogue with the workers council. Members of the Supervisory Board attend the regulatory meetings of the Managing Board and the workers council. In addition to these meetings there are ad-hoc bilateral contacts between representatives of the workers council and representatives of the Supervisory Board.

Regulations for Sound Remuneration Policy: new remuneration policy for the Managing Board

The Regulations on Sound Remuneration Policy (*Regeling beheerst beloningsbeleid Wft 2014*) focus on management of the risks inherent in variable remuneration and apply to the whole banking sector.

In 2014, the Supervisory Board has prepared a new remuneration policy for the Managing Board. In full agreement with the Managing Board, an adjustment of the remuneration policy has been proposed to the General Meeting of Shareholders, reducing the maximum variable remuneration attainable by members of the Managing Board from 100% to 20% of the base salary, without an adjustment in the base salary. The variable remuneration will be paid entirely in shares.

The new remuneration policy should lead to simplification of the variable remuneration system and an improvement of internal consistency. The remuneration of the Managing Board will remain in line with market rates and attractive for future board members. With these adjustments, the Supervisory Board and the Managing Board aim to respond to social developments concerning the remuneration of bankers and to make a contribution to the recovery of confidence in the financial sector.

Further information on the new remuneration policy for the Managing Board in 2014 is presented in the Remuneration report 2014 which is posted on the website of KAS BANK.

In the Supervisory Board's opinion, in part due to its business model and culture, KAS BANK has a remuneration policy for senior management and employees that is properly balanced and provides alignment between Managing Board and employees.

Cooperation with the management

The Supervisory Board remained regularly involved in the company's business in 2014. The chairmen of the Supervisory Board and Managing Board regularly have contact outside formal meetings. Contact between the other Supervisory Board members and Managing Board members also intensified. Supervisory Board members regularly attended presentations by the Managing Board to the employees, the bank's seminars for its clients and other formal and informal occasions. There is increasing contact with senior management both inside and outside meetings. The Supervisory Board will continue interaction with the bank's senior management on a structural basis, both in one-on-one talks and group meetings, formally and informally.

Composition and working method of the Supervisory Board

Profile

The Supervisory Board has formulated a membership profile that defines its size and composition. The profile has been posted on the company's website. A properly constituted Supervisory Board should encompass knowledge of or experience and familiarity with IT/operations, administrative organisation, national and international banking, securities and derivatives, social policy, national and international business, the workings of institutional investors and financial institutions and the (European) securities industry. All members of the Supervisory Board have filled in a suitability matrix which provides insight into the expertise of the individual Supervisory Board members and the group as a whole. The Supervisory Board strives for as much diversity as possible in its composition in terms of gender, expertise, nationality, age and background.

Composition

The Supervisory Board consists of six members. See pages 4 and 5 of the annual report for the members' personal notes. All members of the Supervisory Board are independent in the sense of the Dutch corporate governance code. Former members of the Managing Board may not serve on the Supervisory Board.

The members of the Supervisory Board receive no profit-related remuneration. None of the members of the Supervisory Board hold KAS BANK shares or options.

The members of the Supervisory Board retire by rotation. Supervisory Board members Mr. Smit and Mr. Icke were due to retire by rotation in 2014. Mr. Smit decided not to make himself available for reappointment due to health reasons. The Supervisory Board expresses its gratitude to Mr. Smit for his great efforts and commitment to the company during his term of service as chairman of the Supervisory Board. Mr. Icke was reappointed as board member in the Annual General Meeting of Shareholders on 23 April 2014.

In November, following the proposal of the Supervisory Board, the Extraordinary General Meeting of Shareholders appointed two new members: Ms. Hofsté and Mr. Borgdorff. The Supervisory Board has decided to appoint Mr. Borgdorff as the new chairman of the Supervisory Board and Ms. Hofsté as chairperson of the Audit Committee.

No Supervisory Board members are due to retire by rotation in 2015. Mr. Frijns is due to retire by rotation in 2016. The full rotation schedule can be found on the company's website.

KAS BANK’s aim for the size and composition of the Supervisory Board and the combined education, experience, expertise and (gender) diversity is to be such as to best fit the profile and strategy of the company. This aim for the best fit in combination with the availability of qualifying candidates should result in a Supervisory Board in which at least two members are female. The Supervisory Board is happy that this objective has been realised.

Working method

At its meetings and all other contacts, the Supervisory Board focuses fully on its supervisory and advisory tasks. The allocation of duties and the working method of the Supervisory Board are set down in regulations which can be found on the company's website, under Investor Relations, Corporate Governance. The

Supervisory Board has formed three committees: the Risk Management Supervision Committee, the Audit Committee and the Appointments and Remuneration Committee. The task of these committees is to prepare for decision-making by the Supervisory Board.

Committees formed by the Supervisory Board

The Supervisory Board receives the minutes of every committee meeting. The chairpersons of the committees report verbally to the plenary meeting of the Supervisory Board on the discussions and recommendations of every meeting.

Risk Management Supervision Committee

The Risk Management Supervision Committee is responsible for supervising the Managing Board with regard to all banking-related aspects of the company's internal risk control and monitoring systems, including credit risks, liquidity risks, market and balance-sheet risks, compliance risks, operational risks and business continuity management (BCM). The Risk Management Supervision Committee consists of Supervisory Board members Mr. van der Meer (chairman), Ms. Bieringa, Mr. Frijns (until 19 November 2014), Mr. Borgdorff (as of 19 November 2014) and Ms. Hofsté (as of 19 November 2014).

The Risk Management Supervision Committee met six times in 2014. The committee devoted a great deal of attention to management's own assessment of the major risks, the translation of the low risk appetite into concrete risk limits and/or measures to mitigate operational, IT and outsourcing risks. The Risk Management Supervision Committee strengthened its supervisory activities by using recurring agenda items and by dividing the meetings into those focused on regular internal risk management and those focused on specific issues in which (sub) categories of risk are explored in more depth. Examples of topics discussed include the strategic developments in relation to the downscaling of the cooperation with dwpbank, compliance (as of mid-2014 compliance has been discussed in the Audit Committee), amended legislation and regulations, information security, internal liquidity adequacy assessment process (ILAAP), internal capital adequacy assessment process (ICAAP) and stress testing.

Audit Committee

The Audit Committee exercises supervision on the Managing Board in relation to the aspects of the internal risk management and control systems within the company from a financial, compliance, administrative and technical perspective. The Audit Committee supervises the quality and integrity of, and decisions made in relation to, the financial information provision, the role and functioning of the Compliance department, the role and functioning of Internal Audit and the relationship with the external auditor, especially its independence, are priorities in this committee’s activities. The Audit Committee consists of Supervisory Board members Mr. Icke (chairman until 19 November 2014), Mr. Van der Meer, Mr. Smit (until 23 April 2014), Mr. Frijns (as of 19 November 2014) and Ms. Hofsté (chairperson from 19 November 2014 onwards).

The Audit Committee met three times in 2014. All meetings were attended by all committee members. The external auditor attended all of these meetings. In 2014, external auditors rotated. PricewaterhouseCoopers Accountants N.V. (PwC) was appointed as the external auditor with effect from the audit for the financial year 2014. The change from KPMG Accountants N.V. to PwC was driven by law.

Important items on the agenda of the Audit Committee were the annual and interim financial reporting including the development of the (operational) results, capital and liquidity, the audit reports, including the new, more comprehensive, independent auditor’s report. Furthermore, the key audit matters valuation of financial instruments, hedge accounting and retirement benefit plan were discussed. The Committee evaluated management’s judgement in respect of these valuations and estimates made. Other main topics were the developments in new legislations and regulations, the advisory report on the quality of internal control by Internal Audit (management letter), the operational loss analysis, Internal Audit’s mandate and Internal Audit’s audit plan for the coming year. The bank's IT security was a point of attention from the audit report as well as the increasing pressure to meet the accumulation of laws and regulations. Furthermore, PwC presented preliminary observations as part of her transition report.

Appointments and Remuneration Committee
The Appointments and Remuneration Committee is responsible for defining the selection criteria and appointment procedures for members of the Supervisory Board and Managing Board and carrying out preliminary work in connection with appointments and reappointments to the Managing Board and Supervisory Board. The Appointments and Remuneration Committee also submits proposals to the Supervisory Board relating to the remuneration policy and the remuneration of the individual members of the Managing Board. The Appointments and Remuneration Committee consists of Supervisory Board members Mr. Frijns (chairman until 19 November 2014), Mr. Icke (chairman as of 19 November 2014), Mr. Smit (until 23 April 2014), Ms. Bieringa (as of 19 November 2014) and Mr. Borgdorff (as of 19 November 2014).

The Appointments and Remuneration Committee met five times in 2014. The remuneration policy for the Managing Board was evaluated. The variable remuneration for the Managing Board members was adopted and the individual performance of the Managing Board members was assessed. The remuneration policy for the bank as a whole, and the way in which it is implemented, was tested against the Regulations on Sound Remuneration Policy (*Regeling beheerst beloningsbeleid Wft 2014*). Preliminary work was undertaken for filling the vacancies on the Managing Board and Supervisory Board in 2014, with considerable attention to diversity, the job profile and suitability of the candidates. The sharpening of the strategy and the reorganisation has been discussed. HR developments, including the topic of conduct and culture, variable remuneration and the adjustment of the pension scheme for members of the Managing Board (*Witteveenkader 2014*) are discussed.

Permanent education

In 2014, the Supervisory Board and the Managing Board followed a programme of permanent education, focusing on financial markets, the new laws and regulations relating to capital and liquidity, and their consequences for the bank. Subjects such as financial markets as a complex and uncertain system, derivatives and the impact of EMIR, board room dynamics and cyber security were, as part of the programme of permanent education, discussed in depth by a combination of internal and external specialists.
Senior management regularly gives presentations during, and in connection with, the various meetings of the Supervisory Board and its sub-committees.

Self-evaluation by the Supervisory Board

The Supervisory Board evaluates its own performance annually. At the end of 2014 the self-evaluation was done with the help of an outside consultant. The main conclusions of the self-evaluation were:

- With regard to the Supervisory Board's own performance, the Supervisory Board has more of a grasp on the substance, more initiative and sound supervision. The advisory duty is being exercised more intensely, not from a desire to interfere but from a sense of involvement. The one-tier and two-tier models are growing closer to each other. The relationship and cooperation between the Supervisory Board and the Managing Board are therefore important points of attention.

- The Supervisory Board felt that it was not an opportune time to adjust its own remuneration. The latest adjustment of its remuneration took place in 2011.

Principles of remuneration policy/remuneration report

The remuneration of the Managing Board is based on the remuneration policy approved by the General Meeting of Shareholders in April 2014, which is posted on KAS BANK's website under Investor Relations, Corporate Governance. The remuneration of the Managing Board is set by the Supervisory Board in accordance with the recommendation of the Appointments and Remuneration Committee. In determining the components of the variable remuneration the Supervisory Board is assisted by KAS BANK's Internal Audit.

Base salary

The base salary is related to and measured against two market reference groups, one comprising European financial institutions or parts of such institutions that are comparable with KAS BANK in terms of services and/or size and the other comprising companies included in the AScX index. The total remuneration level is below the median level for both reference groups. The remuneration policy is reviewed every two years in the light of developments in the market and is examined every four years by a remuneration expert.

The base annual salary of the chairman of the Managing Board was unchanged at EUR 390,000 and the base annual salary of the other members of the Managing Board was unchanged at EUR 285,000. This is the policy level for the remuneration of the Managing Board adopted by the General Meeting of Shareholders on 25 April 2012. The base annual salary has not been adjusted since.

Variable remuneration

In April 2014 the Annual General Meeting of Shareholders has approved a new variable remuneration scheme. Under the new scheme the annual variable remuneration of members of the Managing Board is maximized at 20% of the base salary. The variable remuneration is based on three equally weighted objectives and will be paid entirely in shares. The actual payments are in accordance with the Regulations on Sound Remuneration Policy (*Regeling beheerst beloningsbeleid Wft 2014*).

The three objectives relate to the annual budget, the achievement of strategic targets and operational targets. For 'at target' performance, the variable remuneration for the members of the Managing Board is 16% of the base salary under the approved remuneration policy. The maximum short-term variable remuneration is 20% of the base salary, which applies if 133% of the 'at target' performance is achieved. The variable remuneration is zero if less than 67.7% of the set targets have been achieved. As for the quantitative criteria (annual budget), the Managing Board performed 86.8% of the targets. The qualitative criteria for 2014 focused principally on strategic targets and operational targets and on these objectives the Managing Board performed 62.0% of the targets. The quantitative targets counted for one third and the qualitative targets for two third. The variable remuneration for 2014 has been determined by the Supervisory Board, on the basis of performance against these three criteria, at 6.6% of the base salary of the members of the Managing Board. This equates to a grant of 2,580 shares to Mr. Röell, 1,886 shares to Mr. Van Katwijk, 1,886 shares to Mr. Wulteputte and 628 shares to Mr. Witteveen. Of these granted shares is 60% directly vested and for the remaining 40% is a three-year pro rata deferral period applicable. The vested shares must be retained for a further two years.

For the long-term variable remuneration for the 2012 - 2014 period, a number of ‘at target’ shares were conditionally granted to the Managing Board at the beginning of the period. The numbers were based on the percentage of 25% of the base salary in line with the remuneration policy for the Managing Board. The vesting depends on the performance against three equally weighted benchmarks: Total Shareholder Return (TSR), relative performance to the AScX and TSR performance relative to the Stoxx Europe 600 Banks Index. The long-term variable remuneration for the period 2012-2014 has been determined by the Supervisory Board, on the basis of performance against these three criteria, at 44.7% of the number of shares conditionally granted at the beginning of 2012 assuming 'at target' performance. This equates to a grant of 5,201 shares to Mr. Röell, 3,800 shares to Mr. Van Katwijk, 2,217 shares to Mr. Kooijman and 1,584 shares to Mr. Wulteputte. Of these granted shares is 60% directly vested and for the remaining 40% is a three-year pro rata deferral period applicable. The vested shares must be retained for a further two years.

Since 1 July 2011, the pension plan for the Managing Board has been based on the defined contribution sliding scale under the tax rules. The company bears the cost of term life insurance and incapacity benefit insurance for members of the Managing Board. The Managing Board members do not receive an expense allowance.

A change-of-control clause was agreed with the Managing Board in early 2011, under which a member of the Managing Board may claim one year's gross salary if dismissed as the consequence of a change of control.

The 2014 remuneration report by the Supervisory Board will be posted on the company's website. The report explains how the remuneration policy has been applied in practice in the past year and provides an overview of the proposed remuneration policy for the coming years.

Amsterdam, 5 March 2015

The Supervisory Board

P.J.C. Borgdorff, chairman (as of 19 November 2014)
J.M.G. Frijns, vice-chairman
Ms. P.J.E. Bieringa
Ms. P.H.M. Hofsté (as of 19 November 2014)
R. Icke
R.A.H. van der Meer

Corporate governance

General

The revised Dutch corporate governance code produced by the Corporate Governance Code Monitoring Committee came into operation on 1 January 2009. The corporate governance code contains principles and best-practice provisions to be observed by managing boards, supervisory boards and shareholders of listed companies in the Netherlands vis-à-vis each other. This concerns rules with respect to modern, widely supported and generally accepted principles on good corporate governance. In addition, the Banking Code, issued by the Netherlands Bankers' Association, came into operation on 1 January 2010. The Banking Code relates mainly to functioning in a specifically banking context, with the emphasis on risk management, client focus and remuneration policy. This chapter of the annual report covers compliance with the corporate governance code and the Banking Code and the main elements of KAS BANK's corporate governance structure.

Given below is a summary of the recent developments in the field of corporate governance affecting the company. This is followed by an outline of KAS BANK's corporate governance structure, explaining its system of management by the Managing Board, supervision of management by the Supervisory Board, reporting to capital providers on the management and supervision of the management and the powers vested in the capital providers. The remuneration policy, the capital structure and the financial reporting are also explained. This chapter is based on the Articles of Association as formulated since 19 May 2011.

Recent developments

Dutch corporate governance code
The Dutch corporate governance code was updated by the Corporate Governance Code Monitoring Committee in December 2008, the updated code came into operation on 1 January 2009. With effect from 1 January 2010, the corporate governance code has been designated as the official code of conduct to be adhered to by Dutch listed companies. The main changes compared with the previous code, dating from December 2004, concerned the remuneration of managing board members, risk management, the responsibilities of shareholders and diversity in the composition of supervisory boards. The corporate governance code was published in the Bulletin of Acts, Orders and Decrees (Staatscourant) of 3 December 2009, no. 18499, and can be found online at www.commissiecorporategovernance.nl.

KAS BANK has published a report on the way in which it applies the corporate governance code on the company's website, indicating for each best-practice provision that the company complies or explaining why it does not comply. KAS BANK will be applying almost all of the best-practice provisions, giving an explanation of non-compliance in the case of only two provisions. This concerns best-practice provision II.1.1 (two of the four existing members of KAS BANK's Managing Board, Mr. Röell and Mr. Van Katwijk, have been appointed indefinitely) and III.5.10/14 (KAS BANK has a combined Appointments and Remuneration Committee). With regard to best-practice provision II.1.1, incidentally, this will be applicable to new members of the Managing Board. The report ('Toepassing door KAS BANK van de Nederlandse corporate governance code'/'KAS BANK's application of the Dutch corporate governance code') can be found at www.kasbank.com/investorrelations/corporategovernance.

Banking Code
The Banking Code came into operation on 1 January 2010 and applies to all banks in the Netherlands. A revised version of the Banking Code will apply as of 2015. The Banking Code concentrates on strengthening corporate governance within the banks, improved risk management, auditing and restrained remuneration policy. The

Banking Code is a form of self-regulation and can be seen as assumption of responsibility by the Dutch banks following the financial crisis. The Banking Code can be found on the website of the Netherlands Bankers' Association (www.nvb.nl).

KAS BANK has published a report on the way in which it applies the Banking Code on the company's website, indicating for each principle that the company complies or explaining why it does not comply, if applicable. KAS BANK complies with all of the principles. The report ('*Toepassing door KAS BANK van de Code Banken*'/'KAS BANK's application of the Banking Code') can be found at www.kasbank.com/investorrelations/corporategovernance.

The following paragraphs report on the way in which KAS BANK is applying the corporate governance code and Banking Code and the extent to which it is complying with these codes.

KAS BANK made progress with the implementation of the Banking Code during the year. The bank's risk tolerance and low risk appetite were again endorsed and approved by the Supervisory Board. A remuneration policy for the Managing Board was proposed to and accepted by the Annual General Meeting of Shareholders in 2014. Self-evaluations of the Supervisory Board and the Managing Board regarding their own performances were executed. A permanent education programme was organised for the Supervisory Board and Managing Board. These various points are covered in greater detail below.

Risk management

The approach to risk management within KAS BANK, the aim of risk management and the steps required in order to put in place an effective risk management organisation were discussed with the Supervisory Board and generally tightened up within the bank. A specific project was launched – KAS BANK 2 the Next Level - in order to improve the internal control structures, to strengthen the three lines of defense model and to enhance the (risk) culture.

The bank's risk tolerance was discussed with the Supervisory Board and received the Board's endorsement. The bank's remuneration policy was adopted and tested against the Regulations on Sound Remuneration Policy ('*Regeling beheerst beloningsbeleid*') once again.

The bank has a product approval process in place. The Internal audit function regularly performs an audit on the compliance with the Banking Code.

Remuneration policy

- Prompted by the introduction of the Regulations on Sound Remuneration Policy and other considerations, a new remuneration policy for the bank has been maintained. The underlying principles are that the policy should be carefully constructed, restrained and durable, should be in line with the bank's strategy and risk tolerance, should reflect the bank's long-term interests and the relevant international context, and should have public support.
- The execution of the remuneration policy for the bank was discussed with the Supervisory Board and satisfies the requirements of the Banking Code.
- The Managing Board's remuneration has been changed and considerably lowered in line with upcoming legislation (variable remuneration max. 20% of base salary); the variable remuneration is carried out in accordance with the Regulations on Sound Remuneration Policy.
- A number of employees are designated as identified staff. Specific requirements concerning variable remuneration apply for the identified staff. The Managing Board is also considered identified staff.

More information about the adherents of KAS BANK to the Regulations on Sound Remuneration Policy can be found on our website (www.kasbank.com/investorrelations/corporategovernance).

Permanent education

- A format was established in 2010 providing a standard means for the members of the Managing Board and Supervisory Board to record how much time they are spending on permanent education. The format comprises a number of categories covering relevant developments within the bank and the financial sector, duty of care vis-à-vis clients, integrity, risk management, financial reporting, and auditing (all topics mentioned in the Banking Code).
- In 2014, an intensive permanent education program was organised for the Supervisory Board and the Managing Board, focusing on financial markets, the new laws and regulations relating to capital and liquidity, and their consequences for the bank. Subjects such as financial markets as a complex and uncertain system, derivatives and the impact of EMIR, board room dynamics and cyber security were discussed in depth with participation of internal and external specialists.
- In 2015, a permanent education program is scheduled. The subject is to be determined.
- When new members are appointed to the Supervisory Board, an introduction program is in place, with presentations by senior management. Members of the Supervisory Board have also visited various departments within the bank.

Self-evaluation by the Supervisory Board

- The Supervisory Board evaluates its own performance and that of the Committees annually. The main conclusions of the self-evaluation can be found in the Report of the Supervisory Board.
- The self-evaluation for the year 2014 was done by the Supervisory Board itself with the help of an external consultant.
- The self-evaluation also focused on the membership profile of the Supervisory Board, the competencies represented in the board and the vacancies in the board (among which the vacant position of chairman of the Supervisory Board) and the relationship between the Supervisory Board and Managing Board.

Self-evaluation by the Managing Board

- In 2014, the Managing Board evaluated its own performance without the assistance of an external expert. The outcome of this evaluation was discussed and a number of action points were identified.
- The Managing Board has strengthened the operational-technical expertise within the board by appointing a new board member in the function of Chief Operating Officer.
- The Managing Board pays a great deal of attention to conduct and culture at KAS BANK. Actions to improve conduct and culture were taken regarding decision making, internal communication and internal culture. For example, the interests of all stakeholders involved are explicitly identified and weighed in important decision-making processes. Talk sessions with all employees were held and extensive attention to conduct and culture was given in the employee satisfaction survey.

Banker’s oath, Moral and Ethical Declaration

- Under the new banker’s oath regulation, otherwise known as the ‘Regulation on oath or solemn affirmation for the financial sector (Financial Supervision Act 2013)’, bankers must swear under oath that they will carry out their jobs with integrity, put their clients first and ensure confidence in the banking sector. The newly appointed members of the Supervisory Board and the new member of the Managing Board have all sworn to this banker’s oath this year.

- A Moral and Ethical Declaration has been signed by each member of the Managing Board and has been posted on the company's website.
- An interpretation of the Moral and Ethical Declaration was applied to the workforce in general and incorporated into the company's staff handbook. All employees at the bank are required to adhere to the principles contained in the staff handbook in their daily activities. New employees all sign the principles in attendance of a member of the Managing Board.

Client focus

- In 2014 it was decided to bring more focus to client groups. The core segments in which KAS BANK is best able to add value are: pension funds, insurance companies, investment funds and wealth management.
- Client feedback process: The feedback process – through the so-called Client Service Review - was enhanced. Again, almost the entire client base was involved in this exercise. The purpose of the reviews is to eliminate risks and irregularities, enhance the standard of service and improve client satisfaction. The average rating from our focus clients remained stable, as did the percentage of clients willing to recommend us. In 2015 more brand perception, client satisfaction and loyalty data will be collected.

Corporate social responsibility

- Sustainable business and corporate social responsibility are important priorities for KAS BANK. Our sustainable policy relies on five pillars: good governance, client's interest first, good employment practices, social commitment and environmental awareness. Our corporate social responsibility policy is posted on our website.
- KAS BANK promotes good governance at its clients through independent reports on risks, benchmarking, costs and other key information on their investments. The asset servicing products and services that the bank offers to pension funds help the pension fund board to fulfil its administrative and social responsibilities.
- KAS BANK endorses the UN Principles for Responsible Investment. KAS BANK supports its clients with implementing their policy for social responsible investments via its Sustainable Risk Screening service.
- KAS BANK is periodically investigating measures to reduce its total CO2 emission.

Outline corporate governance structure

Managing Board

As a two-tier company ('*structuurvennootschap*'), KAS BANK is subject to the provisions of Title 4, Part 6, of Book 2 of the Netherlands Civil Code. The company is managed by a Managing Board consisting of two or more members. In the performance of its duties, the Managing Board is guided by the interests of the company and the enterprise associated therewith, weighing the interests of all stakeholders in the company. The procedures of the Managing Board are defined in the company's Articles of Association and the by-laws of the Managing Board. The Articles of Association and by-laws are posted on the company's website.

Members of the Managing Board are appointed and may be dismissed by the Supervisory Board. The Supervisory Board is required to notify the General Meeting of Shareholders of a proposal to appoint a member of the Managing Board. The Workers Council is given an opportunity to state its position on a proposed resolution to appoint or dismiss a member of the company's Managing Board. The General Meeting of Shareholders is consulted by the Supervisory Board on a proposal to dismiss a member of the Managing Board. Certain management decisions are subject to the prior approval of the Supervisory Board or the General Meeting of Shareholders.

A newly appointed member of the Managing Board has to swear the banker's oath immediately after his appointment.

