



Annual Report

2012

 **KAS BANK**
COMMITTED SINCE 1806

FIVE YEARS IN FIGURES KAS BANK N.V.

<i>Consolidated, in millions of euros</i>	2012	2011	2010	2009	2008
Own funds					
Equity attributable to KAS BANK shareholders	189.2	168.0	187.0	193.4	167.5
Total assets	5,201.5	5,345.3	6,017.3	6,329.7	7,360.2
Operating income	117.7	115.3	117.1	135.9	127.8
Operating expenses	96.6	100.0	94.9	104.0	179.8
Result before tax	21.0	15.3	22.3	31.8	-52.0
Net result attributable to KAS BANK shareholders	15.5	10.2	18.5	24.6	-39.9
Figures per share of EUR 1.00 nominal value (in euros)					
Net asset value after proposed dividend	12.65	11.36	12.83	13.27	11.49
Basic earnings per share	1.06	0.70	1.27	1.69	-2.70
Dividend	0.64	0.50	0.73	0.73	0.45
Share price, high	8.90	12.25	14.24	14.40	29.30
Share price, low	6.80	7.72	11.00	6.95	9.45
Share price at 31 December	7.56	8.55	11.76	14.05	9.90
Ratios					
Net return on average shareholders' equity (%)	8.8	5.8	10.0	13.7	-20.2
Efficiency ratio (excluding impairments)	83	85	83	77	83
BIS ratio (at 31 December)	23	26	23	25	18

ANNUAL REPORT 2012

Profile of KAS BANK N.V.

KAS BANK N.V. is the independent European specialist in securities services and risk control and reporting services for professional clients in the pensions and securities industry.

KAS BANK pursues a 'pure play' strategy, underlining the bank's absolute neutrality and independence. A low risk profile is integral to its services and is reflected in the quality of its balance sheet and its high solvency ratio.

Our role as a specialist in securities custody, clearing and settlement is complemented by compliance services, risk control and management information. We view the market from our clients' perspective. Outsourcing their administrative functions to KAS BANK enables our clients to focus primarily on their own core activities. Tailor-made services and complete transparency are paramount: this is achieved by combining a proactive approach with advanced information technology and rigorous process control.

Founded in 1806 and listed on the NYSE Euronext Amsterdam stock exchange, KAS BANK is a European institution with a strong international presence. KAS BANK has offices in Amsterdam, London and Wiesbaden and employs around 750 staff, representing over 35 nationalities.

Personal notes	4
Letter to the shareholders	7
Information for shareholders	8
Report of the Supervisory Board	10
Report of the Managing Board	19
Financial statements 2012	
• Consolidated income statement	36
• Consolidated statement of comprehensive income	37
• Consolidated balance sheet	38
• Consolidated statement of changes in equity	39
• Consolidated statement of cash flows	40
• Notes to the consolidated financial statements	
◦ Accounting policies	41
◦ Notes to the consolidated income statement	52
◦ Notes to the consolidated balance sheet	55
◦ Notes on off-balance-sheet commitments and contingent liabilities	65
◦ Risk management	66
◦ Fair value of financial instruments	81
◦ Segmentation	82
◦ Share-based payments and related parties	84
◦ Notes on the auditor's fee	88
• Company income statement	89
• Company balance sheet	90
• Notes to the company financial statements	91
• Management declaration and signature	92
Other information	93
Independent auditors' report	94
Various reports and statements	
• Report of Stichting Administratiekantoor Aandelen KAS BANK (KAS BANK Registrar's Office)	96
• Report of Stichting Administratiekantoor Aandelen KAS BANK Effectenbewaarbedrijf (KDTC Registrar's Office)	98
• Report of Stichting Administratiekantoor Aandelen KAS BANK Derivaten Clearing (KASDC Registrar's Office)	99
Corporate governance	100

Situation as at 28 February 2013

Supervisory Board

R. Smit (1950), chairman
J.M.G. Frijns (1947), vice-chairman
A.H. Lundqvist (1945)
R.A.H. van der Meer (1949)
R. Icke (1957)
R. Teerlink (1961)