The Managing Board has been authorised by the General Meeting of Shareholders to issue shares up to a maximum of 10% of the company's issued share capital, including the granting of rights to acquire shares, and an additional 10% of the company's issued share capital if the issue of this additional 10% is in connection with a merger or acquisition, subject to the approval of the Supervisory Board. The Managing Board has also been authorised by the General Meeting of Shareholders to repurchase the company's own shares, subject to the approval of the Supervisory Board. The General Meeting of Shareholders is invited each year to renew these authorisations in respect of the number of shares specified therein, each for a period of 18 months.

Conflicts of interest of all kinds between the company and members of the Managing Board are avoided. The prior approval of the Supervisory Board is required for transactions involving conflicts of interest with members of the Managing Board which are of material significance for the company and/or the relevant members of the Managing Board. In the event of any conflict of interest arising between the company and members of the Managing Board, the best-practice provisions (II.3.2–II.3.4) of the Code are applied. No conflicts of interest arose between the company and members of the Managing Board during the year under review. A matrix gives an insight into the expertise of the individual members and the collective.

Supervisory Board

The Supervisory Board of KAS BANK is charged with supervising the policy of the Managing Board, the general course of affairs within the company and the enterprise associated therewith. It also assists the Managing Board in an advisory capacity. In the event of the absence or inability to act of all the members of the Managing Board, the Supervisory Board is charged with the temporary management of the company. In the performance of their duties, the members of the Supervisory Board are guided by the interests of the company and the enterprises associated therewith, weighing the relevant interests of the stakeholders in the company. The procedures of the Supervisory Board are defined in the company's Articles of Association and the Supervisory Board's by-laws. The Supervisory Board has also formulated a membership profile, which defines the Board's ideal size and composition. The Supervisory Board is composed such that the members are able to operate independently of and adopt a critical stance with respect to one another, the Managing Board and any partial interests. An intensive permanent education program is organised for the Supervisory Board with the aim of maintaining the expertise of the members of the Supervisory Board at the required standard and improving their expertise and knowledge where necessary. For new members an intensive introduction program is organised. New members of the Supervisory Board will swear the banker's oath immediately after their appointment. The by-laws and profile of the Supervisory Board are presented on page 4 and 5 of this annual report.

Members of the Supervisory Board are appointed by the General Meeting of Shareholders on nomination by the Supervisory Board. The Managing Board, the General Meeting of Shareholders and the Employees' Council may nominate individuals for appointment to the Supervisory Board. The Employees' Council may object to an appointment proposed by the Supervisory Board. The Employees' Council has an enhanced right of recommendation with respect to the member of the Supervisory Board whose portfolio includes social policy. Conflicts of interest of all kinds between the company and members of the Supervisory Board are avoided. The prior approval of the Supervisory Board is required for transactions involving conflicts of interest with members of the Supervisory Board which are of material significance for the company and/or the relevant members of the Supervisory Board. In the event of any conflict of interest arising between the company and members of the Supervisory Board, the best-practice provisions (III.6.1-III.6.4) of the Code are applied. No conflicts of interest arose between the company and members of the Supervisory Board during the year under review.

A member may be appointed to the Supervisory Board up to three times for a term of four years. Supervisory Board members retire at the age of 72. In certain instances (such as neglect of his or her duties or material changes in circumstances), a Supervisory Board member may be suspended or dismissed by the Enterprise Division of the Court of Amsterdam at the request of the Supervisory Board.

General Meeting of Shareholders

KAS BANK encourages full participation by the shareholders in decision-making at the General Meeting by actively inviting as many shareholders and depositary receipt holders as possible to attend and minimising the restrictions on voting rights. Subject to certain conditions, a holder of shares or depositary receipts representing one per cent (1%) of the issued capital can have an item placed on the agenda. The principle that shareholders have voting rights in the meeting and depositary receipt holders are only able to address the meeting is increasingly being abandoned. At least one General Meeting of Shareholders is held each year.

In 2014 two Extraordinary General Meetings of Shareholders were held. In August the shareholders were notified of the intended appointment of Mr. Witteveen as member of the Managing Board. In November 2014 an Extraordinary General Meeting of Shareholder was held to appoint the new members of the Supervisory Board.

Depositary receipt holders attending the General Meeting of Shareholders in person or represented by a proxy are, if requested, granted unrestricted and unconditional voting rights automatically by KAS BANK Registrar's Office ('Registrar's Office'). This means that voting rights will also be granted in time of 'war' (for example, if a hostile bid is imminent, if 25% or more of the issued share capital is held by one party or if the interests of the company are in jeopardy). Depositary receipt holders are free to vote as they see fit. They may also issue binding instructions to the Registrar's Office to vote on their behalf.

The powers of the General Meeting of Shareholders are defined by law and the Articles of Association.
Its principal powers are those of:

- Approving decisions that involve a material change in the identity or character of KAS BANK or its operations;
- Adopting the remuneration policy and approving the share and option scheme for the Managing Board;
- Aapproving the appointment and remuneration of members of the Supervisory Board;
- Taking a vote of no confidence in the Supervisory Board;
- Adopting the financial statements;
- Appropriating the profit remaining after allocation to the reserves for distribution to the shareholders or addition to the reserves;
- Discharging the Managing Board of liability for its management;
- Discharging the Supervisory Board of liability for its supervision;
- Authorising the Managing Board to issue and repurchase shares;
- Resolving to amend the company's Articles of Association, undertake a legal merger or demerger, or wind up the company (on the joint proposal of the Managing Board and Supervisory Board).

The company's Articles of Association impose no restriction on the transfer of ordinary shares or depositary receipts for shares issued with the cooperation of the company or the exchange of depositary receipts for ordinary shares in the company.

Remuneration policy

The remuneration policy for the Managing Board is adopted by the General Meeting of Shareholders on a proposal of the Supervisory Board. Within the constraints of the adopted remuneration policy, the remuneration of the individual members of the Managing Board and the award of short-term and long-term variable remuneration are determined by the Supervisory Board on a proposal of the Appointments and Remuneration Committee. The remuneration report by the Supervisory Board describes how the remuneration policy has been applied in practice in the past financial year. The remuneration report, the principles of remuneration policy and the calculation of the various components of the salaries of the individual members of the Managing Board are included in the report of the Supervisory Board. The remuneration policy and the remuneration report are also posted on the company's website.

Capital structure

The company's share capital consists of ordinary shares and cumulative preference shares. All shares are registered and no share certificates are issued. As at year-end 2014, there were 15,699,017 KAS BANK ordinary shares in issue (unchanged from year-end 2013). In addition, 25 cumulative preference shares have been issued to Stichting Preferente Aandelen KAS BANK. Most of the ordinary shares in the company's issued capital (approximately 99.3% as at year-end 2014) are managed and administered by KAS BANK Registrar's Office, which has issued the same number of registered depositary receipts in exchange. The nominal value of KAS BANK shares and depositary receipts is one euro (EUR 1.00). Each share and depositary receipt entitles the holder to cast one vote. No special controlling rights attach to the shares or depositary receipts. No voting rights attach to KAS BANK shares and depositary receipts held by the company itself.
The ordinary shares have been listed on the Official Market of the stock exchange of NYSE Euronext Amsterdam in the form of depository receipts for shares since 1986.

Financial reporting

The company's financial statements are audited by the external auditor appointed by the General Meeting of Shareholders. The financial statements are drawn up by the Managing Board and are presented, after the above-mentioned audit and positive proposal of the Supervisory Board, to the General Meeting of Shareholders for adoption and to the Employees' Council for discussion. Simultaneously with the presentation of the financial statements to the General Meeting of Shareholders, the Managing Board submits a written report on the course of affairs of the company and its management. The meeting of the Supervisory Board at which the financial statements are discussed is attended by the external auditor.
At the Annual General Meeting of Shareholders, the Managing Board renders account to the capital providers for its management in the past financial year and the Supervisory Board renders account for its supervision. The resolution at the General Meeting to approve the financial statements is followed by a resolution that, with respect to the financial statements and related matters dealt with by the General Meeting, the Managing Board be discharged of liability for its management and the Supervisory Board of liability for its supervision in the past financial year.

Amendment of the Articles of Association

Resolutions amending the company's Articles of Association, which must be jointly proposed by the Supervisory Board and the Managing Board, require to be passed by a General Meeting of Shareholders at which at least two thirds of the issued share capital is represented. If the required share capital is not represented at the meeting, a new meeting will be convened, to be held not less than three and not more than five weeks after the first meeting, at which a resolution can be passed regardless of the represented share capital. The notice of the meeting will state 'Amendment of the Articles' as the business of the meeting and a copy of the proposed amendment will be laid open for inspection at the company's office and copies made available free of charge.

Stichting Administratiekantoor Aandelen KAS BANK (KAS BANK's Register's Office)

Stichting Administratiekantoor Aandelen KAS BANK (KAS BANK Registrar's Office) administers and manages almost all ordinary shares in the issued capital of KAS BANK and, with the cooperation of the company, issues in exchange depositary receipts with limited exchangeability. The Registrar's Office itself exercises voting rights only in respect of shares for which no proxies have been granted to the depositary receipt holders and shares for which no voting instructions have been received. This arrangement is conducive to the continuity of decision-making within the General Meeting of Shareholders and preserves the balance of the meeting by preventing a chance majority of those entitled to exercise voting rights influencing the decision-making process of the Meeting of Shareholders.

The Executive Committee of the Registrar's Office consists of three independent members: Mr. Zwarts (chairman), Mr. Scheffers and Mr. Nooitgedagt. The members of the Executive Committee are appointed by the Executive Committee itself, in consultation with the Managing Board and Supervisory Board of the company.

Stichting Preferente Aandelen KAS BANK (KAS BANK Registrar's Office for preference shares)

The object of Stichting Preferente Aandelen KAS BANK ('Registrar's Office') is to protect the interests of the company, the enterprise associated therewith and all stakeholders, including safeguarding against influences which might impair the independence, continuity and/or identity of the company and the enterprise. A right has been granted to the Registrar's Office to subscribe for cumulative preference shares in the capital of the company up to a nominal amount corresponding to 50% of the nominal value of the capital in the form of ordinary shares in issue at the time of subscription for those shares.
This right (call option) will be exercised by the Registrar's Office at the discretion of its Executive Committee, on such grounds as the existence of (threatened) hostile intent or danger to the independence, continuity or identity of the company. The Registrar's Office cannot be compelled to subscribe for preference shares (no put option).

The Executive Committee of the Registrar's Office consists of three independent members: Mr. Van Everdingen (chairman), Mr. Verstraeten and Ms. Baarsma. The members of the Executive Committee are appointed by the Executive Committee itself, in consultation with the Managing Board and Supervisory Board of the company.

A list of the past and present posts held by members of the Executive Committee of the Registrar's Office which may be relevant to the performance of their duties is available for inspection by shareholders and depositary receipt holders at the company's offices.

Risk management

General

The purpose of risk management at KAS BANK is to ensure that the actual risk profile of the institution remains within the boundaries set by its low risk tolerance, as defined by the Managing Board. The Managing Board re-confirmed the low risk appetite of KAS BANK in 2014, as affirmed by the Supervisory Board.

Top and emerged risks 2014

The banking industry and its environment are changing at an unprecedented pace. Changes in the economic, geopolitical, environmental, societal and technological systems, together with the interconnectedness of these movements imply enhanced (systemic) risks and will redefine the future landscape of finance.

In 2014 the persisting low interest rate poses a challenge to financial institutions. The decision of the ECB to cut its key rate from 0.25% to 0.05%, and deposit facility to negative levels increased the downward pressure on the profitability of European financial institutions. Quantitative easing also shows the need of keeping interest rates low, in order to stimulate economic growth.

For financial institutions the tightening of rules and regulations is ever increasing. CRD IV (Basel III), Bank Resolution and Recovery Directive (BRRD), Single Supervisory Mechanism (SSM), EMIR and AIFMD are examples of the global or European initiatives with the objective to strengthen banks and reform the industry. The accelerating changes and new regulations set by the ECB and the European Commission may limit financial institutions in their day-to-day business. KAS BANK continuously monitors the regulatory changes in order to adequately react to alterations made to these regulations. Impact can be expected on both financial and non-financial aspects.

For internationally active firms the dependence on the quality of their IT network remains a constant focus point. Essentially all processes of a bank depend on the reliability of the infrastructure, making it essential in the day-to-day business. Banks must be aware of the risk related to dependence on an infrastructure, and should have the appropriate risk mitigating tools in place. KAS BANK has a dedicated IT risk management function, which manages and monitors the IT risks. Furthermore KAS BANK's strategy to create synergy by working with partners to service clients and invest in new services is forcing KAS BANK to manage the IT developments timely and efficiently.

The unstable financial environment is increasing the risk of financial and non-financial counterparties not being able to meet their contractual or other agreed obligations. The introduction of an organisation like the CCP reduces the credit risk by taking over the risk of the counterparty. Furthermore this development asks for closely monitoring of counterparties and continuously improving of the credit risk monitoring process. The process of accepting clients and setting credit risk limits for counterparties is dynamic.

Publically known risk events

New risks emerge continually. During 2014 several publically known risk events impacted the stability of financial and non-financial companies in the Netherlands. KAS BANK keeps a close watch on these (market) events and continuously assesses impact on portfolio's, business model and conduct.
In 2014 the most prominent events were related to risk culture and market conduct in the context of the Libor scandal, international sanctions, investigations into foreign exchange markets and a generally increased focus on trader surveillance with associated excessive fines.

Other events included the default of Argentina and the restructuring of Southern European banks. The close watch on these events and our (financial) counterparties resulted in adequate actions when and where needed, e.g. adjustments to limits, advancements, haircuts and/or eligibility of collateral.
Geopolitical tension regarding Ukraine and the Middle East did not give rise to additional actions.

The increased scrutiny of sovereign and banking exposures in the investment portfolio was continued, not permitting direct sovereign exposure to the GIIPS countries. Our credit policy (collateralised only) was strictly enforced, with increased attention to quality and diversification of collateral. Scenario analyses and simulations were performed with respect to undesirable events in the sovereign, economic and financial intermediary context. Additional internal stress tests were introduced.

Main developments during 2014 of KAS BANK's risk management

Governance

- In 2014 a lot of attention was given to the follow-up to thematic investigation by DNB, e.g. in the areas of the risk appetite framework, operational risk management and compliance. The follow-up has resulted in a strengthening of our control framework the implementation will continue in 2015.
- The Risk Appetite Framework was updated, and the low risk appetite further translated into limits and policies for the prudential risk classes (market risk, counterparty & credit risk, balance sheet risks including liquidity, mismatch, interest and investment, operational risks including legal, IT and business continuity). Also in the area of operational risk management the policy was updated in line with the low risk tolerance, and further steps were made in the areas of operational loss data, risk self-assessment, improved monitoring and reporting, and audit.
- Efforts to improve internal controls and risk awareness, including governance documents and stricter application of the three lines of defense model have improved the structure and control of de organisation.
- As in the previous years, the remuneration policy and the individual performance contracts of employees were checked for consistency with the low risk appetite of KAS BANK, as was the new remuneration proposal for the Managing Board, with the risk and compliance functions closely involved in the discussions on remuneration. No perverse incentives were found.
- Closely involvement in monitoring the restructuring of KAS BANK and the reorganisation along the lines of demand, market management and supply. The operational risk management team critically investigated the continued level of operational service.

Financial risks

KAS BANK's main financial risks are credit risk, market risk and liquidity risk. A more comprehensive qualitative and quantitative description of these risks is part of the financial statements on pages 88-97. This description addresses KAS BANK's risk management and risk profile and has been prepared on the basis of amongst others the risk disclosure principles as set out by the FSB.

- The credit risk management process is strengthened by:
  - implementation of a more effective, flexible and improved risk mitigating system to monitor (credit) risk exposures from clients;
  - updated advance conditions based on market developments;
  - updated acceptance procedure for new clients based on the new strategic focus, where increased attention is now paid to the fit of a prospect;
  - improvements to the setting of haircuts;
  - increased counterparty monitoring both based on market factors (where applicable) and soft factors.

- The market risk in the positions of the bank remained within the Value-at-Risk (VaR) limit of EUR 5 million, which reflects the very limited trading position of the bank;
- Interest rate mismatch in the balance sheet was kept at levels well below the Price Value of a Basis Point (PVBP) limit of EUR 0.1 million, with no breaches of the stress limits and a duration of the equity in the order of one year;
- Updated versions of ICAAP and ILAAP and the Recovery Plan were produced in the context of the Pillar 2 Supervisory Review & Evaluation Process (SREP) for discussion internally and with the regulator. Liquidity was maintained well above the internally set minimum levels throughout the year and an increase could be observed in times of market stress. The Basel III Liquidity coverage ratio (LCR) and Net stable funding ratio (NSFR) were monitored according to the most recent guidance in the Asset & Liability Committee (ALCO). Levels above the proposed regulatory minimum were maintained. Tools are continuously refined to manage these new ratios.

Non-financial risks

KAS BANK's main non-financial risks consist of operational risk (including IT, Information Security and business continuity) and compliance risk.

- Increased focus on operational excellence, attained by e.g. improved risk self assessments process, revised risk framework and special attention to topical operational risks, resulting in less claims and higher efficiency;
- Efforts were undertaken to strengthen the accountability and risk ownership in the first line. These will lead to improvements hence strengthening the governance;
- From a compliance perspective both second and third line of defense were strengthened in their specific areas of responsibility. New systems were implemented in the areas of anti money laundering and sanctions screening. The integral integrity analysis was updated and a compliance monitoring program was drafted and will be further implemented in 2015, while the compliance function will be strengthened;
- The ending of the intended outsourcing of the back office operations to dwpbank, and as a consequence the increased attention to operational excellence;
- In 2014, risk self assessment also played a central role in operational risk management at KAS BANK. The risk self assessments were prepared and challenged by the operational risk management team. The effectiveness of the process is improved by redefining the role and risk awareness of risk coordinators;
- In the area of IT risk management, special attention was paid to cyber security and an IT compliance officer role was recognised. In reaction to the continued threats from hackers and other cybercrimes, hacker tests were performed at KAS BANK and the response plans to cybercrime were strengthened and are high on the internal agenda;
- BCM process is continuously adapted to recent developments. Again in 2014 disaster and recovery tests were held successfully. As a member of the core financial infrastructure in the Netherlands, KAS BANK participated in sector-wide operational disruption tests.

Management of the risk profile

KAS BANK maintains a low risk tolerance. Its low risk tolerance is annually restated by the Managing Board and reconfirmed by the Supervisory Board. We consider this profile to be in the best interest of our stakeholders and it therefore applies throughout all legal entities, domestic and international. It is key to our business of safeguarding, transferring and financing the assets of our clients. Shareholder value is protected, employees are committed, regulators as well as other parties in the Dutch and global financial infrastructure to which KAS BANK belongs, aim for stability.

The low risk tolerance is monitored and managed on three complementary levels:

- On a strategic level by a disciplined management of the business model and mix;
- On the level of systematic management of the prudential risk categories;
- Through disciplined management of capital and liquidity.

The risks associated with the business model and business mix are managed through the involvement of Risk Management in assessing new ventures, new products, and new projects, which is facilitated by the operation of the Project Portfolio Management Committee.

Risk governance structure

KAS BANK's risk management governance is structured around the three lines of defense model. The allocation of responsibility for risk management is structured accordingly, with the Managing Board bearing ultimate responsibility for the organisation and oversight of the risk management framework.

The operational and commercial departments are the first line of defense. These departments have primary responsibility for managing day-to-day risks in their operating processes: whoever bears first line responsibility for obtaining results is also responsible for the risks associated with obtaining these results.

The main parties in the second line of defense are the Risk Management, Compliance, Finance and Legal departments and various committees. The risk management function has special responsibility for risk analysis, policy preparation and coordination of efforts to control the bank's risks, as well as responsibility for monitoring risk, with a remit that generally extends across the entire bank. It is the responsibility of the CFRO to formulate risk policy with regard to the objectives set by the Managing Board. This policy is used as the basis for setting a series of limits and guidelines on managing market, liquidity, credit, operational and compliance risks throughout the bank. The CFRO is a member of the Managing Board.

The third line of defense comprises Internal Audit, which conducts operational, IT, compliance and financial audits as a means of independently and objectively assessing the effectiveness of internal controls.

The bank has established various committees for risk management purposes and these also form part of the second line of defense. These committees operate within the mandate granted by the Managing Board, with the latter remaining ultimately responsible for structuring and supervising the overall risk management framework.

- The Risk Steering Committee is responsible for developing and monitoring the bank's risk management policy. The committee has set procedures, guidelines and limits for market, liquidity, credit, and operational risks. The members of the Managing Board and the Head of Risk Management form the permanent core of the Risk Steering Committee with standing invitations for the Head of Legal and the Head of Compliance. The committee is chaired by the CFRO. The members of operational divisions and staff departments complete the Risk Steering Committee on invitation. The Risk Steering Committee meets every two weeks. The main providers of information to the Risk Steering Committee are the Risk Management and Compliance departments, the Treasury Risk Steering Committee and Internal Audit.
- The ALCO advises the Risk Steering Committee concerning market risk policy, ensures that agreed proposals are implemented and approves proposals for purchases and sales of securities in the bank's portfolios. The ALCO comprises the members of the Managing Board, the Head of Treasury, the head of Financial Control & Reporting and the Head of Risk Management and meets once a month.

- The Committee in Control monitors standards and future trends within the bank and coordinates all efforts aimed at being 'In Control'. This committee comprises the Chief Operating Officer, senior operational management, Head of Risk Management and the internal auditor and meets bimonthly.

At Supervisory Board level, the Audit Committee and the Risk Management Supervision Committee monitor the Managing Board's compliance with KAS BANK's risk management policy and procedures. The Risk Management Supervision Committee focuses on aspects of internal risk management and control systems within KAS BANK from a banking operations perspective. These include credit, liquidity and market risks. The Audit Committee focuses on aspects of internal risk management and control systems within the bank from an accounting perspective, including operational and compliance risks.

Meetings of the Audit Committee are attended by a delegation from the Managing Board, the Head of Financial Control & Reporting and the internal auditor and also generally by the external auditor. Meetings of the Risk Management Supervision Committee are attended by a delegation from the Managing Board and the Head of Risk Management.

Risk management function

Risk Management is an integral part of the organisation, as expressed in its involvement as adviser on new developments and its role as monitor for current situations. The organisation of the Risk Management department reflects the main categories of risk to which KAS BANK is exposed, as outlined above:

- Counterparty credit risk;
- Market risk, investment risk and balance sheet mismatch, including liquidity risk;
- Operational risk including IT risk, IT compliance, security and BCM.

The Risk Management department has dedicated risk managers for each category of risk. Policy frameworks are in place for managing credit risk, market risk and operational risk. The limits are set by the bank's Risk Steering Committee. KAS BANK uses an internal network of risk coordinators with links to more than fifty processes into which the bank's activities can be divided as part of the operational risk management effort.

Risk policies

Risk policy is determined by the bank's Risk Steering Committee. Balance sheet policy is implemented by the ALCO. The Audit and Risk Management Supervision Committees of the Supervisory Board monitor compliance with KAS BANK's risk management policy and risk procedures.

In 2014 a major update of risk management policies was undertaken, based on recent regulatory developments and best practices developed in the aftermath of the financial and banking crisis, leading to publications of the Basel Committee, European Banking Association and FSB.

Non-financial risks

The non-financial risks consist of operational risk (including IT, Information Security and business continuity) and compliance risk. These risks are described below in more detail.

Operational risk

Operational risk is the risk that losses will occur as a result of weaknesses or failures in internal processes and/or systems, human frailties or outside events. Examples of operational risks are IT problems, shortcomings in the organisation structure, absence of or inadequate internal control, human error, fraud and external threats.

Management commitment is fundamental for identifying and analysing operational risks and implementing adequate internal control measures. Management is supported by first line experts in the field of systems organisation processes and internal control as well as risk managers within the risk management department. Internal Audit performs a monitoring role involving operational audits and also audits the tasks of Risk Management.

KAS BANK's operational risk function is based on the principles of the operational risk framework (COSO-framework).

Operational risk framework

Operational loss data collection

Systematic records are kept of events attributable to operational risks in an operational loss database. These recorded events are periodically analysed for organisational learning purposes and process improvements.

Risk and control self assessment

Each process has a control structure in place in which the process, inherent risks, control objectives and control measures are documented. These control structures are periodically evaluated via risk self assessments, assessments performed by the Risk Management department and operational audits performed by Internal Audit.

The Risk Self Assessment is an important instrument for identifying, quantifying and evaluating operational risks in the bank's internal processes and for managing those risks by implementing adequate internal control measures. Preparation and execution of risk self assessments involves the collaboration of the risk coordinator of the relevant process and the operational risk manager, with the risk coordinator playing an important role in the process. The risk coordinator is a key figure in preparing a risk self assessment and is also responsible for addressing the points raised by a risk self assessment leading to measures to minimise risks. In 2014, the role of the risk coordinator was reviewed and the overall risk self assessment process was professionalised. This resulted in the continuing and expanding of the risk self assessments in 2014.

Scenario analysis

Various stress testing scenarios have been examined in order to evaluate the hypothetical effects that operational risk has on capital. These exceptional but still plausible scenarios were selected and examined in liaison with the line management organisation and based on extrapolated losses and publicly known external events. The stress testing framework is reassessed at least once every year and any required changes are made. The conclusion drawn from stress testing is that the bank's capital position is sufficient to absorb the expected losses including operational risks under the various stress scenarios.

ISAE 3402

In January 2015, KAS BANK published an ISAE (International Standard on Assurance Engagements) 3402 Type 2 report for the period 1 November 2013 through 31 October 2014. This report is compiled in order to indicate the extent to which the internal control measures had been effective in achieving the process objectives. This report was accompanied by a qualified auditor's report (KPMG Advisory N.V.) related to the service of tax reclaim. We took measures to improve the internal control structurally and we analysed that the breaches in the effectiveness of internal control had no financial impact for our clients. KPMG Advisory N.V. has verified the follow-up and reported on the follow-up procedures in an update letter that was enclosed within the ISAE3402.

Key risk identification, monitoring and reporting
The three internal lines of defense and, as a fourth independent line of defense, the external auditor and the regulators, report any shortcomings identified in the design, existence and operating effectiveness of internal controls to KAS BANK's Risk Steering Committee, the Managing Board and/or the Audit Committee.
The bank's Risk Steering Committee assesses each risk and decides on action to be taken in the form of temporary and/or structural measures in order to solve the possible shortcoming.
Internal Audit systematically evaluates the control, risk management and overall management processes and reports its findings to the Risk Steering Committee, the Managing Board and the Audit Committee. The Operational risk manager and Internal Audit report to the Risk Steering Committee on the follow up of the chosen measures.

Operational risks are continuously monitored by means of the Quality Dashboard of Risk Management. This dashboard is maintained during the year on behalf of the operational line management in the 1st line of defense and is addressed at the Risk Steering Committee.

Best practices and awareness
Risk and compliance awareness is recognised as an important element in staff performance. Ongoing attention to enhancing risk and quality has been brought to a higher level in 2014 by training and professional development of staff.

Business Continuity Management

In order to manage the continuity risk, KAS BANK has a Business Continuity function, responsible for operational recovery and resolution plans. The Business Continuity Manager has a reporting line to the Risk Steering Committee.

Continuity is of great importance in the context of financial services – it is essential for the operation of payment and securities systems that banks are able to continue their core operational activities at all times. Continuity is therefore not merely an internal business objective; our clients, regulators and applicable legislation also require clear continuity management. BCM is an integral part of KAS BANK's business model. The Managing Board, which holds ultimate responsibility for business continuity, has appointed a Risk Steering Committee to manage related issues, as described in the KAS BANK Business Continuity Policy.
KAS BANK follows the best practice guidelines recommended by the Business Continuity Institute (www.thebci.org) when implementing and fulfilling BCM.

A Business continuity manager is appointed to ensure that recovery plans are in place and are up to date at all times. In addition, this manager supports the testing and evaluation of these recovery plans. Like every year all necessary aspects of our BCM implementation, e.g. the business impact analyses and availability analyses on system and application level, were maintained. KAS BANK uses the BCM lifecycle to manage its business continuity.

Assessment framework Financial Core Infrastructure

DNB has developed an assessment framework for BCM for Financial Core Infrastructure institutions. Starting point of the framework is that organisations demonstrably control their BCM. The framework is adopted by KAS BANK and tested by external auditors. The quality of KAS BANK's BCM and crisis management proved to be on a sufficient maturity level and includes again successful disaster and recovery tests.

It is our focus to continue bringing BCM to a higher level where possible, to safeguard core activities and financial stability.

IT Risk

IT risk is the business risk associated with the use, ownership, operation, involvement, influence and adaption of Information Technology within KAS BANK or related to its outsourcing partners or suppliers.
IT risk management advises the operational management with regard to internal control and assists in identifying and analysing IT risks. IT risk management monitors relevant risks and reports to the Risk Steering Committee and senior management. IT Internal Audit has a monitoring role with IT audits.

The IT processes and systems are monitored and improved continuously to minimise the IT risks exposed. Furthermore IT risks are identified by qualitative and quantitative risk analyses as executed within IT audits or risk self assessment. In 2014 KAS BANK strengthened the Internal Control Framework and the management of its IT risks, including enhanced process documentation.

Information Security Risk

General
Information Security includes all of the measures aimed at the effective management of risks relating to the quality, availability and access of information. This is achieved through a risk-based assessment of information security measures. Corporate strategy, risk appetite and legislation and regulations are parameters in this context. Objectives are laid down in the KAS BANK Information Security Policy.

Managing Security
The Coordinator Information Security Officer is responsible for coordinating all KAS BANK's security related activities. This security officer formulates the Information Security Policy and monitors the implementation, maintenance and reporting thereof. A governance structure is defined to translate policies into a hierarchical set of architecture principals and guidelines. By visualising interdependencies this hierarchy simplifies maintenance and eliminates the need for dedicated detailed policy documents. Monitoring and reporting is achieved through the Risk Management Framework.

DNB Information Security Framework
In 2013 the internal control framework is brought in line with the DNB Information Security Framework. Since 2014 further implementation and execution of the controls as required by the DNB Framework are part of the default responsibility of the line management. Actions are taken to ensure that all controls are executed compliant to the required maturity level. Commitment of the board assures that the internal control framework meets the maturity levels required.

Progress is made in assuring the business alignment of IT. For all applications KAS BANK utilises, designated system and application owners define their requirements regarding Confidentiality, Integrity and Availability

(CIA). Annually the assigned CIA-categories are evaluated. Maintenance of the CIA-scores is part of the change management process.

Cyber security

In line with the interests of our stakeholders, cybercrime is recognised as an important source of non-financial risk. KAS BANK operates in a network of institutions and companies, causing an increasing dependence on new communication techniques (e.g. internet). Performance and ease of access is what our clients demand. The way clients can communicate with us, utilise our services and have access to their funds has become greater.
Last year, disruptions of the internet payment infrastructure in the Netherlands have made the dependency on these new techniques and their vulnerability apparent. Processes have been implemented to detect such event in an early stage and mitigate their impact should they occur.

KAS BANK is committed to provide convenient access to our services without compromising our safety standards. Monitoring and control is therefore tightened to mitigate possible security breaches and reduce the risk of loss.

Compliance risk

The compliance function of KAS BANK supports the entity and its management in managing the compliance risks and embedding and improving the compliance arrangements in all levels and structures of the entity.
The compliance function therefore has the following objectives:

- To identify, assess, monitor and report on the compliance risks faced by KAS BANK;
- To assist, support and advise top and senior management of KAS BANK in fulfilling its responsibilities to manage compliance risks (policy setting);
- To advise any staff member of KAS BANK with respect to their (personal) responsibility to manage compliance risks.

Compliance risk, also referred to as integrity risk, at KAS BANK, is defined as follows: The risk of the integrity of the institution or the financial system being affected by the improper, unethical conduct of the organisation, business, staff, or clients in contravention of legislation and regulation and the standards set by society or by the institution itself with respect to the core business activities of KAS BANK.

KAS BANK does not accept any compliance risks (risk tolerance of zero). This means that KAS BANK does not want compliance risks to emerge as these risks have a negative impact on the integrity of the institution or the financial system.

The compliance function in KAS BANK is part of the second line of defense (together with Legal and (Operational) Risk Management. The compliance function in KAS BANK is the responsibility of the Group Compliance Officer. The Group Compliance Officer has a functional and a hierarchical reporting line to the CFRO BCM and can escalate to both the chairman of the Managing Board as well as to the Chairman of the Supervisory Board. In addition in 2014, the Group Compliance Officer is invited to attend all Risk Steering Committee meetings. Next to this the Group Compliance Officer could escalate to the Audit Committee.

In line with KAS BANK's risk profile, KAS BANK upgraded its money laundering detection and transaction screening detection systems. All staff is trained (face to face) in relation to money laundering detection and transaction screening (terrorist financing).

In control statement

The responsibilities of the Managing Board are anchored in the principles of the Dutch Financial Supervision Act and other regulations. These responsibilities include compliance with relevant legislation and responsibility for the implementation of risk management and control systems. The management and control systems aim to ensure reliable financial reporting and to control downside risk to the operational and financial objectives of KAS BANK.

Risk Management and control

The Managing Board relies on the risk management and control framework and is supported by senior management. Periodically risk and control self-assessment are executed. The internal risk management and control systems based on a risk identification process combined with an established set of detective, preventative and repressive control measures provide reasonable assurance that the financial reporting does not contain errors of material importance and that the internal risk management and control systems regarding the financial reporting risks worked properly in the year under review.

In view of the above, the Managing Board of KAS BANK believes it is in compliance with the requirements of best practice II.1.5 of the Dutch Corporate Governance Code.

Responsibility statement

In respect of Article 5:25c, 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 their knowledge, that:

- The annual financial statements 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 annual report gives a true and fair view of the situation on the balance sheet date and developments during the financial year of KAS BANK and its consolidated group companies; and
- The annual report describes the material risks which KAS BANK faces.

Amsterdam, 5 March 2015

The Managing Board

A.A. Röell, chairman
K.H.J. Wulteputte, CFRO
S.A.J. van Katwijk
J. Witteveen (as of 1 September 2014)

CONSOLIDATED

FINANCIAL STATEMENTS 2014

In thousands of euros	Note	2014	2013
OPERATING INCOME			
Interest income	1	42,874	43,820
Interest expense	2	17,425	22,667
Net interest result		25,449	21,153
Commission income	3	78,541	80,959
Commission expense	3	13,218	13,649
Net commission result		65,323	67,310
Net trading income	4	9,321	10,413
Result from financial transactions	5	2,864	13,492
Share of result of associates and joint ventures	6	-527	951
Other income	7	21,760	2,875
Total operating income		**124,190**	**116,194**
OPERATING EXPENSES			
Personnel expenses	8	57,455	67,999
General and administrative expenses	9	28,509	29,145
Depreciation and amortisation	10	4,048	4,866
Impairment losses (recovery)	11	1,426	1,834
Total operating expenses		**91,438**	**103,844**
Operating result before tax		32,752	12,350
Tax expense	12	8,475	50
Net result for the year		**24,277**	**12,300**
Attributable to:			
KAS BANK shareholders		24,260	12,273
Non-controlling interests		17	27
EARNINGS PER SHARE	13		
- basic (in euros)		1.65	0.84
- diluted (in euros)		1.64	0.83

The notes on pages 56 to 106 are an integral part of these consolidated financial statements.

In thousands of euros	2014	2013
Net result	**24,277**	**12,300**
Items that will be reclassified subsequently to profit or loss		
Gains and losses on financial investments available-for-sale	9,716	11,927
Gains and losses on financial investments available-for-sale recognised in the income statement	-2,576	-10,842
Items that will be reclassified subsequently to profit or loss before tax	**7,140**	**1,085**
Income tax relating to items that will be reclassified to profit or loss	-1,631	-671
Items that will be reclassified subsequently to profit or loss after tax	**5,509**	**414**
Items that will not be reclassified subsequently to profit or loss		
Revaluation on land and buildings	-15	-
Actuarial gains and losses on pensions	-52,597	23,129
Items that will not be reclassified subsequently to profit or loss before tax	**-52,612**	**23,129**
Income tax relating to items that will be reclassified to profit or loss	13,149	-5,782
Items that will not be reclassified subsequently to profit or loss after tax	**-39,463**	**17,347**
Net total other comprehensive income	**-33,954**	**17,761**
Net total comprehensive income	**-9,677**	**30,061**
Attributable to:		
KAS BANK shareholders	-9,694	30,034
Non-controlling interests	17	27

The notes on pages 56 to 106 are an integral part of these consolidated financial statements.

In thousands of euros	Note	31 December 2014	31 December 2013
Assets			
Cash and balances with central banks	14	120,846	200,519
Due from banks	15	661,588	278,398
Loans	16	558,815	545,438
Reverse repurchase agreements	17	1,476,994	1,403,677
Derivative financial instruments	18	338,787	149,855
Financial assets designated at fair value	19	169,483	97,822
Financial investments available-for-sale	20	1,033,077	990,539
of which pledged as collateral	20	*519,131*	*589,677*
Financial investments held-to-maturity	21	-	10,370
Investments in associates and joint ventures	22	-	1,894
Current tax assets		2,674	1,272
Other assets	23	26,754	75,572
Property and equipment	24	23,490	24,847
Intangible assets	25	3,031	4,223
Deferred tax assets	26	7,178	5,321
Total assets		**4,422,717**	**3,789,747**
Equity and liabilities			
Due to banks	27	338,155	182,817
Due to customers	28	3,241,777	2,934,343
Repurchase agreements	17	135,056	159,180
Derivative financial instruments	18	352,878	186,517
Financial liabilities designated at fair value	19	124,304	50,450
Current tax liabilities		-	1,147
Other liabilities	29	30,868	48,515
Deferred tax liabilities	26	5,344	13,611
Total liabilities		**4,228,382**	**3,576,580**
Issued capital	31	15,699	15,699
Treasury shares	32	-22,740	-23,612
Share premium		21,569	21,569
Revaluation reserve	33	14,740	9,246
Other reserves (including profit for the year)	34	164,969	190,184
Equity attributable to KAS BANK shareholders		194,237	213,086
Non-controlling interests		98	81
Total equity		**194,335**	**213,167**
Total equity and liabilities		**4,422,717**	**3,789,747**
Contingent liabilities	36	34,300	36,420
Irrevocable facilities	37	13,863	17,047

The notes on pages 56 to 106 are an integral part of these consolidated financial statements.

In thousands of euros	Issued capital	Treasury shares	Share premium	Revaluation reserve	Other reserves (incl. profit for the year)	Total attributable to share-holders	Non-controlling interests	Total equity
Balance as at 1 January 2013	**15,699**	**-24,974**	**21,569**	**16,134**	**163,865**	**192,293**	**54**	**192,347**
Comprehensive income	-	-	-	414	29,620	**30,034**	27	**30,061**
Dividend 2012	-	-	-	-	-4,526	**-4,526**	-	**-4,526**
Interim dividend 2013	-	-	-	-	-4,818	**-4,818**	-	**-4,818**
Purchase/sale of treasury shares	-	1,362	-	-	-1,362	**-**	-	**-**
Share-based payments	-	-	-	-	122	**122**	-	**122**
Other movements	-	-	-	-7,302	7,283	**-19**	-	**-19**
Balance as at 31 December 2013	**15,699**	**-23,612**	**21,569**	**9,246**	**190,184**	**213,086**	**81**	**213,167**
Comprehensive income	-	-	-	5,494	-15,188	**-9,694**	17	**-9,677**
Dividend 2013	-	-	-	-	-4,551	**-4,551**	-	**-4,551**
Interim dividend 2014	-	-	-	-	-4,844	**-4,844**	-	**-4,844**
Purchase/sale of treasury shares	-	872	-	-	-872	**-**	-	**-**
Share-based payments	-	-	-	-	125	**125**	-	**125**
Other movements	-	-	-	-	115	**115**	-	**115**
Balance as at 31 December 2014	**15,699**	**-22,740**	**21,569**	**14,740**	**164,969**	**194,237**	**98**	**194,335**

The notes on pages 56 to 106 are an integral part of these consolidated financial statements.

In thousands of euros	Note	2014	2013
Cash flow from operating activities			
Net result		24,277	12,300
Adjustments for non cash items included in net result			
Share of result of associates and joint ventures	6	527	-951
Depreciation and amortisation	10	4,048	4,866
Impairments	11	1,426	1,834
Tax expense	12	8,475	50
Net pension expense	30	3,098	-1,122
Unrealised gains / (losses)		-1,466	-2,596
Restructuring provision	29	-	4,708
Changes in operating assets and liabilities			
Due from banks (not on demand) and due to banks	15, 27	134,769	-108,135
Loans	16	-13,377	812,331
(Reverse) repurchase agreements	17	-97,441	-708,398
Financial assets and liabilities designated at fair value	19	4,200	-47,550
Derivative financial instruments	18	-22,571	-23,859
Due to customers	28	307,434	-1,357,465
Other movements		24,758	73,987
Taxes		-8,864	-3,209
Employer's contribution to retirement benefits	30	-15,803	-5,839
Total cash flow from operating activities		**353,490**	**-1,349,048**
Cash flow from investing activities			
Investments in financial investments available-for-sale	20	-466,466	-467,803
Divestments of financial investments available-for-sale		439,672	488,268
Divestments of financial investments held-to-maturity	21	10,000	-
Investments in subsidiaries		-125	-
Divestments of subsidiaries		-	9,663
Investments in associates and joint ventures	22	-	-965
Purchases of property and equipment	24	-1,003	-4,084
Purchases of intangible assets	25	-2,087	-1,370
Total net cash flow from investing activities		**-20,009**	**23,709**
Cash flow from financing activities			
Dividend paid		-9,395	-9,344
Total net cash flow from financing activities		**-9,395**	**-9,344**
Net cash flow		**324,086**	**-1,334,683**
Cash and cash equivalents at 1 January		435,670	1,770,353
Net cash flow		324,086	-1,334,683
Cash and cash equivalents at 31 December		**759,756**	**435,670**
Reconciliation of cash flow statement with balance sheet items			
Cash and balances with central banks	14	120,846	200,519
Due on demand from banks	15	638,910	235,151
Cash and cash equivalents at 31 December		**759,756**	**435,670**
Additional disclosure of operating cash flow			
Cash received as interest		42,900	43,834
Cash paid as interest		-16,835	-22,755
Cash received as dividends		55	55

The notes on pages 56 to 106 are an integral part of these consolidated financial statements.

Company 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 financial statements for the period ending 31 December 2014 include the parent company and all its subsidiaries, together referred to as 'KAS BANK'. An overview of the principal subsidiaries is included in these notes.

KAS BANK is the European specialist in custodianship and administration of securities and high-quality risk and reporting services. KAS BANK focuses entirely on wholesale securities services to professionals in the pensions and securities industries. KAS BANK's strategy and service provision are based on clear principles regarding the role and methods of custodians in the financial world. Integrity, transparency and independence are important values for KAS BANK, just as the risk avoidance and a low risk profile. The core markets of KAS BANK are the Netherlands, the United Kingdom and Germany. Globally KAS BANK serves over 90 markets.

The annual financial statements have been drawn up by the Managing Board. The Supervisory Board advises and proposes that shareholders adopt the 2014 financial statements at the General Meeting of Shareholders on 22 April 2015.

Basis of preparation

The financial statements have been prepared on a historical cost basis except for the following items:

- Fair value is used for:
  - Derivative financial instruments;
  - Financial assets and liabilities designated at fair value;
  - Financial investments available-for-sale.
- Amortised cost is used for:
  - Due from banks;
  - Loans;
  - (Reverse) repurchase agreements;
  - Financial investments held-to-maturity;
  - Due to banks;
  - Due to customers.
- Fair value based on a mix of valuation methods is used for:
  - Retirement benefit plans (classified within the balance sheet as 'Other assets');
  - Share-based payments;
  - Land and buildings held for own use.
- Equity method is used for investments in associates and joint ventures.

The financial statements are presented in euros, which is the functional currency of KAS BANK, rounded to the nearest thousand (unless stated otherwise). The amounts presented in the notes are computed using numbers which are not rounded. As a result, differences might occur due to the effects of rounding.

Statement of compliance

The consolidated financial statements of KAS BANK are prepared in accordance with IFRS as adopted by the EU and with Part 9 of Book 2 of the Dutch Civil Code.

Basis of consolidation

The consolidated financial statements comprise the financial statements of KAS BANK and its subsidiaries for the year ended 31 December 2014. Subsidiaries are entities which are controlled by KAS BANK. Control of an entity exists if KAS BANK is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In general, control is presumed to exist where KAS BANK owns more than 50% of the voting power of an entity. Subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

As at 31 December 2014, the major subsidiaries and their statutory seat are:

• KAS Trust & Depositary Services B.V.	Amsterdam
• KAS Servicing B.V.	Amsterdam
• KAS Participatiemaatschappij B.V.	Amsterdam
• Addition Knowledge House B.V.	Amsterdam
• KAS BANK OG NZVW B.V.	Amsterdam
• Secpoint N.V.	Amsterdam
• KAS Europe BVBA	Brussels
• KB Deutschland Holding GmbH (in liquidation as per 14 January 2015)	Wiesbaden
• KAS Investment Servicing GmbH (in liquidation as per 2 January 2015)	Frankfurt am Main
• KAS Securities Ltd	London

All interests in subsidiaries are 100%, except for an interest of 50% plus one share in Addition Knowledge House B.V. The full list of subsidiaries has been filed with the Trade Register of the Amsterdam Chamber of Commerce.

A non-controlling interest is presented separately in the consolidated balance sheet as part of shareholders' equity, but separate from equity attributable to KAS BANK shareholders. The result for the period attributable to the non-controlling interests is presented separately in the income statement.
All intra-group balances, transactions, income and expenses are eliminated in full.

Critical accounting estimates and judgements

The preparation of the financial statements requires management judgements and estimates which affect the items reported and disclosed. These estimates and judgements are based on past experiences and take into account recent trends, environmental factors and statistics. Actual outcomes may differ from estimates and judgemental decisions. The applied estimates are reviewed every reporting period. The most significant areas requiring estimates and judgemental decisions are measurement of:

- Level 2 and Level 3 financial instruments (see note 35);
- Hedge accounting;
- Defined benefit obligations and/or receivables;
- Land and buildings held for own use;
- Restructuring provision;
- Share-based payments;
- Tax rate and term of realisation and/or settlement of deferred tax assets and liabilities;
- Impairment losses or recovery relating to financial assets and non-financial assets.

Changes in accounting policies

The accounting policies applied in preparing these financial statements are consistent with the previous year except for the following non-significant adjustments:

- IAS 27: Separate Financial Statements;
- IAS 28: Investments in Associates and Joint Ventures;
- IFRS 10: Consolidated Financial Statements;
- IFRS 11: Joint Arrangements;
- IFRS 12: Disclosures of Interest in Other Entities;
- Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting;
- Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities - Transition Guidance;
- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities.

The relevant comparative figures have been restated where necessary.

New IFRS standards and interpretations adopted but not yet applicable

- IFRIC Interpretation 21: Levies.

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 19: Defined Benefit Plans: Employee Contributions, effective for annual periods beginning on or after 1 July 2014;
- Annual improvements to IFRSs (2010-2012 cycle), effective for annual periods beginning on or after 1 July 2014;
- Annual improvements to IFRSs (2011-2013 cycle), effective for annual periods beginning on or after 1 July 2014;
- 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;
- 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.

Offsetting
Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are not set off unless related to hedging or to assets and liabilities which are set off in accordance with the foregoing.

Foreign currency translation
Transactions in foreign currencies are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to euro at closing rate. Foreign exchange gains and losses resulting from the translation at closing rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement as 'Net trading income'. KAS BANK has no non-monetary assets and liabilities denominated in foreign currencies.

Financial assets and liabilities
Recognition and derecognition
All financial assets and liabilities are initially recognised on trade date, i.e. when KAS BANK becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if KAS BANK's contractual rights to the cash flows from these financial assets expire or if KAS BANK transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised when KAS BANK's obligations specified in the contract expire or are discharged or cancelled.

Measurement on initial recognition
The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. The classification determines the measurement and the recognition of results.

Measurement at fair value
Measurement at fair value especially relates to derivative financial instruments, financial assets and liabilities designated at fair value and financial investments available-for-sale. Additional disclosures relating to fair value measurement are presented in note 35 of this annual report.

Measurement at amortised cost
Measurement at amortised cost relates to exposures due from/to banks, loans, due to customers, (reverse) repurchase agreements and financial investments held-to-maturity. Held-to-maturity investments are non-derivative financial assets that consist of instruments quoted in an active market with fixed maturity for which the positive intent and ability to hold to maturity is demonstrated. These investments are initially measured at fair value and subsequently measured at amortised cost.

The interest of debt instruments is calculated using the effective interest method and is recognised as 'Interest income' in the income statement.

Measurement at cost
Cash and balances with central banks are measured at cost. The interest is recognised as 'Interest income' in the income statement.

Derivative financial instruments
KAS BANK uses derivative financial instruments such as interest rate swaps, futures, exchange traded options/futures and forward foreign exchange contracts. These instruments are used for hedging strategies, including hedge accounting and trading activities. All derivative financial instruments are recognised at fair value and classified as assets when their fair value is positive and as liabilities when their fair value is negative. Counterparty credit risk (Credit Valuation Adjustment, CVA) and own credit risk (Debit Valuation Adjustment, DVA) are included in the determination of the fair value. The fair value of interest rate swaps is calculated using a discounted cash flow model in which the contractual cash flows are discounted using a risk free rate as these derivatives are collateralised. The fair value of swaptions is calculated using an option pricing model considering market based inputs (interest rate volatility, swap rates and interest spot rates). Exchange traded options and futures are valued using quoted prices from recognised market data providers. Forward foreign exchange contracts are valued using an implied forward rate and discounted using a risk free rate. Gains or losses arising from changes in the fair value of derivative financial instruments are included in 'Net trading income' (trading activities) or in 'Interest income' (hedge accounting) in the period in which they arise.

In addition to derivative financial instruments used for hedging strategies and trading activities, KAS BANK also recognises derivative financial instruments which the bank engages in with the clients. These derivative financial instruments are classified within the derivative financial instruments as derivatives on behalf of clients. All risks of these positions are fully covered by collateral posted by the client and by back-to-back transactions with other financial institutions. In these cases, KAS BANK acts as General Clearing Member. In addition, KAS BANK also guarantees the obligations towards the clearing institution of the relevant derivatives exchange. These derivatives are also recognised in the balance sheet as 'Derivative financial instruments'.

Financial assets and financial liabilities designated at fair value
A financial asset or financial liability is classified in this category if on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. These assets and liabilities are recognised at fair value and include debt securities. Gains or losses arising from changes in fair value are recognised as 'Net trading income' within the income statement in the period in which they arise. The interest of debt instruments is calculated using the effective interest method and is recognised as 'Interest income' in the income statement.

Financial investments available-for-sale
Available-for-sale investments are non-derivatives that are either designated in this category or not classified in one of the other categories and include debt securities and equity investments in which KAS BANK has no significant influence. After initial recognition, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses – except for impairments – are directly recognised within other comprehensive income. In the event that the investment is disposed of, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement as 'Result from financial transactions'.