R. Smit, chairman

Current principal position	General Manager of 5 Park Lane B.V. and Rope Consultancy B.V.
Previous principal position	Chief Financial Officer (CFO) of the Dutch division of ABN Amro N.V.; Group Treasurer of ABN Amro Bank N.V. and Chief Executive Officer (CEO) of the German division of ABN Amro Bank
Other positions	Chief Financial Officer (CFO) Synerscope B.V. in Eindhoven; Beiratsmitglied FinanzDesk Kredit Management GmbH in Düsseldorf; member Advisory Board Blue Carpet B.V. in Baarn
First appointed	2010
Current term of office expires	2014

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 Board of Governors of Pensioenfonds ABP
Other positions	Chairman of the Supervisory Board of FMO; member of the Supervisory Board of Delta Lloyd, IMC International Marketmakers B.V. and Bouwinvest B.V.; member of the Board of Directors of JP Morgan Funds (Luxembourg); member of the Investment Committee of pension fund Zorg en Welzijn; member of the Advisory Committee of Nauta Dutilh
First appointed	2008
Current term of office expires	2016

A.H. Lundqvist

Current principal position	Chairman of Stichting Surf and Member of Supervisory Board Surfnet B.V., Surfmarket B.V. and Surfshare B.V.
Previous principal position	CEO of IBM Nederland N.V.; President of Eindhoven University of Technology
Other positions	Chairman of Supervisory Board Generali Verzekeringsgroep N.V.; Chairman of Supervisory Board UvA Holding B.V.; member of Supervisory Board BNP Paribas OBAM N.V.; member of Stichting Wetenschappelijk Onderwijs en Onderzoek Nederlandse Defensie Academie; member of Stichting Preferente Aandelen ASML; chairman Stichting Holland High Tech; Country Figurehead ('Boegbeeld') for High Tech Systems and Materials and ICT
First appointed	2001
Current term of office expires	2013

R.A.H. van der Meer

Current principal position	Professor of Finance at Groningen University; General Manager of P&C B.V./ Lesuut Finance B.V.
Previous principal position	Member of the Managing Board of Fortis Amev; member of the Managing Board of Aegon
Other positions	Chairman of the Supervisory Board of BNP Paribas Obam; vice-chairman of the Supervisory Board of Cório N.V.; member of the Supervisory Board of European Asset Trust N.V.; deputy member of the Enterprise Section of the Amsterdam Court of Appeal
First appointed	2005
Current term of office expires	2013

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.; member of the Supervisory Board of Kinderopvang Nederland B.V., VvAA Groep B.V. and Gropeco B.V.; member of the Supervisory Board of the Dutch Land Registry; member of the Investment Committee of the Project Holland Fund; chairman of the Supervisory Board of Ormit Holding B.V. and orizon GmbH; board member Stichting Administratiekantoor V.O.Zee
First appointed	2010
Current term of office expires	2014

R. Teerlink

Current principal position	Chief Administrative Officer of Royal Bank of Scotland Group plc
Other positions	None
First appointed	2010
Current term of office expires	2014

The members of the Supervisory Board are Dutch nationals.

Managing Board

A.A. Röell (1959), chairman
 R.J. Kooijman (1961), Chief Financial Officer
 S.A.J. van Katwijk (1964)

Managing Director KAS BANK UK branch

L.G. Vis

Managing Director Germany

KAS Investment Servicing GmbH

J. W. Sittmann

Chief Risk Officer

K.H.J. Wulteputte

Compliance Officer

A. van Tijum

Internal auditor

J. Voskuilen

Secretary to the Managing Board

M.G.F.M.V. Janssen

Senior management

M.J.W.H. Janssen

G.J. Kremer

J.N.P. Laan

J. W. Sittmann

M. Schilstra

M.A. van der Sluis

R. Roos

M. van Weezenbeek

K.H.J. Wulteputte

Dear shareholder,

KAS BANK remains a singular beacon of neutrality and strength in the rapidly changing European financial landscape. Absorbing the regulatory complexity in the area of securities services for its clients, the bank acts as a safe haven for institutional clients as well as the broker markets. By partnering outstanding specialists in specific areas of expertise such as dwpbank, Allfundsbank and Neonet, we are able to provide a full service without having to compromise on the quality of the services offered.