Results arising from impairment of available-for-sale investments are recognised in the income statements as 'Impairment losses (recovery)' and removed from other comprehensive income.

The interest of debt instruments is calculated using the effective interest method and is recognised as 'Interest income' in the income statement. Dividends received on equity instruments are recognised in the income statement as 'Result from financial transactions' on the date KAS BANK's right to receive payment is established.

Financial investments held-to-maturity
Held-to-maturity financial assets are subsequently after initial recognition measured at amortised cost using the effective interest rate, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. In the event that the bank were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity, the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore KAS BANK would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

The interest of debt instruments is calculated using the effective interest method and is recognised as 'Interest income' in the income statement.

(Reverse) repurchase agreements
Securities sold under agreement to repurchase at a specified future date are not derecognised from the balance sheet as KAS BANK retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the balance sheet as an asset with a corresponding obligation to return it. Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the balance sheet. The amount paid is recognised in the balance sheet as 'Reverse repurchase agreement'.

The interest on (reverse) repurchase agreements is calculated using the effective interest rate and is amortised over the term of the agreement and recognised as 'Interest income' or 'Interest expense' in the income statement.

Hedge accounting
KAS BANK uses derivative financial instruments to manage exposure to interest rate risk. In order to manage this particular risk, KAS BANK applies fair value hedge accounting for transactions which meet specific criteria. In such transactions, KAS BANK designates a derivative as an instrument to hedge the fair value movements resulting from interest rate risk in the hedged item.

At the inception of a hedging relationship, KAS BANK documents the relationship between the hedging instrument and the hedged item, its risk management objective and its strategy for undertaking the hedge and performs prospective effectiveness testing. KAS BANK also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not they are highly effective in offsetting changes attributable to the hedged risk in the fair value of the hedged items. Interest on designated qualifying hedges is included in net interest.

Retrospective effectiveness is tested quarterly, by comparing the cumulative clean fair value movement (since inception) of the hedged item, due to changes in benchmark interest rates, to the total clean fair value movement of the hedging instrument. Ineffectiveness within the 80% - 125% bandwidth is recognised in the income statement through the actual hedge adjustment. Ineffectiveness outside the 80% - 125% bandwidth is recognised by not posting a hedge adjustment to the hedged item. In this case, the micro hedge relationship is designated and it is re-designated at the beginning of the next period if expected to be highly effective prospectively.

Investments in associates and joint ventures
Associates are entities in which KAS BANK has significant influence (in generally assumed between 20% and 50% of the voting rights) but in which it has no control over the operating and financial policies. KAS BANK has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are contractual agreements whereby KAS BANK and other parties have an economic activity which is subject to joint control. Both associates and joint ventures are accounted based on the equity method. An equity accounted investment is initially recognised at cost and subsequently changed by the share of KAS BANK in the net results after acquisition. The share in the net result (net of corporate tax) is recognised in the income statement of KAS BANK. The accounting policy for joint ventures only relates to 2013.

Property and equipment
Property held for own use is measured according to the revaluation model. This fair value is determined by an external appraiser once every four years. If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. Depreciation is recognised in the income statement and calculated on a straight-line basis over the estimated useful life. The estimated useful life of the buildings is fifty years. Land is not depreciated.

Equipment is initially measured at cost, and subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation is recognised in the income statement and calculated on a straight-line basis over the estimated useful life. Computer equipment is depreciated over three years, fixtures and fittings over five years, technical installations over ten years and alterations to leased property over the term of the lease.

Intangible assets
Computer software
Purchased software and software development costs are capitalised if directly related to the development of identifiable software which will probably generate economic benefits for KAS BANK for more than one year. The capitalised development costs concern directly attributable costs, including the costs of staff employed on the development of the software. Capitalised development costs are recognised at cost less accumulated depreciation and impairment losses. Depreciation is recognised in the income statement over the estimated useful life, which is three years.

Other intangible assets
Other intangible assets mainly relate to separately identified assets deriving from acquisitions, and currently relate to client portfolios and licences. At the time of acquisition, these intangible assets are measured at fair value. Client portfolios and licences are subsequently carried at cost less cumulative depreciation and impairment losses. Depreciation is recognised in the income statement over the estimated useful life. The estimated useful life depends on management estimates. The estimated useful life of the client portfolios is between five and fifteen years. The estimated useful life of licences is five years.

Impairment

Impairment of financial assets

KAS BANK assesses at each reporting date whether there is objective evidence that a financial asset must be impaired. In case of debt instruments, KAS BANK assesses individually whether there is objective evidence of impairment. Indications of objective evidence of impairment are:

- Significant financial difficulty of the issuer;
- Default or delinquency in interest or principal payments by the issuer;
- Collapse of an active market for the financial asset concerned.

Objective evidence of impairment of equity investments is provided by a prolonged (longer than nine months) or significant (more than 20%) drop in the fair value below cost.

Financial assets measured at amortised cost

For financial assets carried at amortised cost, KAS BANK assesses individually whether objective evidence of impairment exists. The impairment loss is the difference between the assets's amortised cost and the value of future cash flows, discounted at the financial asset's original effective interest rate. Impairment losses are recognised in the income statement. In the event that the financial asset is collateralised, account is taken of future cash flows that may result from foreclosure of the collateral.

If, in a subsequent period, the amount of the impairment loss decreases and this objectively relates to an event after the impairment was initially recognised, the recognised impairment loss is reversed and the recovery is recognised in the income statement.

Financial investments available-for-sale

If there is objective evidence of impairment of a financial investment available-for-sale, the difference between cost and current fair value, less any previously recognised impairment losses, is transferred from other comprehensive income to 'Impairment losses' in the income statement. If, in case of debt instruments, in a subsequent period, the amount of the impairment loss decreases and this objectively relates to an event after the impairment was initially recognised, the recognised impairment loss is reversed and the recovery is recognised in the income statement. If the change in the amount of the impairment loss is not objectively related to an event after the impairment was initially recognised, the value movement of the impaired debt instrument is recognised as 'Result from financial transactions' in the income statement. Recoveries of recognised impairment losses relating to equity instruments are recognised in other comprehensive income.

Impairment of non-financial assets

The carrying amount of KAS BANK's non-financial assets is reviewed at each reporting date to ascertain whether there is any objective evidence that an asset may be impaired. If any such evidence exists, an estimate is made of the recoverable amount of the asset. Impairment losses are recognised in the income statement.

The recoverable amount of an individual asset is equal to the value in use. In measuring the value in use, the present value of the estimated future cash flows is calculated using a discount rate reflecting both the current market estimates of the time value of money and the specific risks relating to the asset concerned. An impairment loss is recognised if the carrying amount of an asset is higher than the estimated recoverable amount.

Previously recognised impairment losses are assessed on each balance sheet date for indications that the loss has diminished or no longer exists. An impairment loss is reversed if the impairment loss indication used as the basis for measuring the recoverable amount has changed. An impairment loss is only reversed if the carrying amount of the asset does not exceed the carrying amount of the asset net of depreciation or amortisation which would have applied if no impairment loss had been recognised.

Provisions

A provision is recognised in the balance sheet when KAS BANK has a present obligation (legal or constructive) as a result of a past event, a reliable estimate can be made of the amount of the obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The amount added to provisions is recognised in the income statement and the carrying amount is recognised in the balance sheet under 'Other liabilities'.

A provision for restructuring costs is recognised only when there is a constructive obligation to restructure. A constructive obligation arises only when KAS BANK has a detailed formal plan and has raised a valid expectation that it will carry out the restructuring.

Lease agreements

A lease agreement is classified as a finance lease if substantially all the risks and rewards incidental to ownership are transferred from the lessor to KAS BANK. In all other cases, lease agreements are classified as operating leases.

Assets acquired as a finance lease are carried at the lower of their fair value and the present value of the nominal lease payments upon inception of the lease, less accumulated depreciation and impairment losses. The discount rate used to calculate the present value of the nominal lease payments is the interest rate implied in the lease. Capitalised finance lease assets are depreciated in accordance with the criteria stated in relation to property and equipment. Lease payments made under an operating lease agreement are recognised in the income statement on a straight-line basis over the term of the lease. If an operating lease contract is terminated before expiry, any penalties are recognised in the period in which the lease contract is terminated.

Shareholders' equity

Issued capital

KAS BANK's authorised capital comprises ordinary shares and preferred stock. The cumulative preferred stock is recognised in the balance sheet as 'Other liabilities'. This preferred stock is classified as debt instrument as, pursuant to Article 25 of the Articles of Association, annual dividend distributions are independent of the annual results of KAS BANK. Dividends on these shares are recognised as 'Interest expense' in the income statement.

Treasury shares

Own equity instruments of KAS BANK which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity and accounted for at weighted average cost.

Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the General Meeting of Shareholders. Interim dividend is deducted from equity when declared and no longer at the discretion of KAS BANK.

Retirement benefit plan

Pension obligation

KAS BANK sponsors both defined benefit and defined contribution plans. The scheme of the Managing Board is a defined contribution plan. The schemes of the Dutch and UK employees are defined benefit plans. The Dutch defined benefit plan is carried out by the company pension fund Stichting Pensioenfonds van de KAS BANK.

Defined benefit plan

The pension obligations of defined benefit plans are determined individually. Defined benefit plan pension commitments are calculated using estimates of the rights vested in employees in exchange for their services in the reporting period and previous periods. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key actuarial parameters used in the calculation are indexation rate and life expectancy. The calculation is performed annually by an actuary. The net benefit expense is recognised in the income statement as 'Personnel expenses'. The net benefit obligation or receivable is recognised in the balance sheet as part of 'Other assets' or 'Other liabilities'. Actuarial gains and losses result from changes in actuarial assumptions and differences between the actuarial assumptions at the beginning of the year and the realised results at year-end. Actuarial gains and losses are recognised in other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss as a past service cost. KAS BANK recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Defined contribution plan

KAS BANK also operates defined contribution pension plans. The contribution payable to a defined contribution plan is in proportion to the services rendered to the bank by the employees and is recognised as 'Personnel expenses' in the income statement. Unpaid contributions are recognised as 'Other liabilities' in the balance sheet.

Other long-term employee benefits

KAS BANK's net liability in respect of long-term employee benefits other than retirement benefit plans comprises future remuneration earned by employees in exchange for their services in the reporting period and previous periods, taking into account mortality risk and the probability of employees remaining in company service and participating in the plans. The liability is discounted to present value and recognised in the balance sheet as 'Other liabilities'. Expenses are recognised in the income statement as 'Personnel expenses'.
Other long-term employee benefits includes the liability for the opportunity for employees of a two month 'vitality leave' once every seven years, while partially maintaining salary payment.

Share-based payment transactions

A part of the remuneration paid to members of the Managing Board and identified staff in exchange for services rendered could be share-based payments. The cost of the service received is measured at the fair value of the shares granted on the grant date. The fair value is recognised in the income statement as 'Personnel expenses' and allocated over the vesting period, with a corresponding movement in 'Other reserves'.

The value of the shares granted is calculated taking into account the share price at grant date, market conditions and the expected dividend yield. In case of performance shares which are granted conditionally, terms and conditions without a market basis are taken into account by adjusting the number of shares used to measure the cost of the service rendered so that the cumulative amount recognised in the income statement reflects the number of shares ultimately becoming vested.

Short-term employee benefits
Short-term employee benefits relate to periodically paid remuneration and variable remuneration accounted for in 'Personnel expenses' in the income statement as and when the related service is rendered. A liability is recognised in the balance sheet for the amount expected to be paid under a variable-remuneration or a profit-sharing plan if KAS BANK has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the obligation can be estimated reliably.

Taxes
Current tax
Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authorities.

Deferred tax assets and liabilities
Deferred tax assets and liabilities relate to differences between the carrying amounts and tax bases of certain assets and liabilities. The deferred tax asset or liability is determined based on the current tax rate and is recognised at nominal value. A deferred tax asset is recognised if it is probable that future taxable profits will become available against which it can be set off. The carrying amount of the deferred tax assets is assessed on each balance sheet date. Deferred tax assets and liabilities are set off where there is a legally enforceable right to set off such assets and liabilities and they relate to the same entity.

Securities lending and borrowing transactions
Securities lending and borrowing transactions are usually collateralised by securities or cash. The related securities in the borrowing or lending transaction are not recognised (borrowing transactions) or derecognised (lending transactions) on the balance sheet.

The collateral received or paid as securities is not recognised respectively derecognised on the balance sheet. Collateral received or paid as cash is recognised in the balance sheet as cash advanced (included in due from banks and loans) or received (due to banks or due to customers). Interest received or paid are recognised on an effective interest basis and recorded as interest income or interest expense.

Collateral
KAS BANK pays and receives collateral in the form of cash or securities in respect of credit instruments, such as derivative contracts and loans, in order to reduce credit risk. Collateral paid or received in the form of cash together with the underlying is recorded on the balance sheet. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

Fiduciary assets
KAS Trust & Depositary Services B.V. ('KAS Trust') – a consolidated subsidiary of KAS BANK – provides trust and fiduciary services that result in the holding or investing of assets on behalf of clients. Assets held in a fiduciary capacity are not recognised in the balance sheet of KAS BANK, as they are not the assets of the bank.

Assets under Custody
The majority of the non-derivative securities in custody at KAS BANK are pursuant to the Securities Giro Act (*Wet giraal effectenverkeer*). The Securities Giro Act protects the ownership of custody clients in case of default of KAS BANK. Assets under Custody are not recognised in the balance sheet of KAS BANK, as the risks and rewards of these assets are not for the account of KAS BANK.

Clearing and settlement activities
KAS BANK offers clearing and settlement activities to their clients.

Clearing and settlement – securities
KAS BANK takes care of the clearing and settlement of clients' (on-exchange related) securities transactions. In addition, KAS BANK also guarantees the clients' obligations towards the clearing institutions. The securities are not recognised in the balance sheet (see 'Assets under Custody').

Clearing – derivatives
KAS BANK acts as General Clearing Member (GCM) and takes care of the financial and administrative settlement of derivatives transactions. KAS BANK administers the financial and administrative settlement of the traded derivatives. In addition, KAS BANK also guarantees the obligations towards the Clearing institution of the relevant derivatives exchange. The derivatives are recognised in the balance sheet as 'Derivative financial instruments'.

Recognition of income and expenses
Revenues and expenses are recognised to the extent that it is probable that economic benefits will flow to or out of the bank and these revenues or expenses can be reliably measured. Interest is recognised based on a transitory basis using the effective interest rate method. Fees earned for the provision of services over a period of time are accrued over that period. This especially relates to services as custody.

Statement of cash flows
The consolidated statement of cash flows is based on the indirect method. Cash flows are classified as cash flows from operating, investing and financing activities. The cash flow from operating activities is based on the result after tax. This result is adjusted for those items in the income statement and changes in the balance sheet which do not result in actual cash flows during the year. Cash and cash equivalents comprise balances which are callable on demand.

Segment information
KAS BANK discloses segment information for the operating and geographical segments. An operating segment is a strategic business segment on which internal reports are regularly submitted to the Managing Board, based on which the Managing Board evaluates the performance of the segment and allocates resources to it.
A geographical segment is defined by the location where the revenues are generated.

KAS BANK distinguishes the operating segments: Financial institutions, Institutional investors, and Treasury.
The geographical segments are the Netherlands, the United Kingdom and Germany.

Segment information is based on the same accounting policies as applicable for KAS BANK's consolidated balance sheet and income statement.

1. Interest income

In thousands of euros	2014	2013
Due from banks and loans	10,718	8,977
Reverse repurchase agreements	1,599	679
Change in fair value of derivative financial instruments (hedge)	6,158	7,360
Ineffectiveness on fair value hedges	700	-
Financial assets designated at fair value	1,007	686
Financial investments available-for-sale	22,403	25,689
Impaired available-for-sale assets	259	304
Financial investments held-to-maturity	30	125
Total	**42,874**	**43,820**

2. Interest expense

In thousands of euros	2014	2013
Due to banks and customers	2,979	2,770
Change in fair value of derivative financial instruments (hedge)	14,343	19,806
Financial liabilities designated at fair value	103	91
Total	**17,425**	**22,667**

3. Commission

Commission include the net result of services as custody, clearing, settlement, securities borrowing and lending and other added-value services. These activities are classified as 'Asset Servicing', 'Transaction Servicing' and 'Treasury' in the table below.

In thousands of euros	2014	2013
Asset Servicing	37,420	36,306
Transaction Servicing	29,496	30,256
Treasury	11,625	14,397
Total commission income	**78,541**	**80,959**
Asset Servicing	6,728	7,148
Transaction Servicing	6,308	6,368
Treasury	182	133
Total commission expense	**13,218**	**13,649**

4. Net trading income

In thousands of euros	2014	2013
Foreign exchange transaction results	9,414	9,727
Change in fair value of assets/liabilities designated at fair value	1,232	1
Change in fair value of derivative financial instruments (non-hedge)	-1,325	685
Total	**9,321**	**10,413**

5. Result from financial transactions

In thousands of euros	2014	2013
Fair value movement of impaired available-for-sale assets	233	2,595
Sale of financial investments available-for-sale	2,576	10,842
Dividends	55	55
Total	**2,864**	**13,492**

6. Share of result of associates and joint ventures

The results relate to the share of the result of Neonet and the share of the result of Secpoint until 30 June 2014. At 30 June 2014 KAS BANK obtained all shares in Secpoint N.V. KAS BANK purchased 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.

At 31 December 2014 KAS BANK had significant influence in Neonet AB (Stockholm, Sweden). KAS BANK acquired 20% of the issued capital of Neonet AB in 2013. In addition KAS BANK is also entitled to appoint one representative within the Board of Directors of Neonet AB. KAS BANK has the power to participate in the financial and operating policy decisions of Neonet AB but has no control or joint control of those policies.

In thousands of euros	2014	2013
Neonet AB	-441	1,245
Secpoint N.V.	-86	-294
Total	**-527**	**951**

7. Other income

In thousands of euros	2014	2013
Revenues from staffing	927	406
Revenues from rent of office space	260	250
Sale of office building	-	866
Compensation dwpbank	20,000	-
Other	573	1,353
Total	**21,760**	**2,875**

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.

Revenues from staffing relates to the posting activities of one of KAS BANK's subsidiaries, Addition Knowledge House B.V.

8. Personnel expenses

In thousands of euros	2014	2013
Salaries	37,822	45,011
Social security costs	6,487	6,213
Fringe benefits	4,472	4,072
Temporary staff	3,310	4,160
Pension charges relating to defined benefit plans	3,263	-1,018
Pension charges relating to defined contribution plans	626	361
Share-based payments	125	122
Restructuring costs	-	2,954
Addition/(reversals) of restructuring provision	-	4,708
Other	1,350	1,416
Total	**57,455**	**67,999**

The pension charges relating to defined benefit plans in 2013 includes a gain of EUR 5.3 million (2014: loss of EUR 0.2 million) relating to a plan amendment of the Dutch pension plan.

Average number of employees	2014	2013
Full-time equivalent basis (including temporary staff)		
Netherlands	640	681
Germany	26	36
United Kingdom	16	19
Total	**682**	**736**

9. General and administrative expenses

In thousands of euros	2014	2013
Information technology	15,147	16,465
Advice	3,218	2,288
Housing	2,907	4,078
Traveling expenses	1,173	1,438
Resolution levy (SNS Reaal)	1,127	-
Audit fees	472	470
Other	4,465	4,406
Total	**28,509**	**29,145**

10. Depreciation and amortisation

In thousands of euros	2014	2013
Land and buildings held for own use	385	385
Other property and equipment	1,786	2,020
Intangible assets	1,877	2,461
Total	**4,048**	**4,866**

11. Impairment losses (recovery)

In thousands of euros	2014	2013
Due from banks and loans	337	-1,794
Associates	1,061	-
Property and equipment	28	496
Intangible assets	-	3,132
Total	**1,426**	**1,834**

Based on economic and market developments KAS BANK concludes that there is objective evidence of an impairment of an interest in a European broker, Neonet AB. The recoverable amount has been determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets. Based on this valuation an impairment charge of EUR 1.1 million is recognised with a corresponding movement in 'Investments in associates and joint ventures' (see note 22).

12. Tax expense

The calculation of the tax expense is based on existing tax facilities which include tax-exempt profit components and non-deductible items.

In thousands of euros	2014	2013
Tax expense		
Current tax expense for the year	7,054	3,181
Deferred tax		
Temporary differences and reversals	1,421	-3,131
Total	**8,475**	**50**

Reconciliation with effective tax rate	2014	%	2013	%
Result before tax	32,752		12,350	
Tax expense at statutory tax rate	8,188	25.0	3,088	25.0
Differences in rates	-385	-1.2	-664	-5.4
Non-deductible items	672	2.1	-2,374	-19.2
Tax expense at effective tax rate	**8,475**	**25.9**	**50**	**0.4**

13. Earnings per share

The calculation of the basic and diluted earnings per share is based on the result attributable to holders of ordinary shares.

In thousands of euros, unless otherwise stated	2014	2013
Net result attributable to KAS BANK shareholders	24,260	12,273
Issued capital	15,699	15,699
Treasury shares	-973	-1,020
Weighted average number of ordinary shares outstanding	14,726	14,679
Effect of stock options and share plans	40	100
Weighted average number of ordinary shares outstanding (diluted)	14,766	14,779
Basic earnings per share (in euros)	1.65	0.84
Diluted earnings per share (in euros)	1.64	0.83

ASSETS

14. Cash and balances with central banks

This balance sheet item includes cash on hand and demand deposits with central banks. The mandatory reserve deposit with the Dutch central bank is also included within cash and balances with central banks. As per year-end 2013 and 2014 KAS BANK meets the requirements related to the mandatory reserve deposit. As a result KAS BANK has no restricted cash position as per year-end.

The fair value of this balance sheet item does not materially deviate from its carrying amount, due to the short-term nature of its related assets.

15. Due from banks

The amount due from banks mainly relates to direct placements (including money market funds) and loans and advances with other banks. The table below shows the amount due from banks split by maturity.

In thousands of euros	2014	2013
Money Market Funds (due on demand)	375,824	-
Due on demand	263,086	235,151
Not due on demand (maturity less than one year)	22,678	43,247
Balance as at 31 December	**661,588**	**278,398**

The fair value of this balance sheet item does not materially deviate from its carrying amount, due to the short-term nature of its related assets.

16. Loans

The table below shows the outstanding amount of loans. The current accounts, granted credits and mortgage loans are collateralised by customer securities or individual properties (see note 39).

In thousands of euros	2014	2013
Due on demand	475,057	410,878
Not due on demand (maturity less than five years)	77,712	128,389
Mortgage loans	6,046	6,171
Balance as at 31 December	**558,815**	**545,438**

The fair value of this balance sheet item does not materially deviate from its carrying amount, due to the short-term nature of its related assets.

The amount of 'Loans' decreased with approximately EUR 0.5 billion (2013: EUR 0.5 billion) as a result of the offsetting of deposits and entrusted funds for a number of clients (see note 39). An amount of EUR 22.2 million (2013: EUR 21.9 million) relates to a provision for doubtful debt and is included within the total balance of loans.

17. (Reverse) repurchase agreements

The outstanding reverse repurchase agreements are covered by received collateral. All (reverse) repurchase agreements have a maturity of less than one year (see note 39).

The fair value of this balance sheet item does not materially deviate from its carrying amount, due to the short-term nature of its related assets.

18. Derivative financial instruments

Derivative financial instruments are used for both hedging strategies and trading or are held on behalf of clients. The following tables show the fair value of derivative financial instruments, recognised as asset or liability, together with their notional amount.

In thousands of euros	31 December 2014	31 December 2013
Assets	338,787	149,855
Liabilities	-352,878	-186,517
Total	**-14,091**	**-36,662**

As at 31 December 2014 *In thousands of euros*	Notional amount	Fair value assets	Fair value liabilities
Derivatives held for trading			
Foreign exchange contracts			
- Forward contracts	302,847	4,888	4,131
- Swaps	5,554,139	75,447	63,641
Total foreign exchange contracts	5,856,986	80,335	67,772
Interest contracts			
- Swaps	1,814,000	133,948	132,808
- Swaptions	546,000	41,590	41,705
Total interest rate contracts	2,360,000	175,538	174,513
Derivatives used as fair value hedges			
Interest contracts	451,552	193	27,872
Derivatives held on behalf of clients			
Exchange traded derivatives	-	82,721	82,721
Total	**8,668,538**	**338,787**	**352,878**

As at 31 December 2013 *In thousands of euros*	Notional amount	Fair value assets	Fair value liabilities
Derivatives held for trading			
Foreign exchange contracts			
- Forward contracts	431,625	6,224	6,193
- Swaps	8,266,137	63,235	65,813
Total foreign exchange contracts	8,697,762	69,459	72,006
Interest contracts			
- Swaps	1,049,000	21,494	21,541
- Swaptions	832,000	12,694	12,897
Total interest rate contracts	1,881,000	34,188	34,438
Derivatives used as fair value hedges			
Interest contracts	556,427	1,264	35,129
Derivatives held on behalf of clients			
Exchange traded derivatives	-	44,944	44,944
Total	**11,135,189**	**149,855**	**186,517**

Derivatives held on behalf of clients are concluded in the name of KAS BANK. All risks are covered by collateral posted by the client (see note 39).

19. Financial assets and liabilities designated at fair value

In thousands of euros	31 December 2014	31 December 2013
Financial assets designated at fair value	169,483	97,822
Financial liabilities designated at fair value	-124,304	-50,450
Total	**45,179**	**47,372**

The movement of the financial assets and liabilities designated at fair value during the financial year is presented below.

In thousands of euros	2014	2013
Carrying amount as at 1 January	47,372	-2,128
Purchases	138,790	47,550
Sales	-123,242	-
Redemptions	-19,748	-
Movements in fair value	2,007	1,950
Balance as at 31 December	**45,179**	**47,372**

The fair value movements related to liabilities designated at fair value reflects movements due to both interest rate changes and credit spread changes.

The portion of fair value changes during 2014 attributable to the movement in interest rate changes amounted to EUR 0.7 million, being an increase of the carrying amount (2013: EUR 2.0 million, being a decrease of the carrying amount). The portion of fair value changes during 2014 and cumulatively attributable to the movement in credit spreads amounted to EUR 0.4 million, being an increase of the carrying amount (2013: EUR 0.1 million, being a decrease of the carrying amount). In 2014, no results (2013: nil) were realised on the repurchase of liabilities with respect to this balance sheet item.

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 102.6 million at 31 December 2014 (2013: EUR 49.0 million).

20. Financial instruments available-for-sale

The table below shows the movement of the financial investments available-for-sale divided by type of instrument.

2014 *In thousands of euros*	Debt instruments	Equity instruments	Total
Balance as at 1 January	988,410	2,129	990,539
Purchases	466,466	-	466,466
Sales	-193,163	-28	-193,191
Movements in fair value	15,657	87	15,744
Redemptions	-246,471	-10	-246,481
Balance as at 31 December	**1,030,899**	**2,178**	**1,033,077**

2013 *In thousands of euros*	Debt instruments	Equity instruments	Total
Balance as at 1 January	1,005,327	6,320	1,011,647
Purchases	467,803	-	467,803
Sales	-275,460	-5,210	-280,670
Movements in fair value	-1,662	1,019	-643
Redemptions	-207,598	-	-207,598
Balance as at 31 December	**988,410**	**2,129**	**990,539**

At 31 December 2014, EUR 519 million (2013: EUR 590 million) of the financial investments available-for-sale is pledged as collateral (see note 39). As at 31 December 2014, EUR 641 million (2013: EUR 592 million) of the debt instruments is included as a hedged item in a fair value hedge relationship.

21. Financial investments held-to-maturity

In thousands of euros	2014	2013
Carrying amount as at 1 January	10,370	10,645
Redemptions	-10,000	-
Amortisation	-370	-275
Balance as at 31 December	**-**	**10,370**

22. Investments in associates and joint ventures

The investments in associates and joint ventures relate to an interest of 20% in a European broker, Neonet AB, and until 30 June 2014 to an interest of 50% in Secpoint N.V. As per 30 June 2014 KAS BANK acquired the remaining shares for an amount of EUR 0.1 million. Thereafter KAS BANK fully owns and controls Secpoint N.V. and consolidates this subsidiary in the consolidated financial statements.

Neonet AB is a company incorporated and organised under the laws of Sweden and registered in Stockholm, Sweden. KAS BANK acquired 20% of the issued capital of Neonet AB in 2013. In addition KAS BANK is also entitled to appoint one representative within the Board of Directors of Neonet AB. Neonets operations focus on brokerage services for securities trading.

Based on economic and market developments KAS BANK concludes that there is objective evidence of an impairment of the associate Neonet AB. The recoverable amount has been determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets. Based on this valuation an impairment charge of EUR 1.1 million is recognised with a corresponding movement in 'impairment losses (recovery)' (see note 11).

23. Other assets

In thousands of euros	2014	2013
Receivables	10,916	9,622
Accrued income and prepaid expenses	15,587	25,807
Defined benefit pension asset (Note 30)	251	40,143
Balance as at 31 December	**26,754**	**75,572**

In 2013, the prepaid expenses included an amount of EUR 4 million (2014: nil) which relates to a period of more than one year.

The fair value of receivables, accrues income and prepaid expenses does not materially deviate from its carrying amount, due to the short-term nature of its related assets.

24. Property and equipment

2014 *In thousands of euros*	Land and buildings	Computer equipment	Fixtures and fittings	Technical installations	Total
Acquisition costs at 1 January	31,907	4,872	1,613	8,201	46,593
Investments	-	427	6	570	1,003
Divestments	-	-489	-181	-2,679	-3,349
Acquisition costs at 31 December	**31,907**	**4,811**	**1,437**	**6,092**	**44,247**
Accumulated depreciation as at 1 January	-11,077	-3,354	-486	-5,103	-20,020
Depreciation for the year	-385	-1,027	-283	-476	-2,172
Divestments	-	489	181	2,519	3,189
Accumulated depreciation as at 31 December	**-11,462**	**-3,892**	**-589**	**-3,060**	**-19,003**
Impairments as at 1 January	-1,230	-	-	-496	-1,726
Impairments for the year	-	-	-2	-26	-28
Impairments as at 31 December	**-1,230**	**-**	**-2**	**-522**	**-1,754**
Balance as at 31 December	**19,215**	**918**	**847**	**2,510**	**23,490**

2013 *In thousands of euros*	Land and buildings	Computer equipment	Fixtures and fittings	Technical installations	Total
Acquisition costs at 1 January	31,907	5,663	1,447	13,375	52,392
Investments	-	1,090	877	2,117	4,084
Divestments	-	-1,881	-711	-7,291	-9,883
Acquisition costs at 31 December	**31,907**	**4,872**	**1,613**	**8,201**	**46,593**
Accumulated depreciation as at 1 January	-10,690	-4,082	-984	-11,192	-26,948
Depreciation for the year	-387	-1,153	-211	-656	-2,407
Divestments	-	1,881	709	6,745	9,335
Accumulated depreciation as at 31 December	**-11,077**	**-3,354**	**-486**	**-5,103**	**-20,020**
Impairments as at 1 January	-1,230	-	-	-	-1,230
Impairments for the year	-	-	-	-496	-496
Impairments as at 31 December	**-1,230**	**-**	**-**	**-496**	**-1,726**
Balance as at 31 December	**19,600**	**1,518**	**1,127**	**2,602**	**24,847**

An independent valuation of KAS BANK's land and building was performed by an appraiser as at 31 December 2011. The value of the land and buildings, based on the cost model, is EUR 13.8 million (2013: EUR 14.2 million).

25. Intangible assets

2014 *In thousands of euros*	Purchased software	Internally developed software[1]	Other intangible assets	Total
Acquisition costs at 1 January	7,350	7,542	-	14,892
Additions	1,572	515	-	2,087
Divestments	-2,968	-3,307	-	-6,275
Acquisition costs at 31 December	**5,954**	**4,750**	-	**10,705**
Accumulated amortisation as at 1 January	-5,317	-5,265	-	-10,582
Amortisation charge for the year	-1,310	-566	-	-1,877
Divestments	2,849	2,023	-	4,872
Accumulated amortisation as at 31 December	**-3,779**	**-3,808**	-	**-7,587**
Impairments as at 1 January	-87	-	-	-87
Impairments for the year	-	-	-	-
Impairments as at 31 December	**-87**	**-**	-	**-87**
Balance as at 31 December	**2,089**	**942**	-	**3,031**

1) Internally developed software includes purchased software components which will be reclassified to 'purchased software' after completion of the additional internal development and implementation.

2013 *In thousands of euros*	Purchased software	Internally developed software[1]	Other intangible assets	Total
Acquisition costs at 1 January	10,386	10,418	8,069	28,873
Additions	2,029	-659	-	1,370
Divestments	-5,065	-2,217	-	-7,282
Acquisition costs at 31 December	**7,350**	**7,542**	**8,069**	**22,961**
Accumulated amortisation as at 1 January	-9,238	-6,372	-3,488	-19,098
Amortisation charge for the year	-1,143	-1,046	-271	-2,460
Divestments	5,064	2,153	-	7,217
Accumulated amortisation as at 31 December	**-5,317**	**-5,265**	**-3,759**	**-14,341**
Impairments as at 1 January	-	-	-1,265	-1,265
Impairments for the year	-87	-	-3,045	-3,132
Impairments as at 31 December	**-87**	**-**	**-4,310**	**-4,397**
Balance as at 31 December	**1,946**	**2,277**	**-**	**4,223**

Other intangible assets

Other intangible assets mainly related to the capitalised value of client portfolios. These portfolios are part of the acquisitions of KAS Investment Servicing GmbH and Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH. In 2013 the remaining carrying amount of the client portfolios was written off.

26. Deferred tax assets and liabilities

In thousands of euros	31 December 2014	31 December 2013
Deferred tax assets	7,178	5,321
Deferred tax liabilities	-5,344	-13,611
Net	**1,834**	**-8,290**

In thousands of euros	1 January 2014	Income statement	Equity	Changes in group composition	31 December 2014
Defined benefit obligations	-10,039	-3,176	13,149	-	-66
Financial investments available-for-sale	-1,656	-	-1,635	-	-3,291
Buildings held for own use	-1,347	-	-	5	-1,342
Other property and equipment	764	-59	-	-	705
Internally developend software	-569	334	-	-	-235
Intangible assets	-	-	-	-	-
Tax loss carryforwards	4,541	1,481	-	27	6,049
Other	16	-1	-	-1	14
Total	**-8,290**	**-1,421**	**11,514**	**31**	**1,834**

In thousands of euros	1 January 2013	Income statement	Equity	Changes in group composition	31 December 2013
Defined benefit obligations	-2,512	-1,717	-5,810	-	-10,039
Financial investments available-for-sale	-965	-	-691	-	-1,656
Buildings held for own use (including non-current assets held-for-sale)	-3,791	-	-	2,444	-1,347
Other property and equipment	1,339	-162	-	-413	764
Internally developed software	-1,147	578	-	-	-569
Intangible assets	-1,036	1,036	-	-	-
Tax loss carryforwards	1,214	3,355	-	-28	4,541
Other	-25	41	-	-	16
Total	**-6,923**	**3,131**	**-6,501**	**2,003**	**-8,290**

KAS BANK decided to liquidate Secpoint N.V. and the German subsidiaries related to the KAG-activities. The liquidation processes have been started in 2013 (German subsidiaries) and 2014 (Secpoint N.V.) and will be finalised in 2015/2016. In accordance with tax laws KAS BANK is able to settle the liquidation loss of these subsidiaries with Dutch corporate tax when the liquidation is finalised. In 2013 and 2014, the tax impact of the liquidation losses was recognised in the income statement as ‘Tax expense’, with a corresponding movement in ‘Deferred tax assets’.

EQUITY AND LIABILITIES

27. Due to banks

In thousands of euros	2014	2013
Due on demand	332,097	171,694
Not due on demand	6,058	11,123
Balance as at 31 December	**338,155**	**182,817**

The fair value of this balance sheet item does not materially deviate from its carrying amount, due to the short-term nature of its related assets.

28. Due to customers

In thousands of euros	2014	2013
Saving deposits	14,772	52,639
Time deposits	174,735	154,176
Current accounts	3,052,270	2,727,528
Balance as at 31 December	**3,241,777**	**2,934,343**

The fair value of this balance sheet item does not materially deviate from its carrying amount, due to the short-term nature of its related assets.

The presented amount of 'Due to customers' decreased with approximately EUR 0.5 billion (2013: EUR 0.5 billion) as a result of the offsetting of deposits and entrusted funds for a number of clients (see note 39).

29. Other liabilities

In thousands of euros	2014	2013
Accrued expenses and deferred income	19,054	31,600
Long-term employee benefits	1,894	1,348
Restructuring provision	2,446	4,708
Other liabilities	7,474	10,859
Balance as at 31 December	**30,868**	**48,515**

At 31 December 2014 KAS BANK has issued 25 (2013: 25) of the authorised 12,500,000 cumulative preference shares. These shares are registered in the name of Stichting Preferente Aandelen KAS BANK, and have a nominal value of EUR 1.00 per share. Furthermore KAS BANK granted a right to Stichting Preferente Aandelen KAS BANK to subscribe for cumulative preference shares in the capital of KAS BANK up to a nominal amount corresponding to 50% of the nominal value of the ordinary shares in issue at the time of subscription.

The cumulative preference shares rank before the ordinary shares in entitlement to dividend and to distribution upon liquidation of KAS BANK. The dividend on the cumulative preference shares will be equal to a percentage, calculated on the amount compulsorily paid up or yet to be paid up. This percentage shall be equal to the average return on the five government bonds with the longest maturity. If and to the extent that the profit available for distribution is not sufficient to pay the dividend referred in full, the shortfall will be made up from the reserves insofar as possible. If, and to the extent that, the dividend distribution cannot be made from the reserves, the profits earned in subsequent years shall first be used to make the shortfall before any distributions may be made on ordinary shares. The cumulative preference shares are classified as 'Other liabilities'.

Implementation of the restructuring plan started in the first quarter of 2014. KAS BANK's objective is to improve the operating result as of 2014 amongst others by restructuring the organisation and reducing the number of employees. A social plan was agreed with the local union representatives which specifies the redundancy compensation package. The costs were fully provided for in 2013. The provision of EUR 2.4 million as at 31 December 2014 is expected to be fully utilised during 2015. The table below shows the changes in the restructuring provision in 2014.

Changes in restructuring provision *In thousands of euros*	**2014**
Balance as at 1 January	4,708
Used during year	-2,262
Balance as at 31 December	**2,446**

30. Retirement benefit plan

KAS BANK sponsors pension schemes in the Netherlands and the United Kingdom. The scheme of the Managing Board is a defined contribution plan. The schemes of the Dutch and UK employees are defined benefit plans. The Dutch defined benefit plan is carried out by the company pension fund 'Stichting Pensioenfonds van de KAS BANK' and the UK defined benefit plan in a Trust. The majority of KAS BANK's pension assets and obligations relates to the Dutch employee defined benefit scheme. The disclosures in this note solely relate to this Dutch defined benefit scheme.

Pension scheme in the Netherlands

The pension scheme of KAS BANK is based on the collective labour agreement for the banking industry. In the table below the main characteristics of the Dutch pension scheme of KAS BANK are shown in more detail:

KAS BANK's pension scheme as per 1 January 2015	
Eligibility requirements	All employees older than 18 years
Normal retirement age	67 years
Pensionable salary	13.96 times fixed monthly salary with a maximum of EUR 100,000
Offset *(franchise)*	EUR 14,000
Pension base	Pensionable salary minus Offset
Pensionable Service Normal Retirement	Number of (parttime weighted) years from beginning of service until Normal retirement age
Indexation actives	Conditional, based on coverage ratio
Indexation deferred/pensioners	Conditional, based on coverage ratio
Pension scheme	Average pay system
Retirement pension	Sum of 1.875% x pensionable salary per year of service
Survivor's pension	20% of retirement pension (fully funded) 50% of retirement pension (risk premium)
Orphan's pension	14% of retirement pension
Waiver of premium disability	Yes

At the end of 2014, KAS BANK agreed with the individual active participants a new pension scheme starting as per 1 January 2015. As a result, these financial statements showed the present value of the benefit obligation based on this new scheme. The main adjustments related to the maximum pensionable salary (2015: EUR 100,000; 2014: unlimited), annual accrual rate (2015: 1.875%; 2014: 2%), offset (2015: EUR 14,000; 2014: EUR 15,000) and survivor's pension (2015: 20% fully funded and 50% risk premium; 2014: 70% risk premium).

At the end of 2013, KAS BANK agreed with the individual active participants a new pension scheme starting as per 1 January 2014. The main adjustments related to the pension scheme, the annual accrual rate, the offset, the survivor's pension and the indexation.

Funding agreement

There is a funding agreement (*uitvoeringsovereenkomst*) between KAS BANK and Stichting Pensioenfonds van de KAS BANK. This agreement governs all of KAS BANK's funding obligations towards the pension fund. Each year KAS BANK pays a premium that covers the annual costs, which include amongst others the actuarial costs of pension accrual, plus an additional payment of 5% of the total salary. As a result, the annual premium depends amongst others on the interest rate and life expectancy. The defined-benefit plan exposes KAS BANK to various demographic and economic risks such as longevity risk, investment risks and interest rate risk. KAS BANK is not liable for any further supplementary payments. This means the risks related to the pension scheme are, to a great extent, borne by the pension fund.

For 2015 the expected contribution of the employer amounts EUR 7.8 million.

Supervision and governance

Stichting Pensioenfonds van de KAS BANK calculates the pension premium and required buffers on the basis of the stipulations of the Pension Act. According to these stipulations the pension premium should cover the annual costs and the pension fund's coverage ratio should be higher than 104.2%. DNB supervises this. At the end of 2014 the coverage ratio was 118.9% (2013: 113.7%).

The pension fund's Board comprises representatives of the employer (3 representatives), employees (2 representatives) and pensioners (1 representative). The Board is required to act in the best interest of all stakeholders.

Participants

The pension fund administers and executes the pensions for 643 active members (2013: 721), 951 former employees (2013: 842) and 363 pensioners (2013: 368). The average duration of the pension obligations is 22.9 years (2013: 19.6 years).

Actuarial assumptions

The table below summarises the assumptions used to determine the present value and movements in the pension obligation and plan assets and the components of net benefit expenses recognised in the consolidated balance sheet and the consolidated income statement:

Actuarial assumptions	2014	2013
Discount rate	2.20%	3.90%
General wage inflation	1.25%	1.50%
Price inflation	1.90%	2.10%
Indexation		
-active partcipants	1.40%	1.00%
-deferred participants/pensioners	0.90%	0.50%
Life expectancy		
-67 year old male/female at end of year	19.2 / 22.4	19.6 / 22.5
-67 year old male/female in 20 years	21.5 / 24.5	21.4 / 23.5

Plan assets

The table below shows a breakdown of the plan assets split by type of asset.

In thousands of euros	2014		2013	
Shares	84,144	29%	68,644	31%
Bonds	180,468	63%	151,148	68%
Derivative financial instruments	23,095	8%	800	0%
Cash	500	0%	1,762	1%
Total	**288,207**	**100%**	**222,355**	**100%**

It must be acknowledged that the Board of KAS BANK's pension scheme is responsible for and have full discretion over the investment strategy of the plan assets. The pension fund has a return portfolio (shares) and a matching portfolio (bonds and derivatives).

The objective of the matching portfolio (active mandate) is to match part of the interest rate sensitivity of the plan's pension liabilities. The matching portfolio is mainly invested directly or via funds in euro denominated sovereign bonds, collateralised bonds, corporate bonds and long-duration interest rate swaps. The size of the liability hedging portfolio is targeted to be at least 60% of the fair value of the plan's pension liabilities.

The objective of the return portfolio is to maximise investment returns within well-specified risk constraints. The return portfolio is a passive mandate and comprises an emerging market fund and a MSCI fund. About 75% to 100% of the currency risk is hedged.

Movements in plan assets and defined benefit obligations

In thousands of euros	2014	2013
Fair value of plan assets	288,207	222,355
Present value of benefit obligation	-287,956	-182,212
Net defined benefit (liability)/asset as at 31 December	**251**	**40,143**
Movements in the fair value of plan assets:		
Balance as at 1 January	222,355	219,318
Interest income	9,113	7,392
Employer contributions	15,803	5,839
Employee contributions	81	1,182
Benefits paid	-4,765	-4,795
Administration cost	-500	-500
Return on assets, excluding interest income	46,120	-6,081
Balance plan assets as at 31 December	**288,207**	**222,355**
Movements in the present value of the benefit obligation:		
Balance as at 1 January	-182,212	-209,265
Current service cost	-4,482	-4,608
Past service cost	-222	5,859
Interest cost	-7,007	-7,021
Benefits paid	4,765	4,795
Employee contributions	-81	-1,182
Remeasurement of changes in economic assumptions	-101,825	22,098
Remeasurement of changes in demographic assumptions	-450	873
Remeasurement of experience adjustments	3,558	6,239
Balance of benefit obligation as at 31 December	**-287,956**	**-182,212**
Breakdown of pension expenses:		
Current service cost	-4,482	-4,608
Past service cost	-222	5,859
Interest cost	-7,007	-7,021
Administration cost	-500	-500
Interest income	9,113	7,392
Net pension gain/(expense)	**-3,098**	**1,122**

In 2014, the past service cost of EUR -0.2 million (2013: EUR 5.6 million) related primarily to the adjustments in the pension scheme as mentioned in the paragraph 'pension scheme in the Netherlands' on page 79. Remeasurement effects are recognised in other comprehensive income. The pension asset is recognised in 'Other assets' (see note 23). The surplus in the pension scheme under IAS19 is recognised as a net defined benefit asset because the current surplus will bring sufficient future economic benefits to KAS BANK, amongst others premium holidays (coverage ratio more than 200%) and refunds (coverage ratio more than 300% or the remaining surplus after the last payment to the last participant assuming the gradual settlement of the pension fund).

Sensitivity analyses

The table below shows the impact of a change in an actuarial assumption on the present value of the defined benefit obligations at 31 December 2014:

In thousands of euros	increase	decrease
Change of 0.25% to discount rate	-15,823	17,126
Change of 0.25% to general wage inflation	939	-914
Change of 0.25% to price inflation	-214	209
Change of 0.25% to indexation rate for active participants	2,365	-2,298
Change of 0.25% to indexation rate for deferred participants/pensioners	14,690	-13,731
Change of one year to life expectancy	9,950	-9,967

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to significant actuarial assumptions is calculated using the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) as for the pension liability recognised within the statement of financial position.

Pension scheme in the United Kingdom

The UK pension scheme has the characteristics of a defined benefit plan due to a minimum guarantee level. The scheme prohibits refunds to the employer. In 2014, the net pension expense recognised in the income statement amounted to EUR 0.1 million (2013: EUR 0.1 million). The present value of the benefit obligation is EUR 7.8 million (2013: EUR 6.7 million). The plan assets showed a surplus after funding the minimum guarantee level. In the financial statements the fair value of plan assets is equal to the present value of the benefit obligation. The table below summarises the assumptions used to determine the present value and movements in the pension obligation and plan assets and the components of net benefit expenses recognised in the consolidated balance sheet and the consolidated income statement:

Actuarial assumptions	2014	2013
Discount rate	3.60%	4.70%
General wage inflation	2.50%	2.85%
Price inflation	2.50%	2.85%
Indexation	1.90%	2.10%
Life expectancy		
-65 year old male/female at end of year	22.2 / 24.6	22.1 / 24.4
-65 year old male/female in 25 years	24.1 / 26.5	23.9 / 26.4
Duration	31	31

31. Issued capital

Number of shares	2014	2013
Authorised	25,000,000	25,000,000
Non-issued	9,300,983	9,300,983
Issued and fully paid	**15,699,017**	**15,699,017**

The main part (15,589,012 shares) of the issued capital is registered in the name of Stichting Administratie-kantoor Aandelen KAS BANK (KAS BANK Registrar's Office). The Registrar's Office has issued stock certificates for them with a nominal value of EUR 1.00 each. On pages 122 and 123 of this annual report a more comprehensive description of the objectives and activities of the Registrar's Office can be found.

The capital of KAS Investment Servicing GmbH of EUR 17.2 million is subject to significant restrictions related to the liquidation process. Completion of the liquidation is expected in 2015.

32. Treasury shares

Number of shares	2014	2013
Opening balance at 1 January at average of EUR 23.15 (2013: EUR 22.71)	1,019,803	1,099,582
Granted as share-based payments	-46,733	-79,779
Closing balance at 31 December at EUR 23.37 (2013: EUR 23.15)	**973,070**	**1,019,803**

The treasury shares are reserved for issuance under share and options plans (note 43). The company has the right to re-issue these shares at a later date.

33. Revaluation reserve

In thousands of euros	Land and building reserve	Available-for-sale reserve	Total
At 1 January 2013	**11,367**	**4,767**	**16,134**
Unrealised results	-	11,927	11,927
Release due to sales and redemptions	-	-10,842	-10,842
Reclassified to other reserves	-7,302	-	-7,302
Reclassified to deferred tax	-	-671	-671
Reclassified to current tax assets	-	-	-
At 31 December 2013	**4,065**	**5,181**	**9,246**
Unrealised results	-	9,716	9,716
Release due to sales and redemptions	-	-2,576	-2,576
Reclassified to other reserves	-15	-	-15
Reclassified to deferred tax	-	-1,635	-1,635
Reclassified to current tax assets	-	4	4
At 31 December 2014	**4,050**	**10,690**	**14,740**

In 2013, KAS BANK has sold one of the office buildings. As a consequence the revaluation reserve of EUR 7.3 million relating to this office building was reclassified to other reserves.

34. Other reserves (including profit for the year)

In thousands of euros	2014	2013
Balance as at 1 January	**190,184**	**163,865**
Result for the period	24,260	12,273
Final dividend previous year (distributed in April)	-4,551	-4,526
Interim dividend (distributed in September)	-4,844	-4,818
Actuarial results (net of tax)	-39,448	17,347
Share-based payments	125	122
Transferred from revaluation reserves	15	7,302
Treasury shares	-872	-1,362
Other movements	100	-19
Balance as at 31 December	**164,969**	**190,184**

35. Fair value of financial assets and financial liabilities

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;
- Level 3: Valuation techniques using variables other than observable market data.

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 appropriate valuation techniques. These valuation techniques are applied using, where possible, relevant market observable inputs (level 2) or unobservable inputs (level 3). Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, option pricing models, credit models and other relevant models.