And that is good news at a time when the financial sector has still not found the long-term relief it has been seeking since the beginning of the financial crisis in 2008. The overall picture is rather bleak. Most significantly, financial markets are not regaining the necessary trust in banks. Interbank markets are therefore still close to non-existent, thus hampering the restoration of one of the key functions of the banking system, the intermediation between short term savings and longer term lending.

Although major steps have been made to ensure that the interests of clients are the first and foremost priority of banks across Europe, the general public does not yet see this fully in terms of simpler and more efficient products as well as more competitive pricing. At best, the slew of new regulations confronting the banking sector merely neutralises most of the possible gains which have been achieved in recent years. In many cases, its direct effect is loss of profitability, which in the longer term threatens the continuity of many medium-sized and smaller players.

Ironically therefore, in reality the compounding of all new regulations intended to shake off the fear of 'too big to fail' helps the largest banks become even bigger. We must all be aware that an insufficiently diverse banking industry will only lead to less healthy competition, resulting in higher costs and lower service for end consumers. No banking sector can survive without the trust of its markets. But trust cannot be won by more regulation alone. A cultural change is at the heart of any solution regarding the banking sector. Many steps have been taken in recent years, and more are underway. A new generation of bankers is growing up, who understand that their sector is, to a larger extent than they ever realised, part of the utility infrastructure of Europe. Serving society is part of their broader mindset, thus laying the foundation of a revitalised sector.

Throughout the crisis, KAS BANK has continued to enjoy full support from its clients. In 2012, we further focused our strategy around the themes of governance, pure play, bridging the gap between financial markets and the needs of our clients and providing a low risk service using the most modern technology available. We are proud that our client service ratings have improved for the third consecutive year, which is also reflected in the awards we won in 2012.

But ultimately, it's not about winning prizes but how we can serve our stakeholders in the best possible way. In this respect, we would like to thank our shareholders for their loyalty to the bank. To underline our commitment to achieving a sufficient return for the risks being taken, we have continued to adhere to the same external financial targets as were published long before the crisis. Management and employees are proud to be able to provide our shareholders with this long-term continuity, they have over the years grown used to expect from our bank.

Amsterdam, 28 February 2013

Albert Röell
Chairman Managing Board, KAS BANK N.V.

Attendance at General Meetings of Shareholders in 2012

92.3% of the issued capital was represented and entitled to vote at the annual General Meeting of Shareholders held on 25 April 2012. The shareholders and depositary receipt holders in attendance represented 43.9% 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 56.1% 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 Smallcap Index (AScX index) of NYSE Euronext.

Dividend policy

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.

It is proposed that a dividend of EUR 0.64 per ordinary share be declared for 2012. 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.

5% holdings

The following institutions have given notification of holdings of 5% 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.

- Delta Lloyd N.V.	12.2%
- APG Algemene Pensioen Groep N.V.	8.8%
- ING Groep N.V.	7.9%
- All Capital Holding B.V.	5.3%
- Jan Plas S.A.	5.0%
- KAS BANK N.V.	5.1%

Share price

During the past year, the price of KAS BANK shares fell by around 12% from EUR 8.55 (at year-end 2011) to EUR 7.56 (at year-end 2012). The basic earnings per KAS BANK share in 2012 were EUR 1.06 (2011: EUR 0.70). The figures per KAS BANK ordinary share can be found in the 'Five years in figures' summary.

KAS BANK was given an 'A-' long-term rating and an 'A2' short-term rating by Standard & Poor's.