31 December 2014 ***In thousands of euros***	**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
Total financial assets	**890,919**	**434,831**	**215,427**	**170**	**1,541,347**
Derivative financial instruments (liabilities)	82,721	270,157	-	-	352,878
Financial liabilities designated at fair value	124,304	-	-	-	124,304
Total financial liabilities	**207,025**	**270,157**	**-**	**-**	**477,182**

31 December 2013 ***In thousands of euros***	**Level 1**	**Level 2**	**Level 3**	**Cost**	**Total**
Derivative financial instruments (assets)	44,944	104,911	-	-	149,855
Financial assets designated at fair value	47,294	50,528	-	-	97,822
Available-for-sale debt instruments	764,474	223,091	845	-	988,410
Available-for-sale equity instruments	-	776	1,122	231	2,129
Total financial assets	**856,712**	**379,306**	**1,967**	**231**	**1,238,216**
Derivative financial instruments (liabilities)	44,944	141,573	-	-	186,517
Financial liabilities designated at fair value	50,450	-	-	-	50,450
Total financial liabilities	**95,394**	**141,573**	**-**	**-**	**236,967**

Reclassifications from level 2

In 2014 unadjusted quoted prices in an active and liquid market for certain instruments formerly classified as level 2 were obtained. As a consequence, assets with a fair value of EUR 82.1 million were transferred from level 2 to level 1 (2013: EUR 21.4 million).

Reconciliation of fair value at level 3

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

In thousands of euros	Financial investments available-for-sale 31 December 2014	31 December 2013
Position as at 1 January	1,967	1,661
Reclassification to Level 3	34	1,069
Result on reclassification	-	-1
Purchases of assets	200,000	-
Revaluation recognised in equity during the year	13,030	-
Total income and charges		
· Unrealised gains/losses	-8	-
· Fair value movement recognised in the income statement	404	-762
Level 3 assets at balance date	**215,427**	**1,967**

The instruments valued by a third party represent a fair value of EUR 214.3 million (2013: EUR 0.9 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 (2013: EUR 1.1 million).

In 2014, KAS BANK invested in a high quality mortgage fund. 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 installments as one of the first investors in the fund. At the end of 2014 the total value of this mortgage fund exceeded EUR 2 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% of the Net Asset Value of the fund.

Financial instruments for which carrying value approximates fair value

Certain financial instruments 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 instruments 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 31 December 2014 was EUR 19.2 million (2013: EUR 19.6 million). The land and buildings were last revalued as of 31 December 2011 based on an external appraisal.

36. Contingent liabilities

Guarantees

KAS BANK has given guarantees on behalf of clients in relation to the bank's direct connections to stock exchanges. Besides these guarantees additional guarantees have been granted to a number of clearing institutions.

37. Irrevocable facilities

Irrevocable facilities mainly comprise credit lines which have been agreed with clients but not yet drawn upon. The main part of these credit lines is based on collateral which will be provided after draw up.

38. Operating lease commitments and long-term rental and maintenance contracts

The operating lease commitments and long-term rental and maintenance contracts fall due as follows:

In thousands of euros	2014	2013
Within one year	3,860	3,338
After one year but within five years	4,532	7,709
After five years	-	172
Balance as at 31 December	**8,392**	**11,220**

The operating lease commitments and long-term rental and maintenance contracts mainly relate to hardware, software, cars and premises. An amount of EUR 7.4 million (2013: EUR 8.4 million) relating to these contracts is included in the income statement as 'General and administrative expenses'.

39. Credit risk

Credit risk is the risk that a counterparty fails to meet contractual or other agreed obligations.

The credit risk arising from loans is in principle related to settlement and clearing activities and covered by collateral.

The credit risk relating to treasury activities mainly relates to:

- Investment portfolios held for own account;
- Securities borrowing and lending and (reverse) repurchase transactions;
- Exposures in money market instruments and derivatives.

Loans from settlement and clearing activities and from treasury activities are based on applicable internal credit limits and prudent haircuts apply.

KAS BANK's credit policy is aligned with the low risk profile, and structured to limit the bank's credit risks by ensuring that credit is covered by collateral. Risk Management advises the Risk Steering Committee on setting guidelines and limits for each counterparty. The approval of KAS BANK's Risk Steering Committee is required to finalise guidelines and limits.

Risk Management is responsible for measuring and managing KAS BANK's credit risk. The Back Office Treasury department is as first line of defense in charge of monitoring the credit risk arising from treasury activities. Treasury reports to Risk Management. Risk Management has a reporting line to the Risk Steering Committee.

KAS BANK uses an internal rating system for monitoring credit risks on counterparties. These internal ratings are reassessed periodically, depending on the risk classification and developments on the markets or at client's activities. The rating system is based on an analysis of the financial position of the client and also on the operational and business risks associated with the client's activities. The internal ratings are an important factor for setting limits and determining the level of margin required in respect of security transactions.
Other factors include regulatory requirements, e.g. the large exposure regime.

Exposure relating to security transactions
The monitoring of outstanding settlement positions is based on a credit risk information system which quantifies the risks and performs a check on the collateral posted by the client. The monitoring system also includes the financial and market position of the client.

Internal authorisation of client instructions is also part of this monitoring system. The settlement of security transactions includes a counterparty risk in cases KAS BANK delivers securities and/or cash, but does not receive cash or securities from the counterparty. Delivery versus payment is a standardised method, meaning securities are transferred at the same time as the funds of the counterparty are received. Settlement is not finalised until the adequacy of funds and/or securities is verified.

Exposure based on collateral
Exposure related to settlement and clearing facilities is always covered by collateral with a pledge on the securities and cash account for KAS BANK. Client use of these facilities is in accordance with a policy as established by Risk Management and approved by the Risk Steering Committee. Accepted exposure is based on advance conditions, these conditions only apply to securities matching KAS BANK's low risk profile.

Exposure based on internal limits

An exposure based on internal limits is applicable in addition to an exposure based on collateral. The purpose of internal limits is to facilitate settlement transactions and treasury activities. Operational management submits a request for a limit. Risk Management will perform a credit analysis based on the policy set by the bank's Risk Steering Committee.

Exposures relating to treasury activities

The main exposure of treasury activities concerns the own investment portfolio. In addition, a credit exposure arises from securities borrowing and lending transactions, (reverse) repurchase transactions, exposures in money market instruments and derivatives.

Securities borrowing and lending

KAS BANK mainly acts as a principal in securities borrowing and lending transactions. The borrower of the securities is obliged to post collateral equivalent to the effective value plus a mark-up depending on the quality of the collateral received. Collateral pledged and received includes both cash and non-cash positions.

KAS BANK is permitted to sell or repledge the collateral in absence of default by the owner of het collateral. There are no terms of conditions associated with the use of the collateral.

The following table shows the amounts receivable and payable in respect of securities borrowing and lending, including the received collateral (fair value).

In thousands of euros	**2014**	**2013**
Banks	8,549,822	7,930,765
Other parties	336,657	237,075
Receivables in respect of securities lending	**8,886,479**	**8,167,840**
Securities	9,491,043	8,895,554
Cash	39,131	33,760
Collateral received	**9,530,174**	**8,929,314**
Banks	32,342	52,827
Other parties	8,150,230	7,536,466
Liabilities in respect of securities lending	**8,182,572**	**7,589,293**
Borrowers' repledged securities	8,003,671	7,097,558
Reverse repurchase agreements	484,497	142,280
Financial investments available-for-sale	519,131	589,677
Collateral paid	**9,007,299**	**7,829,515**

(Reverse) Repurchase transactions

KAS BANK sells securities under agreements to repurchase (‘repos’) and purchases securities under agreements to resell (‘reverse repos’). The securities lent or sold under agreements to repurchase are transferred to a third party and the bank receives cash or other financial assets in exchange. The counterparty is allowed to sell or repledge those securities lent or sold under repurchase agreements in the absence of default by the bank, but has an obligation to return the securities at the maturity of the contract. KAS BANK has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, KAS BANK recognises a financial liability for cash received as collateral. Similarly KAS BANK may sell or repledge any securities borrowed or purchased under agreements to resell, but has an obligation to return the securities and the counterparty retains substantially all the risks and rewards of ownership. Consequently the securities are not recognised by the bank, which instead records a separate asset for the cash collateral given.

In thousands of euros	31 December 2014	31 December 2013
Reverse repurchase agreements	1,476,994	1,403,677
Repurchase agreements	-135,056	-159,180
Net	**1,341,938**	**1,244,497**
Government bonds	707,477	141,507
GC Pooling - non ECB-eligible bond portfolio	90,000	1,100,000
GC Pooling - ECB eligible bond portfolio	539,944	-
Total collateral	**1,337,421**	**1,241,507**
Exposure	**4,517**	**2,990**

Exposures in money market instruments and derivatives

The Risk Steering Committee assigns limits for money market transactions and foreign currency positions for all counterparties. Excesses on money market and currency limits have to be approved by the ALCO. KAS BANK uses derivatives to hedge the interest rate risk in the balance sheet.

Derivative positions are in majority based on master agreements of the International Swaps and Derivatives Association (ISDA). Master agreements provide that, if the master agreement is being terminated as a consequence of an event of default or termination event, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis. In addition, the Credit Support Annex (CSA) is used for daily cash margining. In these cases, the credit risk related to the fair value is mitigated by the collateral received.

Own securities portfolios

KAS BANK limits the exposure to credit risk in its own security portfolio by investing in marketable, highly liquid, securities with an investment grade credit rating from both Moody's Investors Service and S&P. The ALCO may approve exemptions of these minimum requirements.

The following table shows the credit rating (based on Moody's Investors Service) of the investment and designated fair value portfolios:

In thousands of euros	Financial assets designated at fair value	Financial investments available-for-sale	Financial investments held-to-maturity	Total
2014				
Government / government-guaranteed	169,483	218,104	-	**387,587**
Other Aaa - Aa3	-	439,234	-	**439,234**
Total Aaa - Aa3	169,483	657,338	-	**826,821**
A1 - A3	-	62,403	-	**62,403**
Baa1 - Baa3	-	10,519	-	**10,519**
Ba1 - Ba3	-	73,724	-	**73,724**
< Ba3	-	3,886	-	**3,886**
Dutch mortgage fund (not rated)	-	223,030	-	**223,030**
Shares	-	2,177	-	**2,177**
Total	**169,483**	**1,033,077**	**-**	**1,202,560**
2013				
Government / government-guaranteed	97,822	321,790	10,370	**429,982**
Other Aaa - Aa3	-	433,141	-	**433,141**
Total Aaa - Aa3	97,822	754,931	10,370	**863,123**
A1 - A3	-	58,831	-	**58,831**
Baa1 - Baa3	-	115,019	-	**115,019**
Ba1 - Ba3	-	58,783	-	**58,783**
< Ba3	-	846	-	**846**
Shares	-	2,129	-	**2,129**
Total	**97,822**	**990,539**	**10,370**	**1,098,731**

In 2014 KAS BANK invested in a high quality mortgage fund which is valued by a third party. This mortgage fund consists mainly (at least 75%) of new mortgages guaranteed by the Dutch government (*NHG hypotheken*) and therefore has the character of an investment with a high credit rating.

Maximum credit risk

The maximum amount of credit risk (without taking into account the effects of credit risk mitigation provided by set-off agreements and the collateral received) for all financial assets is equal to the carrying amount as included in the consolidated balance sheet. The carrying amount of the assets includes impairment losses.

Provisions and impairments

Clients with financial problems or uncollateralised debt positions past due are transferred to special credit monitoring and are actively monitored by Risk Management in order to ensure the relationship with the client is properly managed and to minimise KAS BANK's risk.

The bank shows impairments in the value of loans and debt instruments (with any movements being taken to shareholders' equity) if there is objective evidence that cash flows of interest and principal will not be received on the expected dates (usually the dates specified in contractual terms and conditions).

In thousands of euros	Cash and balance with central banks	Due from banks and loans	Reverse repurchase agreements	Derivative financial instruments	Financial assets designated at fair value	Financial investments available-for-sale	Financial investments held-to-maturity
31 December 2014							
Carrying amount	120,846	1,220,403	1,476,994	338,787	169,483	1,033,077	-
Assets not impaired, not past due	120,846	1,220,403	1,476,994	338,787	169,483	1,025,686	-
Individually impaired assets (gross carrying amount)	-	22,230	-	-	-	7,391	-
Accumulated impairment	-	22,230	-	-	-	8,161	-
31 December 2013							
Carrying amount	200,519	823,836	1,403,677	149,855	97,822	990,539	10,370
Assets not impaired, not past due	200,519	823,528	1,403,677	149,855	97,822	978,090	10,370
Individually impaired assets (gross carrying amount)	-	22,180	-	-	-	12,449	-
Accumulated impairment	-	21,872	-	-	-	11,536	-

In 2014 and 2013 KAS BANK did not utilise pledged collateral and has no assets that were past due. In both years received collateral mitigated credit risks, even without collateral we expect no additional impairments. In 2014, a reversal of an impairment of EUR 3.5 million (2013: EUR 2.0 million) of a perpetual is recognised.

As a response to the public statement of the European Securities and Markets Authority (ESMA) related to forbearance practices issued on 20 December 2012, KAS BANK has developed a forbearance policy, including renegotiated terms, for clients experiencing financial difficulties and who consequently are unable to meet the original terms and conditions of the contract. In 2014, KAS BANK did not provide forbearance measures to clients.

Offsetting

Offsetting financial assets and financial liabilities as at 31 December 2014 *In thousands of euros*	Gross amounts	Amounts that are set off	Net amounts in the balance sheet	Related amounts not set off in balance sheet*	Net amounts
Financial assets					
Due from banks	661,588	-	**661,588**	19,582	642,006
Loans	1,083,967	525,152	**558,815**	314,083	244,732
Reverse repurchase agreement	1,476,994	-	**1,476,994**	1,476,277	717
Derivative financial instruments	338,787	-	**338,787**	217,497	121,290
	3,561,336	**525,152**	**3,036,184**	**2,027,439**	**1,008,745**
Equity and liabilities					
Due to banks	338,155	-	**338,155**	-	338,155
Due to customers	3,766,929	525,152	**3,241,777**	-	3,241,777
Repurchase agreement	135,056	-	**135,056**	137,258	-2,202
Derivative financial instruments	352,878	-	**352,878**	244,288	108,590
	4,593,018	**525,152**	**4,067,866**	**381,547**	**3,686,319**

Offsetting financial assets and financial liabilities as at 31 December 2013 *In thousands of euros*	Gross amounts	Amounts that are set off	Net amounts in the balance sheet	Related amounts not set off in balance sheet*	Net amounts
Financial assets					
Due from banks	278,398	-	**278,398**	7,401	270,997
Loans	1,035,644	490,206	**545,438**	372,622	172,816
Reverse repurchase agreement	1,403,677	-	**1,403,677**	1,402,590	1,087
Derivative financial instruments	149,855	-	**149,855**	85,774	64,081
	2,867,574	**490,206**	**2,377,368**	**1,868,387**	**508,981**
Equity and liabilities					
Due to banks	182,817	-	**182,817**	7,401	175,416
Due to customers	3,424,549	490,206	**2,934,343**	372,622	2,561,721
Repurchase agreement	159,180	-	**159,180**	158,983	197
Derivative financial instruments	186,517	-	**186,517**	86,719	99,798
	3,953,063	**490,206**	**3,462,857**	**625,725**	**2,837,132**

**Related amounts not set off in balance sheet comprises collateral in cash or securities*

Concentration risk

Credit risk also includes concentration risk. Concentration risk arises from excessive amounts outstanding with a single party or a number of (closely) related parties. Concentration risk is managed by a system of internal limits and takes into account the large-exposure regime. Furthermore, concentration risk may occur in relation to a single country, segment or asset class. KAS BANK's credit risk is -though well diversified within the segment- concentrated within financial institutions.

Measures to mitigate this concentration risk are:

- the spread of risk within the bank's client base (and among our clients' clients);
- most of the exposure is secured by collateral;
- a good infrastructure with guarantees for the settlement of security transactions;
- effective supervision of our client groups and client acceptance.

Financial sector concentration risk

In thousands of euros	Central government	Financial Institutions	Institutional Investors	Other	Total
Concentration by segment 2014					
Cash and balances with central banks	120,846	-	-	-	**120,846**
Due from banks	-	661,588	-	-	**661,588**
Loans	-	17	517,944	40,854	**558,815**
Reverse repurchase agreements	-	709,679	767,315	-	**1,476,994**
Derivative financial instruments (assets)	-	207,798	129,405	1,584	**338,787**
Financial assets designated at fair value	169,483	-	-	-	**169,483**
Financial investments available-for-sale	114,014	919,063	-	-	**1,033,077**
Financial investments held-to-maturity	-	-	-	-	**-**
	404,343	**2,498,145**	**1,414,664**	**42,438**	**4,359,590**
Concentration by segment 2013					
Cash and balances with central banks	200,519	-	-	-	**200,519**
Due from banks and loans	-	157,900	625,579	40,357	**823,836**
Reverse repurchase agreements	-	1,403,677	-	-	**1,403,677**
Derivative financial instruments (assets)	-	137,310	9,622	2,923	**149,855**
Financial assets designated at fair value	47,294	50,528	-	-	**97,822**
Financial investments available-for-sale	225,996	764,543	-	-	**990,539**
Financial investments held-to-maturity	10,370	-	-	-	**10,370**
	484,179	**2,513,958**	**635,201**	**43,280**	**3,676,618**

In thousands of euros	The Netherlands	Rest of European Union	Other	Total
Concentration by region 2014				
Cash and balances with central banks	120,846	-	-	**120,846**
Due to banks	159,031	362,618	139,939	**661,588**
Loans	508,277	6,899	43,639	**558,815**
Reverse repurchase agreements	-	1,476,994	-	**1,476,994**
Derivative financial instruments (assets)	231,143	107,635	9	**338,787**
Financial assets designated at fair value	169,483	-	-	**169,483**
Financial investments available-for-sale	465,761	552,124	15,192	**1,033,077**
Financial investment held-to-maturity	-	-	-	**-**
	1,654,541	**2,506,270**	**198,779**	**4,359,590**
Concentration by region 2013				
Cash and balances with central banks	200,512	7	-	**200,519**
Due from banks and loans	437,099	262,073	124,664	**823,836**
Reverse repurchase agreements	-	1,403,677	-	**1,403,677**
Derivative financial instruments (assets)	57,932	91,246	677	**149,855**
Financial assets designated at fair value	47,294	50,528	-	**97,822**
Financial investments available-for-sale	546,460	428,387	15,692	**990,539**
Financial investments held-to-maturity	-	10,370	-	**10,370**
	1,289,297	**2,246,288**	**141,033**	**3,676,618**

40. Market risk

General

Market risk concerns the risk of a change in the value of a financial instrument as a result of changes in market variables. In the case of KAS BANK, this mainly relates to changes in the prices of securities, foreign currency rates, interest rates and movements in credit spreads. Market risk mainly relates to our investment portfolios.

Managing market risk

KAS BANK's policy is designed to maintain a conservative approach to the exposure to market risks. The bank's Risk Steering Committee has adopted procedures and guidelines and set limits with regard to market risks. The ALCO and the Risk Steering Committee monitor compliance with market risk policies and treasury limits. Treasury is responsible for managing the bank's position in terms of cash and securities within the guidelines and limits established by the Risk Steering Committee.

KAS BANK uses a Value at Risk (VaR) model in combination with stress testing to monitor the risks in its securities, foreign currency and derivatives positions. The VaR is defined as the maximum loss that is likely to occur, with a certain statistical level of confidence, under normal circumstances as a result of changing risk factors over a predetermined time horizon. In calculating the VaR, KAS BANK employs the method of historical simulation based on weighted historical data over a period of approximately 12 months (using the ageing method), with a confidence level of 99.0% and a time horizon of ten working days. The Risk Steering Committee has set a VaR limit of EUR 1.5 million for the limited trading book positions. These positions include ForeX positions, mainly arising from client activities, and financial assets/liabilities designated at fair value. The VaR of the ForeX positions is monitored on a weekly basis with a VaR limit of EUR 1 million.

A signal VaR of EUR 5 million applies for the total hedged and unhedged positions of the available-for-sale and held-to-maturity portfolios of KAS BANK. These portfolios include positions in central governments and financial institutions. If the calculated VaR exceeds this signal value, the breach will be discussed within the ALCO. The ALCO will decide what action to take in cases when the VaR shows a level above EUR 7 million. Risk Management monitors the VaR for the own security portfolios and submits a monthly report of the latest figures to the ALCO.

Model Limitations

Using the VaR to measure risk does, however, have some shortcomings. The VaR quantifies the potential loss only on the assumption of normal market circumstances. In practice, however, this assumption is not applicable in extreme conditions. This might result in potential losses being underestimated. The VaR calculation also uses historical data to predict the pattern of future price fluctuations. Future price fluctuations may differ substantially from those observed in the past. Finally, the use of a time horizon of two weeks assumes the possibility to sell the positions within two weeks, which is uncertain in periods of illiquidity or extreme events affecting the market conditions. Using a confidence level of 99.0% also means that the VaR takes no account of losses outside this level of confidence.

In order to compensate for the shortcomings of the VaR method outlined above, KAS BANK complements the VaR analysis with a Stress Test. The Stress Test is a scenario analysis which takes into account extremely unfavourable market conditions (such as huge price swings in a stock market meltdown or losses in Residential Mortgage Backed Security tranches (RMBS)). These crisis situations do not often occur, but it is important not to disregard them.

Market risk exposure

The following table shows the internally reported VaR-figures in millions of euros.

In millions of euros		31 December	Highest	Lowest	Average
VaR total	2014	2.5	4.9	1.4	3.0
VaR total	2013	4.9	5.5*	3.3	4.3
VaR trading	2014	0.3	0.9	0.3	0.7
VaR trading	2013	0.7	1.0	0.6	0.8

* The EUR 5.5 million was an one time VaR breach in June 2013. The breach was analysed and measures have been taken to restore the risk. The VaR has moved within its limits since.

The VaR trading consists the ForeX positions and financial assets/liabilities designated at fair value. The VaR total relates to the whole investment and trading portfolio of KAS BANK

Currency risk

Currency risk concerns the risk that the fair value of future cash flows from a financial instrument will fluctuate as a result of changes in exchange rates. The following table presents the amounts outstanding in foreign currencies.

31 December 2014 *In thousands of euros*	Assets	Liabilities	Net	Derivative financial instruments	Remaining exposure
USD	106,900	350,375	**-243,475**	237,635	**-5,840**
GBP	82,890	338,767	**-255,877**	255,178	**-699**
CHF	28,038	20,152	**7,886**	-7,885	**1**
SEK	8,672	12,734	**-4,062**	4,062	**-**
JPY	9,125	9,751	**-626**	626	**-**
AUD	1,402	6,291	**-4,889**	4,890	**1**
CAD	5,387	11,338	**-5,951**	5,639	**-312**
Other	50,457	39,927	**10,530**	-10,327	**203**
Total	**292,871**	**789,335**	**-496,464**	**489,818**	

31 December 2013 *In thousands of euros*	Assets	Liabilities	Net	Derivative financial instruments	Remaing exposure
USD	117,101	313,666	**-196,565**	186,984	**-9,581**
GBP	82,031	218,717	**-136,686**	146,069	**9,383**
CHF	41,939	29,152	**12,787**	-12,814	**-27**
SEK	8,569	12,523	**-3,954**	3,954	**-**
JPY	868	14,395	**-13,527**	13,564	**37**
AUD	2,789	6,434	**-3,645**	3,647	**2**
CAD	5,327	6,230	**-903**	632	**-271**
Other	49,676	45,158	**4,518**	-4,316	**202**
Total	**308,300**	**646,275**	**-337,975**	**337,720**	

The effect of a rise of 1% in the value of a foreign currency at balance sheet date would result in an equivalent increase/decrease in pre-tax income, depending on whether the particular position was a net asset or liability. Conversely any similar weakening of the foreign currency would have an opposite effect.

Interest rate risk

The interest rate risk concerns the risk that the fair value of future cash flows from a financial instrument will fluctuate as a result of changes in the market rate of interest. The interest rate risk in our ordinary banking operations is small, as interest rate terms are essentially floating and short-term. The main interest rate risk of KAS BANK relates to the available-for-sale portfolio. The impact of interest rate fluctuations is determined on the level of the balance sheet using an interest rate model that predicts the effects for both the income statement and the market value of the shareholders' equity. The interest rate risk in the available-for-sale portfolio is monitored using VaR-calculations. The basic principles on which our interest rate risk is managed are included in the balance sheet management guidelines and approved by the bank's Risk Steering Committee. KAS BANK uses an interest rate risk model to monitor the interest rate risk. This model is used to perform scenario analyses, stress testing scenarios and Monte Carlo simulations. Risk Management reports the results of the analyses to the ALCO on a quarterly basis.

A gradual increase of 200 basis points in the market rate of interest of each maturity band from balance sheet date onwards results in an increase of 25% (2013: 43% increase) in net interest income over a full year and a decrease in the market rate of interest of 200 basis points probably results in a decrease of 8% (2013: 11% decrease) in net interest income over a full year. A sudden increase of 200 basis points in the market rate of interest probably results in a 9% decrease of equity (2013: 5% decrease), while a sudden decrease of 200 basis points in the market rate of interest probably results in an increase of 0% of equity (2013: 1% increase).

Market risk management improvements in 2014

- Monitoring was improved by enhanced stress tests for the trading position;
- The RMBS portfolio is subject to stress testing, in which no major losses were detected;

All stress scenarios in the monthly VaR reports as well as in the capital management process are updated to new market information.

41. Liquidity risk

General

The liquidity risk concerns the risk that the bank will be unable to meet its financial obligations on time. The basic approach for managing the liquidity risk is to ensure that adequate liquidity is available to meet our financial obligations in normal and extreme circumstances (based on stress assumptions).

Managing liquidity risk

The operating systems and departments report to the Treasury department on the in- and outflows of funds, future financial assets and liabilities and requirements for collateral pledged with central banks and clearing institutions to facilitate settlement and payment processes on behalf of clients. Using this information, the Treasury department has a day-to-day overview of the bank’s liquidity position and ensures that sufficient collateral is posted.

In 2014 KAS BANK has submitted and discussed its ILAAP report, which covers further liquidity measures in more detail. All stress events have been reviewed and updated where necessary to reflect current market conditions.

The ALCO advises the Risk Steering Committee on the liquidity policy and monitors compliance. In addition to the liquidity policy, a Liquidity Contingency Plan is established and adopted by the ALCO. A daily overview of the liquidity position is distributed broadly to relevant management within the bank.
CRR introduces two new liquidity ratios to measure the adequate liquidity: the LCR and the NSFR. The LCR requires sufficient liquid assets to cover the net outgoing cash flow for thirty days. The objective of the NSFR is to ensure that banks fund their assets more with stable medium and long-term sources. These ratios are monitored in the ALCO.

The concentration risk regarding liquidity risk is similar to the concentration risk regarding credit risk (see note 39). The tables on the next page show the financial assets and liabilities of KAS BANK divided by maturity.

Developments in 2014

Taking into account evolving regulatory proposals and requirements on liquidity and negative interest charged, KAS BANK had access to sufficient liquidity throughout the year. The liquidity surplus, as reported to the Dutch central bank on a monthly basis, is considered sufficient – within KAS BANK's low risk appetite – to cover the day-to-day events. The permanent high level was due to the stable character of the liquidity with a highly operational relation, the maintenance of the level of funds entrusted and the deliberate liquidity policy.

Due to the significant capital restrictions related to the liquidation process of KAS Investment Servicing GmbH the liquidity position of EUR 17.2 million is also restricted. Completion of the liquidation is expected in 2015.

2014 *In thousands of euros*	Direct	<= 3 months	<= 1 year	<= 5 year	> 5 year	Non-maturity	Total
Assets							
Cash and balances with central banks	120,846	-	-	-	-	-	120,846
Due from banks	638,910	22,678	-	-	-	-	661,588
Loans	475,057	15,747	-	61,965	6,046	-	558,815
Reverse repurchase agreements	-	1,336,994	140,000	-	-	-	1,476,994
Financial assets designated at fair value	-	-	-	48,879	120,604	-	169,483
Financial investments available-for-sale	-	10,250	221,108	331,997	467,545	2,177	1,033,077
Financial investments held-to-maturity	-	-	-	-	-	-	-
	1,234,813	1,385,669	361,108	442,841	594,195	2,177	4,020,803
Equity and liabilities							
Due to banks	332,097	6,058	-	-	-	-	338,155
Due to customers	3,052,270	189,507	-	-	-	-	3,241,777
Repurchase agreements	-	135,056	-	-	-	-	135,056
Financial liabilities designated at fair value	-	-	-	-	124,304	-	124,304
	3,384,367	330,621	-	-	124,304	-	3,839,292
Derivative financial instruments							
Foreign exchange contracts							
· Incoming cash flow	-	5,594,693	193,554	-	-	-	5,788,247
· Outgoing cash flow	-	-5,581,466	-193,895	-	-	-	-5,775,361
Interest contracts							
· Incoming cash flow	-	5,031	12,052	62,969	491,040	-	571,093
· Outgoing cash flow	-	-8,193	-20,289	-82,158	-492,411	-	-603,052
	-	10,065	-8,578	-19,190	-1,371	-	-19,074
Contingent positions							
Liquidity surplus/(deficit)	-48,163	-	-	-	-	-	-48,163
Liquidity surplus/(deficit)	**-2,197,717**	**1,065,113**	**352,530**	**423,651**	**468,520**	**2,177**	**114,274**

Liquidity maturity calendar as at 31 December 2014 *In thousands of euros*	Direct	<= 3 months	<= 1 year	<= 5 year	> 5 year	Non-maturity	Total
Liabilities (undiscounted cash flows)							
Due to banks	332,097	6,058	-	-	-	-	338,155
Due to customers	3,052,270	189,507	-	-	-	-	3,241,777
Repuchase agreements	-	135,056	-	-	-	-	135,056
Financial liabilties at fair value	-	-	3,750	15,000	107,500	-	126,250
Current tax liabilities	-	-	-	-	-	-	-
Other liabilities	-	30,868	-	-	-	-	30,868
Deferred tax liabilities	-	-	-	5,344	-	-	5,344
Estimated contractual interest cash flows	-	3,162	8,237	19,190	1,371	-	31,959
Total liabilities (excluding derivatives, including estimated contractual interest rate cash flows)	**3,384,367**	**364,651**	**11,987**	**39,534**	**108,871**	**-**	**3,909,409**

2013 *In thousands of euros*	Direct	<= 3 months	<= 1 year	<= 5 year	> 5 year	Non-maturity	Total
Assets							
Cash and balances with central banks	200,519	-	-	-	-	-	200,519
Due from banks	235,151	43,247	-	-	-	-	278,398
Loans	410,878	62,924	3,500	61,965	6,171	-	545,438
Reverse repurchase agreements	-	1,403,677	-	-	-	-	1,403,677
Financial assets designated at fair value	-	-	50,528	20,533	26,761	-	97,822
Financial investments available-for-sale	-	99,617	87,568	477,038	324,187	2,129	990,539
Financial investments held-to-maturity	-	10,370	-	-	-	-	10,370
	846,548	1,619,835	141,596	559,536	357,119	2,129	3,526,763
Equity and liabilities							
Due to banks	171,694	11,123	-	-	-	-	182,817
Due to customers	2,727,528	202,815	4,000	-	-	-	2,934,343
Repurchase agreements	-	159,180	-	-	-	-	159,180
Financial liabilities designated at fair value	-	-	50,450	-	-	-	50,450
	2,899,222	373,118	54,450	-	-	-	3,326,790
Derivative financial instruments							
Foreign exchange contracts							
· Incoming cash flow	-	8,400,912	410,332	-	-	-	8,811,244
· Outgoing cash flow	-	-7,797,814	-350,058	-	-	-	-8,147,872
Interest contracts							
· Incoming cash flow	-	14,142	12,948	69,575	244,405	-	341,070
· Outgoing cash flow	-	-17,324	-24,198	-99,935	-252,834	-	-394,292
	-	599,916	49,024	-30,360	-8,429	-	610,150
Contingent positions							
Liquidity surplus/(deficit)	-53,467	-	-	-	-	-	-53,467
Liquidity surplus/(deficit)	**-2,106,141**	**1,846,633**	**136,170**	**529,176**	**348,690**	**2,129**	**756,656**

Liquidity maturity calendar as at 31 December 2013 *In thousands of euros*	Direct	<= 3 months	<= 1 year	<= 5 year	> 5 year	Non-maturity	Total
Liabilities (undiscounted cash flows)							
Due to banks	171,694	11,123	-	-	-	-	182,817
Due to customers	2,727,528	202,815	4,000	-	-	-	2,934,343
Repuchase agreements	-	159,180	-	-	-	-	159,180
Financial liabilties at fair value	-	-	50,516	-	-	-	50,516
Current tax liabilities	-	-	1,147	-	-	-	1,147
Other liabilities	-	48,515	-	-	-	-	48,515
Deferred tax liabilities	-	-	-	13,611	-	-	13,611
Estimated contractual interest cash flows	-	3,182	11,250	30,360	8,429	-	53,221
Total liabilities (excluding derivatives, including estimated contractual interest rate cash flows)	**2,899,222**	**424,815**	**66,913**	**43,971**	**8,429**	**-**	**3,443,350**

42. Capital management

It is KAS BANK's policy to maintain a strong capital base, to meet regulatory capital requirements at all times and to support the development of the business. This involves the management, planning and allocation of capital within KAS BANK. The ongoing assessment and monitoring of capital adequacy is embedded in the capital planning process of the ALCO. The ALCO also assesses the impact of new investments and new products on amongst others capital ratio and leverage ratio.

CRR/CRD IV regulatory capital

The Basel Committee on Banking Supervision issued new solvency and liquidity requirements, which will supersede Basel II. In Europe these requirements start to apply gradually as of 1 January 2014, with the full requirements being effective as of 1 January 2018. The objective of the CRR and CRD IV is to improve the capital adequacy of the banking industry by making it more responsive to risk. CRR/CRD IV is structured on three pillars:

- Pillar 1 describes the capital adequacy requirements for three risk types; credit risk, market risk and operational risk;
- Pillar 2 describes the additional SREP, where regulators analyse the ICAAP and the ILAAP of the individual banks; and
- In Pillar 3 the required risk reporting standards are displayed, supporting additional market discipline in the international capital markets.

Under CRR/CRD IV and subject to approval from the regulator, banks have the option to choose between various approaches, each with a different level of sophistication in risk management, ranging from 'standardised' to 'advanced'. For credit risk and operational risk, KAS BANK adopted the standardised approach. For market risk, KAS BANK adopted an internal model VaR approach.

The basis for Pillar 2 is KAS BANK's ICAAP, which is a self-assessment of risks not captured by Pillar 1. Pillar 3 is related to market discipline and complements the operation of Pillars 1 and 2, aiming to make banks more transparent. KAS BANK publishes its Pillar 3 disclosures as part of the financial statements.

CRR/CRD IV also prescribes regular reporting on KAS BANK's capital ratios. The starting point for the risk-based ratio is KAS BANK's equity attributable to shareholders, from which regulatory adjustments are deducted. The following table displays the composition of regulatory capital as at 31 December 2014 (CRR/CRD IV) and 31 December 2013 (Basel II).

Capital (phased-in 2014) ***In thousands of euros***	**December 2014**	**December 2013**
Ordinary shares and share premium	14,625	13,737
Retained earnings	14,834	7,412
Unrealised gains at fair value (0% in 2014)	-	-
Unrealised losses at fair value (20% in 2014)	-83	-756
Accumulated OCI and other reserves	149,910	187,170
Regulatory adjustments (20% in 2014)		
Goodwill and other intangibles (net of tax)	-455	-633
Pension asset (net of tax)	-38	-6,022
Tier 1 capital	**178,794**	**200,908**
Tier 2 capital	-	-
Total Capital	**178,794**	**200,908**

As of 1 January 2019 banks have to report fully on the requirements from CRR/CRD IV. How the 2014-figures in the table above would be impacted by the fully loaded (or fully phased in) requirements is shown in the following table:

Capital (fully phased-in) ***In thousands of euros***	**December 2014**	**December 2013**
Ordinary shares and share premium	14,625	13,737
Retained earnings	14,834	7,412
Unrealised gains at fair value	11,107	6,422
Unrealised losses at fair value	-417	-3,780
Accumulated OCI and other reserves	149,910	187,170
Regulatory adjustments		
Goodwill and other intangibles (net of tax)	-2,273	-3,167
Pension asset (net of tax)	-188	-30,108
Tier 1 capital	**187,598**	**177,686**
Tier 2 capital	-	-
Total Capital	**187,598**	**177,686**

For regulatory purposes the restriction of the distribution of equity of KAS Investment Servicing GmbH has no impact on total capital (see note 31).

43. Segment information

KAS BANK's products and services primarily focus on two main target groups: Institutional Investors and Financial Institutions. Another important activity within KAS BANK is Treasury. KAS BANK does not report assets and liabilities on a segment level to the Managing Board. This segmentation overview reflects the structure of the internal management information provided to the Managing Board.

Operating segmentation

2014 *In millions of euros*	Financial institutions	Institutional investors	Treasury	Other	Total
Interest income and expenses[1]	7.5	9.9	8.0	-	25.4
Commission income and expense:					
- Asset Servicing	6.8	23.9	-	-	30.7
- Transaction Servicing	10.4	12.8	-	-	23.2
- Treasury	1.9	8.5	1.0	-	11.4
Result on financial transactions and trading income	1.1	7.1	-	3.5	11.7
Other income	-	-	-	21.8	21.8
Total income	27.7	62.2	9.0	25.3	124.2
Operating expenses (direct)	-11.6	-21.9	-1.4	-	-34.9
Contribution	16.1	40.3	7.6	25.3	89.3
Operating expenses (other)				-56.5	-56.5
Result for the period before tax					**32.8**

2013 *In millions of euros*	Financial institutions	Institutional investors	Treasury	Other	Total
Interest income and expenses[1]	6.1	8.7	6.4	-	21.2
Commission income and expense:					
- Asset Servicing	6.2	23.0	-	-	29.2
- Transaction Servicing	12.1	11.8	-	-	23.9
- Treasury	3.6	7.0	3.6	-	14.2
Result on financial transactions and trading income	1.1	6.6	11.1	2.0	20.8
Other income	-	-	-	6.9	6.9
Total income	29.1	57.1	21.1	8.9	116.2
Operating expenses (direct)	-12.5	-25.7	-2.2	-	-40.4
Contribution	16.6	31.4	18.9	8.9	75.8
Operating expenses (other)				-63.4	-63.4
Result for the period before tax					**12.4**

[1] *Interest income and expense is allocated to the financial institutions and institutional investors segments on the basis of the difference between the external interest rates and benchmarks. The benchmarks are based on interbank or central bank rates.*

Geographical segmentation

KAS BANK provides services to international clients. Services are provided to these clients from Amsterdam, London and Frankfurt am Main. Operational processing is mainly carried out on the IT systems in Amsterdam. The following tables present the total revenue divided into geographical segments.

Geographical segmentation of income *In millions of euros*	2014	2013
Netherlands	111.3	98.7
United Kingdom	7.5	9.8
Germany	3.4	5.7
Belgium	2.0	2.0
Total	**124.2**	**116.2**

In 2014 and 2013, all property, equipment and intangle assets were allocated to the Netherlands.

Country by country reporting *In millions of euros*	Operating income	Operating result before tax	Tax expense
2014			
Netherlands	111.3	35.7	8.1
United Kingdom	7.5	-	-
Germany	3.4	-4.9	-
Belgium	2.0	2.0	0.4
Total	**124.2**	**32.8**	**8.5**

Note 8 presents the allocation of FTEs to the applicable countries. In 2014, KAS BANK has not received any government grants.

Concentration of income

The 25 largest clients of KAS BANK account for 35% (2013: 32%) of the total revenue. None of these clients (2013: none) account for more than 10% of the total revenue.

44. Related parties

KAS BANK identifies the members of the Managing Board (see note 45), the members of the Supervisory Board (see note 47), the company pension fund Stichting Pensioenfonds van de KAS BANK (see note 30) and the associate Neonet as related parties. Except for the transactions mentioned in these notes, there are no other significant related party transactions in 2014 and 2013.

45. Remuneration of the Managing Board

The table below presents the remuneration of the Managing Board.

Remuneration of the Managing Board *In thousands of euros*	Base salary	Pension costs	Other payments	Total remuneration in cash	Shares	Total remuneration
2014						
A.A. Röell	390	109	18	517	40	557
K.H.J. Wulteputte	285	64	12	361	30	391
S.A.J. van Katwijk	285	71	48	404	29	433
J. Witteveen (as from 1 September 2014)	95	19	3	117	6	123
Total	**1,055**	**263**	**81**	**1,399**	**105**	**1,504**
2013						
A.A. Röell	390	111	20	521	6	527
K.H.J. Wulteputte (as from 1 October 2013)	71	17	4	92	22	114
S.A.J. van Katwijk	285	70	45	400	5	405
R.J. Kooijman (until 1 October 2013)	214	59	20	293	-17	276
Total	**960**	**257**	**89**	**1,305**	**16**	**1,321**

The Supervisory Board determined the variable remuneration based on the performance over the year 2014 on EUR 69,165 (2013: nil). This amount is included in the column 'shares' in the table above.

In addition to the remuneration of the Managing Board presented above, a crisis levy of EUR 151,000 was charged to the company in 2013. This is a measure in which the Dutch tax authorities charge salaries exceeding EUR 150,000 with an additional 16% levy. In 2014, no crisis levy was charged to the company.

Depositary receipts

The members of the Managing Board hold the following number of depositary receipts for shares in the company:

Number of shares	2014	2013
A.A. Röell	16,030	14,448
K.H.J. Wulteputte	695	556
S.A.J. van Katwijk	5,865	5,030
J. Witteveen	-	-

Loans

KAS BANK has not granted loans or guarantees to members of the Managing Board.

Claw back

In 2014 KAS BANK has not clawed back remuneration of the Managing Board.

46. Share-based payments

Share and option plans

As part of the remuneration package KAS BANK has share plans for identified staff and members of the Managing Board.

Identified staff

The variable remuneration for the identified staff is based on the achievement of individual and company targets. The remuneration is paid half in shares and half in cash in case the individual variable remuneration for identified staff exceeds an amount of a monthly salary or EUR 10,000. If the variable remuneration does not exceed both criteria the amount will be fully paid in cash at once. The first vesting will be 60% of the granted shares and thereafter a three-year pro rata deferral period is applicable. After the vesting period, a retention period of one year is applicable. The identified staff may sell shares vested in order to comply with tax obligations in respect of these shares. Variable remuneration may be reclaimed if it has been paid on the basis of incorrect information regarding the achievements or the circumstances on which the remuneration depends.

The following table presents the characteristics of the non-vested shares granted to the identified staff. KAS BANK did not grant shares to non-identified staff.

Shares identified staff		
Grant date	March 2013	March 2012
Fair value at grant date (in euros)	6.16	6.11
Share price at grant date (in euros)	9.01	8.56
Vesting period	1-4 years	1-4 years
Retention period after vesting	1 year	1 year
Expected dividend yield	7.1%	7.5%
Risk-free interest rate	2.0%	2.7%

In March 2014 the variable remuneration for individual identified staff did not exceed the criteria of an amount higher than a monthly salary or EUR 10,000, therefore no shares were granted.

Managing Board

As of January 2014 the variable remuneration for the Managing Board is capped to a maximum of 20% of the base salary and is based on the achievement of three performance criteria: budget, strategic progress and operational progress. The total variable remuneration will be fully paid in shares. The shares are granted conditionally, based on a decision of the Supervisory Board. The first vesting will be 60% of the granted shares and thereafter a three-year pro rata deferral period is applicable. After the vesting period, a retention period of two years is applicable. The members of the Managing Board may sell shares vested in order to comply with tax obligations in respect of these shares. Variable remuneration may be reclaimed if it has been paid on the basis of incorrect information regarding the achievements or the circumstances on which the remuneration depends.

Prior to 2014 the variable remuneration for the Managing Board consisted of a long-term component and a short term component.

- The long-term component is fully paid in shares. The number of shares vested is based on the three equally weighted benchmarks. These benchmarks are the Total Shareholder Return (TSR), the relative performance to the AScX and the TSR performance relative to the Stoxx Europe 600 Banks Index. Achievement of target performance is rewarded by the payment of long-term remuneration amounting to 25% of the base salary. The long-term variable remuneration is subject to a maximum of 50% of base salary.

- The short-term variable remuneration was paid half in shares and half in cash. The shares are granted conditionally, based on a decision of the Supervisory Board, with a vesting period of three years. After the vesting period, a lock up period of two years is applicable.

The following table presents the characteristics of the non-vested shares granted to the Managing Board:

Shares Managing Board				
Grant date	April 2013	January 2013	April 2012	January 2012
Fair value at grant date (in euros)	4.74	5.32	6.12	6.83
Share price at grant date (in euros)	7.56	8.84	8.55	8.38
Vesting period	1-4 years	3 years	1-4 years	3 years
Vesting condition	No conditions	Performance	No conditions	Performance
Retention period after vesting	2 years	2 years	2 years	2 years
Expected dividend yield	8.5%	7.2%	7.5%	7.6%
Expected volatility	Not applicable	27.0%	Not applicable	28.3%
Risk-free interest rate	1.9%	2.1%	2.7%	2.8%

The shares granted in January 2012 and January 2013 relates to the long-term component of the former variable remuneration plan. The Supervisory Board assessed the performance over the 3-year period and determined the unconditional number of shares. The shares granted in April 2012 and April 2013 relate to the short-term component of the former variable remuneration plan. There are no performance vesting conditions applicable to the shares granted. In 2014 no shares are vested to the Managing Board related to the short-term variable remuneration 2013 and the shares related to the long-term variable remuneration 2011-2013 were forfeited. The performance criteria for both components were not met.

The variable remuneration for 2014, 'at target' performance (16% of base salary, in total: EUR 168,800), was conditionally granted to the members of the Managing Board at the beginning of the period. The Supervisory Board determined the Managing Board's variable remuneration, based on the performance against the three criteria, at 6.6% (in total: EUR 69,165) of base salary. The Managing Board's variable remuneration in euros is converted to 6,980 shares (Mr. Röell: 2,580; Mr. Van Katwijk: 1,886; Mr. Wulteputte: 1,886; Mr. Witteveen: 628) based on a closing share price of 31 December 2014 (EUR 9.911). The shares will be vested in 2015 (60%) and in a three-year pro rata deferral period (40%). The granted and vested shares will be presented in the table with outstanding shares in 2015.

Share-based payments in the income statement

The value of the share based payments is allocated to the income statement during the vesting period as 'Personnel expenses'. The amounts of share based payments as included in the income statement for the years are specified as follows:

In thousands of euros	2014	2013
Share payments Managing Board	105	16
Share payments former Managing Board members	-1	9
Share payments Identified staff	21	22
Option payments Other staff	0	75
Total	**125**	**122**

The fair value of the shares granted in the financial year is presented below.

In thousands of euros	2014	2013
Share payments Managing Board	-	252
Share payments former Managing Board members	-	42
Share payments Identified staff	-	53
Total	**-**	**347**

Outstanding shares

The following statement presents outstanding shares of the Managing Board and Identified staff.

	Grant date	Outstanding as at 31/12/2013	Granted	Vested	Forfeited	Outstanding as at 31/12/2014	Status
Managing Board							
A.A. Röell	January 2011	8,128			8,128	-	Vested
	January 2012	11,635				11,635	Not yet vested
	April 2012	3,007		1,504		1,503	Not yet vested
	January 2013	11,030				11,030	Not yet vested
	April 2013	4,861		1,620		3,241	Not yet vested
K.H.J. Wulteputte	January 2011	495			495	-	Vested
	January 2012	3,543				3,543	Not yet vested
	January 2013	6,045				6,045	Not yet vested
	April 2013	1,652		551		1,101	Not yet vested
S.A.J. van Katwijk	January 2011	5,940			5,940	-	Vested
	January 2012	8,502				8,502	Not yet vested
	April 2012	931		466		465	Not yet vested
	January 2013	8,060				8,060	Not yet vested
	April 2013	3,552		1,184		2,368	Not yet vested
Former Managing Board members	January 2011	7,425			7,425	-	Vested
	January 2012	4,960				4,960	Not yet vested
	April 2012	3,266		1,633		1,633	Not yet vested
	January 2013	2,015				2,015	Not yet vested
	April 2013	2,664		888		1,776	Not yet vested
Identified Staff	March 2012	2,023		1,011		1,012	Not yet vested
	March 2013	3,428		1,143		2,285	Not yet vested
Total		**103,161**	**-**	**10,000**	**21,988**	**71,174**	

Outstanding options

As from 2010 and 2012, options are no longer part of the remuneration of the Managing Board respectively other staff. Below the outstanding options as per 31 December 2014, all granted options are vested.

	Expiry date	Exercise price in euros	Outstanding as at 31/12/2013	Conditionally granted	Exercised	Expired	Outstanding as at 31/12/2014	Status
Managing Board								
A.A. Röell	March 2014	22.89	4,880			4,880	-	Vested
	January 2016	25.00	6,627				6,627	Vested
	January 2017	9.90	54,198				54,198	Vested
K.H.J. Wulteputte	March 2015	13.55	4,000				4,000	Vested
	March 2016	11.82	2,667				2,667	Vested
	March 2017	13.55	4,000				4,000	Vested
	March 2018	11.82	3,333				3,333	Vested
S.A.J. van Katwijk	January 2017	9.90	14,580				14,580	Vested
Former Managing Board members	March 2014	22.89	7,814			7,814	-	Vested
	January 2016	25.00	3,408				3,408	Vested
	January 2017	9.90	95,979				95,979	Vested
Other staff	March 2014	22.89	8,615			8,615	-	Vested
	March 2015	26.00	145,604			14,015	131,589	Vested
	March 2014	8.31	55,890		55,149	741	-	Vested
	March 2016	8.31	4,267		500	1	3,766	Vested
	March 2015	13.55	62,777			6,507	56,270	Vested
	March 2017	13.55	24,500			1,000	23,500	Vested
	March 2016	11.82	27,785			2,544	25,241	Vested
	March 2018	11.82	59,961			5,981	53,980	Vested
Total			**590,885**	**-**	**55,649**	**52,098**	**483,138**	

The weighted-average share price of the exercised options was EUR 10.38 (2013: EUR 10.02).

47. Remuneration of the Supervisory Board

The table below presents the remuneration to the members of the Supervisory Board, including fees for membership of subcommittees formed by the Supervisory Board:

In thousands of euros	2014	2013
P.J.C. Borgdorff (as from 19 November 2014)	11	-
J.M.G. Frijns	50	46
P.J.E. Bieringa (as from 24 April 2013)	39	27
P.H.M. Hofsté (as from 19 November 2014)	10	-
R. Icke	46	46
R.A.H. van der Meer	48	46
R. Smit (until 24 April 2014)	18	55
A.H. Lundqvist (until 24 April 2013)	-	14
R. Teerlink (until 30 September 2013)	-	28
Total	**222**	**262**

KAS BANK has not granted loans or guarantees to members of the Supervisory Board.

48. Auditors' fee

The following table presents the external auditor's fees recognised in the income statement as 'General and administrative expenses'.

In thousands of euros	2014	2013
Audit fees	307	235
Other audit assignments	20	222
Tax fees	32	80
Other non-audit assignments	34	104
Total	**393**	**641**

In the Annual General Meeting of Shareholders of 23 April 2014 PwC has been appointed as new external auditor of KAS BANK with effect from the audit for the financial year 2014. KPMG Accountants N.V. was KAS BANK's previous external auditor; the change was due to law.

COMPANY
FINANCIAL STATEMENTS 2014

In thousands of euros	2014	2013
OPERATING INCOME		
Interest income	42,871	43,810
Interest expense	17,427	22,667
Net interest result	25,444	21,143
Commission income	75,172	76,555
Commission expense	12,888	13,649
Net commission result	62,284	62,906
Results of subsidiaries	-809	-4,918
Net trading income	9,321	10,412
Result from financial transactions	2,864	13,492
Share of result of associates and joint ventures	-754	951
Other income	20,687	2,254
Total operating income	**119,037**	**106,240**
OPERATING EXPENSES		
Personnel expenses	54,105	63,623
General and administrative expenses	28,479	29,081
Depreciation and amortisation	3,430	3,565
Impairment losses (recovery)	1,416	-1,741
Total operating expenses	**87,430**	**94,528**
Operating result before tax	**31,607**	**11,712**
Tax expense	7,347	-561
Net result	**24,260**	**12,273**

In thousands of euros	2014	2013
Net result	**24,260**	**12,272**
Items that will be reclassified subsequently to profit or loss		
Gains and losses on financial investments available-for-sale	9,716	11,927
Gains and losses on financial investments available-for-sale recognised in the income statement	-2,576	-10,842
Items that will be reclassified subsequently to profit or loss before tax	**7,140**	**1,085**
Income tax relating to items that will be reclassified to profit or loss	-1,631	-671
Items that will be reclassified subsequently to profit or loss after tax	**5,509**	**414**
Items that will not be reclassified subsequently to profit or loss	**-**	**-**
Revaluation on land and buildings	-15	-
Actuarial gains and losses on pensions	-52,597	23,129
Items that will not be reclassified subsequently to profit or loss before tax	**-52,612**	**23,129**
Income tax relating to items that will be reclassified to profit or loss	13,149	-5,782
Items that will not be reclassified subsequently to profit or loss after tax	**-39,463**	**17,347**
Net total other comprehensive income	**-33,954**	**17,761**
Net total comprehensive income	**-9,694**	**30,033**

In thousands of euros	31 December 2014	31 December 2013
Assets		
Cash and balances with central banks	120,846	200,517
Due from banks	661,451	273,916
Loans	563,264	547,268
Reverse repurchase agreements	1,476,994	1,403,677
Derivative financial instruments	338,787	149,855
Financial assets designated at fair value	169,483	97,822
Financial investments available-for-sale	1,033,077	990,539
of which pledged as collateral	*519,131*	*589,677*
Financial investments held-to-maturity	-	10,370
Investments in associates and joint ventures	-	1,894
Current tax assets	3,287	1,562
Other assets	23,009	66,078
Participating interest in group companies	85,880	86,478
Property and equipment	3,508	4,286
Goodwill and intangible assets	3,031	4,223
Deferred tax assets	6,759	5,315
Total assets	**4,489,376**	**3,843,800**
Equity and liabilities		
Due to banks	338,155	182,817
Due to customers	3,312,747	2,996,886
Repurchase agreements	135,056	159,180
Derivative financial instruments	352,878	186,517
Fiancial liabilities designated at fair value	124,304	50,450
Current tax liabilities	-	918
Other liabilities	28,410	41,688
Deferred tax liabilities	3,589	12,261
Total liabilities	**4,295,139**	**3,630,717**
Share capital	15,699	15,699
Share premium	21,569	21,569
Treasury shares	-22,740	-23,612
Revaluation reserve	14,740	9,246
Statutory reserve	941	2,276
Other reserves (including profit for the year)	164,028	187,906
Total equity attributable to KAS BANK shareholders	**194,237**	**213,084**
Total equity and liabilities	**4,489,376**	**3,843,801**
Contingent liabilities	34,300	36,420
Irrevocable facilities	13,863	17,047

In thousands of euros	Issued capital	Treasury shares	Share premium	Revaluation reserve	Statutory reserve	Other reserves (incl. profit for the year)	Total equity
Balance as at 1 January 2013	**15,699**	**-24,974**	**21,569**	**16,134**	**4,045**	**163,865**	**196,338**
Comprehensive income	-	-	-	414	-	29,619	**30,033**
Dividend 2012	-	-	-	-	-	-4,526	**-4,526**
Interim dividend	-	-	-	-	-	-4,818	**-4,818**
Purchase/sale of treasury shares	-	1,362	-	-	-	-1,362	**-**
Share-based payments	-	-	-	-	-	122	**122**
Other movements	-	-	-	-7,302	-1,769	5,005	**-4,066**
Balance as at 31 December 2013	**15,699**	**-23,612**	**21,569**	**9,246**	**2,276**	**187,905**	**213,083**
Comprehensive income	-	-	-	5,494	-	-15,188	**-9,694**
Dividend 2013	-	-	-	-	-	-4,551	**-4,551**
Interim dividend	-	-	-	-	-	-4,844	**-4,844**
Purchase/sale of treasury shares	-	872	-	-	-	-872	**-**
Share-based payments	-	-	-	-	-	125	**125**
Other movements	-	-	-	-	-1,335	1,453	**118**
Balance as at 31 December 2014	**15,699**	**-22,740**	**21,569**	**14,740**	**941**	**164,028**	**194,237**

Summary of accounting policies as applied for the company figures

The company financial statements have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, applying the same accounting policies as for the consolidated financial statements, as provided by Section 362, sub 8, Book 2 of the Dutch Civil Code except for those relating to participating interest in group companies and the statutory reserve.

Participating interest in group companies

The group companies of KAS BANK are classified within the company balance sheet as 'Participating interest in group companies'. Participating interests in group companies are accounted based on the equity method. The share in the net result is recognised in the income statement as 'Results of subsidiaries'. The table below shows the movement of the carrying amount during the financial year.

In thousands of euros	2014	2013
Position as at 1 January	86,478	124,835
Result for the year	-809	-4,918
Adjustment previous years	-33	-
Cash contribution	-	4,838
Divestments	-	-38,279
Other	244	2
Position as at 31 December	**85,880**	**86,478**

An overview of the group companies and an explanation of the definition of group companies are included in the consolidated accounting policies.

Statutory reserve

The Statutory reserve relates to the capitalisation of internal developed software. The amounts recognised as statutory reserve are not distributable.

Guarantees

KAS BANK N.V. has issued statements of liability in connection with Section 403, Book 2 of the Dutch Civil Code for a number of group companies. KAS BANK N.V. forms a tax group with several subsidiaries for both corporate tax and VAT. The tax group is jointly and severally liable for taxation payable by the tax group.

Amsterdam, 5 March 2015

The Managing Board:

A.A. Röell, chairman
K.H.J. Wulteputte, CFRO
S.A.J. van Katwijk
J. Witteveen

The Supervisory Board:

P.J.C. Borgdorff, chairman
J.M.G. Frijns
Ms. P.J.E. Bieringa
Ms. P.H.M. Hofsté
R. Icke
R.A.H. van der Meer

Appropriation of the result for 2014

The result is appropriated pursuant to Article 25 of the Articles of Association of KAS BANK N.V. This article stipulates that the Managing Board proposes, subject to approval of the Supervisory Board, to the General Meeting of Shareholders what part of the result is appropriated to the reserves and which part shall be distributed as dividend. The Managing Board, with the approval of the Supervisory Board, proposes to the General Meeting of Shareholders the following appropriation of the 2014 result:

Appropriation of the result according to the consolidated income statement for ***euros***	
Result for the period	24,260
Interim dividend	-4,844
Proposed final dividend	-4,565
Proposed addition to other reserves	**14,851**

In 2014, an interim dividend of EUR 4.8 million (EUR 0.33 per share) was paid.

Subsequent events

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

To: the General Meeting and Supervisory Board of KAS BANK N.V.

Report on the financial statements 2014

Our opinion

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of KAS BANK N.V. as at 31 December 2014 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements give a true and fair view of the financial position of KAS BANK N.V. as at 31 December 2014 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2014 of KAS BANK N.V., Amsterdam ('the company' or 'KAS BANK'). The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2014;
- the following statements for 2014: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2014;
- the company income statement for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of KAS BANK N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

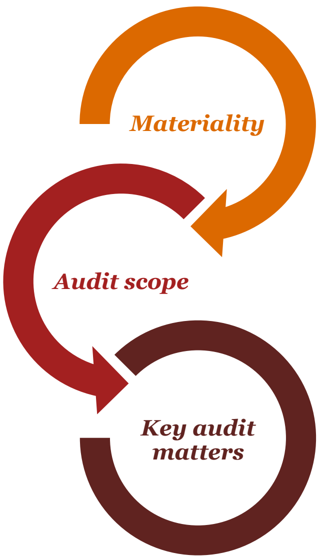
Our audit approach

Overview

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Managing Board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. Also, we paid additional attention to significant transactions during the year such as the compensation received from dwpbank.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Managing Board that may represent a risk of material misstatement due to fraud. Furthermore, we considered and placed reliance on the company's internal controls relevant to our audit.

Since this is the first year of our appointment as auditor of the company's financial statements we reviewed the prior auditor's working papers related to their audit of the company's financial statements 2013.



Materiality

Overall materiality: EUR 660,000 which represents 5% of profit before tax adjusted for non-recurring income of EUR 20 million relating to the compensation received from dwpbank and non-recurring expenses of EUR 1,127,000 relating to the levy charged by the Dutch government due to the nationalisation of SNS Reaal.

Audit scope

Since the accounting for all entities in the group is performed at KAS BANK N.V., the group audit team performed all audit work. Clients of KAS BANK have outsourced processes to the company. In order to assess the internal controls over financial reporting with respect to those processes, the company engaged another audit firm to report on the effectiveness of those controls. As the controls tested by the other audit firm also covered relevant controls for the company's own financial reporting process, we obtained an understanding of the scope and the procedures performed by the other audit firm to assess whether we were able to place reliance on their work and report. In this respect, we assessed the scope of the work of the other audit firm, and met them twice to discuss their findings and also performed a review of their audit working papers.

Key audit matters

- Valuation of investments available for sale
- Valuation of derivative financial instruments
- Hedge accounting
- Retirement benefit plans

Materiality

The scope of our audit is influenced by the application of materiality. Our audit opinion aims on providing reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on our opinion.
Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	EUR 660,000
How we determined it	5% of profit before tax adjusted for non-recurring income of EUR 20 million relating to the compensation received from dwpbank and non-recurring expenses of EUR 1,127,000 relating to the levy charged for the nationalisation of SNS Reaal.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that profit before tax is an important metric for the financial performance of the company. Given the non-recurring effect of the compensation from dwpbank and the levy charged for the nationalisation of SNS Reaal we adjusted our materiality for this.

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above EUR 33,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit
KAS BANK is the ultimate parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of KAS BANK.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. Since the accounting for all entities in the group is performed at KAS BANK, the group audit team selected group entities for which an audit or review of financial information or specific balances was considered necessary and performed all audit work within this team. On this basis we performed a full audit of the financial information of KAS BANK N.V. (since it is the most significant financial component in the group) and have selected specific financial line items from other entities in the group to obtain sufficient coverage across all financial line items on a consolidated basis.

Clients of KAS BANK have outsourced processes to the company. In order to assess the internal controls over financial reporting with respect to those processes the company engaged another audit firm to report on the effectiveness of those controls. As the controls tested by the other audit firm also covered relevant controls for the company's own financial reporting process, we obtained an understanding of the scope and the procedures performed by the other audit firm to assess whether we were able to place reliance on their work and report. In this respect, we assessed the scope of the work of the other audit firm, and met them twice to discuss their findings and also performed a review of their audit working papers.
By performing the procedures above we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Key audit matter	**How our audit addressed the matter**
Valuation of investments available for sale See page 60 of the accounting policies, note 20 "financial investments available for sale" and note 35 "fair value of financial assets and financial liabilities" Investments available for sale is comprised of a portfolio of debt and equity investments. These instruments are measured at fair value with the corresponding fair value change recognised in other comprehensive income. The valuation is performed by the company using a fair value hierarchy: - Level 1 are valuations based on quoted prices (unadjusted) in active markets. - Level 2 are valuations based on other than quoted prices included within level 1, that are observable either directly or indirectly. - Level 3 are valuations based on unobservable inputs for the asset. The valuation of investments is inherently subjective - most predominantly for the level 2 and level 3 investments since these are valued using inputs other than quoted prices in an active market. Key inputs used in the valuation of individual level 2 and level 3 investments are expected cash flows, risk free rates and credit spreads. In addition, the company determines whether objective evidence of impairment exists for individual investments. In	Our audit procedures comprised, amongst others of an assessment of the methodology and the appropriateness of the valuation models and inputs used to value investments available for sale. Further, we used our internal valuation specialists to assess the valuation of all individual investments available for sale, and to assess whether the valuations performed by the company were within a pre-defined tolerable differences threshold. As part of these audit procedures we assessed the accuracy of key inputs used in the valuation such as the expected cash flows, risk free rates and credit spreads by benchmarking them with external data. We also evaluated the company's assessment whether objective evidence of impairment exists for individual investments. Finally, we assessed the completeness and accuracy of the disclosures relating to investments to assess compliance with disclosure requirements included in EU-IFRS.

these cases, the difference between amortised cost and fair value is transferred from other comprehensive income to the income statement. Given the inherent subjectivity in the valuation of level 2 and level 3 investments available for sale, we determined this to be a significant item for our audit. The level 2 and level 3 investments at available for sale amount to EUR 178 million and EUR 215 million respectively as at 31 December 2014.	
Key audit matter *Valuation of derivative financial instruments* See page 60 of the accounting policies, note 18 "derivative financial instruments" and note 35 "fair value of financial assets and financial liabilities" The company enters into derivative financial instruments to hedge its own interest rate risk as well as on behalf of its clients. Derivative financial instruments for own hedging purposes comprise of interest rate swaps and amount to EUR 1 million (assets) and EUR 28 million (liabilities) as at 31 December 2014. Derivative financial instruments entered into on behalf of clients comprise of interest rate swaps, swaptions, exchange traded futures, exchange traded options and forward foreign exchange contracts and amounted to EUR 337 million (assets) and EUR 324 million (liabilities) as at 31 December 2014. Most of the client derivatives are individually hedged by the company and as a result the remaining net exposure is therefore limited for the company. All derivative financial instruments are measured at fair value. The fair value of interest rate swaps is calculated using a discounted cash flow model in which the contractual cash flows are discounted using a risk free rate as these derivative financial instruments are collateralised. For swaptions an option pricing model is used considering market based inputs such as interest rate volatility, swap rates and interest spot rates. Forward foreign exchange contracts are valued using an implied forward rate and discounted using a risk free rate. Exchange traded options and futures are valued using quoted prices from recognised market data providers. Given the subjectivity in the valuation of derivative financial instruments we determined this to be a significant item for our audit.	**How our audit addressed the matter** Our audit procedures comprised of an assessment of the methodology and the appropriateness of the valuation models used to value derivative financial instruments. Further, we used our internal valuation specialists to consider the valuation of a sample of each type of derivative financial instruments to assess whether the valuations performed by the company were within a pre-defined tolerable differences threshold. As part of these audit procedures we assessed the accuracy of key inputs used in the valuations such as contractual cash flows, risk free rates, interest rate volatility, swap rates, interest spot rates, implied forward rates and quoted prices from market data providers, by benchmarking them with external data. Also, we placed reliance on internal controls over the valuation process, including internal controls in place at external service providers. Finally, we considered the completeness and accuracy of the disclosures related to derivative financial instruments to assess compliance with disclosure requirements included in EU-IFRS.

<table>
<tr>
<td>Key audit matter
Hedge accounting
See page 61 of the accounting policies.
The company enters into interest rate swaps to hedge the interest rate risk in its portfolio of fixed rate debt investments. For accounting purposes the company applies fair value hedge accounting. In order to apply fair value hedge accounting, the company has to comply with a number of strict requirements in EU-IFRS, including:
• Documenting the hedge relation in formal hedge documentation;
• Perform prospective and retrospective (quantitative) ineffectiveness testing and
• Record any resulting effectiveness in the income statement.
Given the technical requirements that are applicable to the application of hedge accounting and that incorrect application of these requirements can lead to a material effect on the income statement, we determined this to be a significant item for our audit. For the year ended 31 December 2014 the company recorded a net hedge accounting ineffectiveness of (profit) of EUR 700,000.</td>
<td>How our audit addressed the matter
In our audit we have tested, on a sample basis, whether the hedge documentation meets the requirements of EU-IFRS to assess whether both the fixed rate debt instrument and interest rate swap are eligible for hedge accounting. Furthermore, we have considered the prospective and retrospective effectiveness testing to assess whether the hedge relationships are effective and that the hedge effectiveness has been calculated accurately. Furthermore we have reconciled the outcome of the retrospective effectiveness testing resulting in the hedge adjustment to the financial statements.
Finally, we considered the completeness and accuracy of the disclosures relating to derivative financial instruments to assess compliance with disclosure requirements included in EU-IFRS.</td>
</tr>
<tr>
<td>Key audit matter
Retirement benefit plans
See page 65 of the accounting policies, note 30 "retirement benefit plan"
The company has pension schemes for its employees in the Netherlands and the United Kingdom. The majority of the pension assets and obligations relate to the Dutch pension scheme.
The Dutch pension scheme is a defined benefit plan, whereby the pension plan obligation is calculated on an annual basis by an actuary, through discounting pension plan commitments at the rate equivalent to high quality corporate bonds with maturity dates comparable to when those benefits become payable. Actuarial gains and losses resulting from changes in actuarial assumptions are recognised in other comprehensive income. Key actuarial parameters used in the calculation of the pension plan obligation are the discount rate, inflation rate and the applied indexation.
Given the subjectivity and sensitivity of the key parameters used in the pension plan calculations we considered this to be a significant item for our audit. At 31 December 2014, the pension plan obligation amounts to EUR 288 million. Actuarial gains and losses in other comprehensive income amount to EUR 53 million at 31 December 2014.</td>
<td>How our audit addressed the matter
In our audit we have involved our internal actuarial specialist to assess the appropriateness of the actuarial assumptions and calculations performed by the company's actuary. In doing so we challenged the key actuarial assumptions (the discount rate, inflation rate and indexation) used in the calculation of the pension plan obligation, and compared them with external data to assess whether they were within a pre-defined tolerable differences threshold. Finally, we considered the completeness and accuracy of the disclosures relating to pension plans to assess compliance with disclosure requirements included in EU-IFRS.</td>
</tr>
</table>

Responsibilities of the Managing Board and the Supervisory Board

The Managing Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the report of the Managing Board in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for
- such internal control as the Managing Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Managing Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Managing Board should prepare the financial statements using the going concern basis of accounting unless the Managing Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.
The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit has been performed with a high but not absolute level of assurance which makes it possible that we did not detect all frauds or errors.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the report of the Managing Board and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the report of the Managing Board and other information):

- We have no deficiencies to report as a result of our examination whether the Managing Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the report of the Managing Board, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of KAS BANK N.V. following the passing of a resolution by the shareholders at the annual meeting held on 23 April 2014 representing the first year of our engagement.

Rotterdam, 5 March 2015

PricewaterhouseCoopers Accountants N.V.

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

Appendix to our auditor's report on the financial statements 2014 of KAS BANK N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements
We have exercised professional judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managing Board.
- Concluding on the appropriateness of its use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Report of Stichting Administratiekantoor Aandelen KAS BANK (KAS BANK Registrar's Office)

Stichting Administratiekantoor Aandelen KAS BANK (KAS BANK Registrar's Office) administers and manages almost all ordinary shares in the issued capital of KAS BANK N.V. and, with the cooperation of the company, issues in exchange depositary receipts with limited exchangeability. The Registrar's Office itself exercises voting rights only in respect of shares for which no proxies have been granted to the depositary receipt holders and shares for which no voting instructions have been received. This arrangement is conducive to the continuity of decision-making within the General Meeting of Shareholders and preserves the balance of the meeting by preventing a chance majority of those entitled to exercise voting rights influencing the decision-making process of the Meeting of Shareholders.

The Executive Committee hereby reports on its activities in the financial year in accordance with Article 18 of its Administration Conditions.

The Executive Committee met once in 2014 prior to the Annual General Meeting of Shareholders. The members of the Executive Committee also kept in touch by telephone, letter and e-mail. The Executive Committee was in attendance at the Annual General Meeting of Shareholders on 23 April 2014 and at the Extraordinary General Meetings on 21 August and 19 November 2014.

The general state of the company's affairs, the recent developments in the field of corporate governance and the composition of the Executive Committee were discussed in the meeting. The Executive Committee discussed all the topics on the agenda for the Annual General Meeting of Shareholders and the specific resolutions tabled by the Managing Board and Supervisory Board. Following these discussions, the Executive Committee put various questions to the Managing Board of the company, seeking further explanation on a number of points. Based on this information and having regard to the interests of the holders of depositary receipts, along with the interests of the company, its related enterprise and all stakeholders, the Registrar's Office decided to vote in favour of all the resolutions on the agenda. The Registrar's Office did not seek external advice.

For the Annual General Meeting of Shareholders on 23 April 2014, the Registrar's Office issued proxies to 64 depositary receipt holders and/or their proxies, compared with 57 the previous year.
The shareholders and depositary receipt holders in attendance represented 42.4% of the voting capital in the meeting. The Registrar's Office therefore represented 57.6% of the voting right.

For the Extraordinary General Meeting of Shareholders on 19 November 2014, the Registrar's Office issued proxies to five depositary receipt holders and/or their proxies. The shareholders and depositary receipt holders in attendance represented 2.2% of the voting capital in the meeting. The Registrar's Office therefore represented 97.8% of the voting right.

The Extraordinary General Meeting of Shareholders on 21 August 2014 was an informative meeting without voting rights.

The total number of ordinary shares in the issued capital of the company remained unchanged in 2014 at 15,699,017. As at year-end, the Registrar's Office had 15,589,012 ordinary shares under administration, in exchange for which the same number of depositary receipts had been issued. Depositary receipts have been issued for approximately 99.3% of the total issued share capital.

The actual administrative procedures are performed by the company. The expenses of the Registrar’s Office in 2014, amounting to approximately EUR 20,000, mainly related to the remuneration of the members of the Executive Committee and the contribution to the Centrum voor Fondsenadministratie. The company has undertaken to make an annual sum available to the Registrar’s Office from which it can defray these and other expenses incurred by the Registrar’s Office.

In 2014, there were no retirements by rotation. In 2015, it will be the turn of Mr. Zwarts to retire by rotation.

Mr. Zwarts has not offered himself for reappointment. Mr. Zwarts, first appointed in 2005, has not offered himself for reappointment. The Executive Committee advised the holders of depositary receipts for the company’s shares regarding the vacancy arising on the Executive Committee in a notice posted on the website of the Registrar’s Office, inviting them to put forward the names of candidates for appointment to the Executive Committee. In case the Executive Committee does not receive any nominations, the Committee has the intention to appoint Mr. Jan van Rutte to sit on the Executive Committee, with effect from 1 July 2015, and serve a term of office of four years. Mr. Van Rutte’s previous principal position was vice-president of the Managing Board and CFO of ABN AMRO Group. In 2016, there will be no retirement by rotation.

The members of the Executive Committee receive an annual fee of EUR 6,000 for their services to the Registrar’s Office. The members of the Executive Committee who are designated as independent are not persons associated with the company within the meaning of Article 4, paragraph 1, of the Constitution of the Registrar’s Office.

A list of the positions held by the members of the Executive Committee of the Registrar’s Office is available for inspection at the company’s office and on the dedicated website of the Registrar’s Office (www.stichtingadministratiekantoor.kasbank.com).

Amsterdam, 5 March 2015

The Executive Committee:

H. Zwarts, chairman (2015)
H. Scheffers (2017)
J. Nooitgedagt (2017)

Abbreviations

AIFMD	Alternative Investment Fund Managers Directive
AScX	Amsterdam Smallcap Index
ALCO	Asset & Liability Committee
BCM	Business continuity management
BRRD	Bank Resolution and Recovery Directive
CCP	Central Counterparty
CFA	Chartered Financial Analyst
CFRO	Chief Financial & Risk Officer
CIA	Confidentially, Integrity and Availability
CRD	Capital Requirement Directive
CRR	Capital Requirement Regulation
CSA	Credit Support Annex
DNB	De Nederlandsche Bank (Dutch Central Bank)
ECB	European Central Bank
EMIR	European Market Infrastructure Regulation
ESMA	European Securities and Markets Authority
EU	European Union
FSB	Financial Stability Board
FTE	Full-time equivalents
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ISAE	International Standard on Assurance Engagment
ISDA	International Swaps and Derivatives Association
KAG	Kapitalanlage Gesellschaft
KAS BANK	KAS BANK N.V.
LCR	Liquidity coverage ratio
NSFR	Net stable funding ratio
OTC	Over-the-counter
PwC	PricewaterhouseCoopers Accountants N.V.
RMBS	Residential mortgage-backed security
S&P	Standard & Poor’s Rating Services
SREP	Supervisory Review & Evaluation Process
SSM	Single Supervisory Mechanism
STP	Straight-through processing
TI-NL	Transparancy International Netherlands
TSR	Total Shareholder Return
VaR	Value at Risk

KAS BANK AMSTERDAM
P.O. Box 24001
1000 DB Amsterdam
The Netherlands
Nieuwezijds Voorburgwal 225
1012 RL Amsterdam
The Netherlands
T: +31 20 557 59 11

KAS BANK LONDON
5th Floor
10 Old Broad Street
London EC2N 1AA
United Kingdom
T: +44 20 7153 36 00

KAS BANK FRANKURT AM MAIN
Mainzer Landstraße 51
60329 Frankfurt am Main
Germany
T: +49 69 5050 679-20