2013 financial calendar

1 March 2013	- announcement of 2012 figures - analysts' meeting
13 March 2013	- publication of 2012 annual report - notice convening the Annual General Meeting of Shareholders
27 March 2013	- registration date for the Annual General Meeting of Shareholders
24 April 2013	- Annual General Meeting of Shareholders - interim information: first quarter 2013
26 April 2013	- ex-dividend quotation of KAS BANK N.V. depositary receipts
30 April 2013	- record date for determination of dividend entitlement
3 May 2013	- 2012 final dividend payable
29 August 2013	- publication of 2013 interim figures - analysts' meeting
30 August 2013	- ex-dividend quotation of KAS BANK N.V. depositary receipts
3 September 2013	- record date for determination of dividend entitlement
5 September 2013	- 2013 interim dividend payable
30 October 2013	- interim information: third quarter 2013

2014 financial calendar

20 February 2014	- announcement of 2013 figures - analysts' meeting
12 March 2014	- publication of 2013 annual report - notice convening the Annual General Meeting of Shareholders
26 March 2014	- registration date for the Annual General Meeting of Shareholders
23 April 2014	- Annual General Meeting of Shareholders - interim information: first quarter 2014
25 April 2014	- ex-dividend quotation of KAS BANK N.V. depositary receipts
29 April 2014	- record date for determination of dividend entitlement
2 May 2014	- 2013 final dividend payable
28 August 2014	- publication of 2014 interim figures - analysts' meeting
29 August 2014	- ex-dividend quotation of KAS BANK N.V. depositary receipts
2 September 2014	- record date for determination of dividend entitlement
4 September 2014	- 2014 interim dividend payable
29 October 2014	- interim information: third quarter 2014

To the General Meeting of Shareholders,

We hereby present the annual report and financial statements for the 2012 financial year, as prepared by the Managing Board. The Supervisory Board discussed the 2012 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 2012 financial statements be adopted;
- the 2012 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 2012, the final dividend for 2012, 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 2012 and the members of the Supervisory Board for their supervision in 2012.

In our report, we inform you of the working method and activities of the Supervisory Board and its committees in 2012, how we have supervised the bank's policy and general course of affairs and the remuneration policy for the members of the Managing Board.

General

In view of the persistently difficult market conditions, 2012 was a relatively successful year for KAS BANK in which a good result was achieved, important strategic steps were taken and the core of the business was strengthened by a good focus on the three key areas: pension funds in the Netherlands, the German institutional market and European brokers. KAS BANK's position as an important independent player on the Dutch and European securities services market was further reinforced by the cooperation with dwpbank. The decision to maintain the low risk profile was very important for the bank's position as a specialised pure player in the securities industry.

The Supervisory Board ensured it was frequently and extensively informed on the state of affairs via regular reports and verbal updates. A brief explanation of some of the important issues discussed in the meetings of the Supervisory Board and its committees during the past year is given below.

The Supervisory Board also expresses its confidence in the organisation.

Important issues in 2012*Strategy*

Together with the Managing Board, the Supervisory Board looked extensively at KAS BANK's strategic options in a rapidly changing external force field. Different opportunities for cooperation and the potential diversification of the client base were considered over the past year. The impact on KAS BANK's most important stakeholders (the clients, employees, shareholders and government/regulators) was always explicitly taken into account.

The general conclusion was that the present strategy focused on independent growth in combination with efforts towards greater operational efficiency and a concentration on services that do not depend on scale is the right one in the current market conditions. The decision to focus the bank's commercial strategy on three key groups (pension funds in the Netherlands, the German institutional market and European brokers), to offer more added-value services and to achieve a stronger client base, for example by further exploring the possibilities of new acquisitions in Germany, is also very important. In connection with this, the commercial developments in the bank's core markets (the Netherlands, Germany and the United Kingdom) were also discussed at every meeting. In combination, these choices offer good opportunities for KAS BANK to grow further. This strategy does not rule

out cooperation with other parties to increase operational efficiency and expansion of the client base and the assets in custody as these too can contribute to the company's development and profitability.

Cooperation with dwpbank

A cooperation agreement was signed between KAS BANK and dwpbank on 26 September 2012. The parties plan to establish a central platform in Europe, starting in the Netherlands, for the processing of retail securities transactions. KAS BANK will also be able to strengthen its market position in Germany in relation to wholesale service provision to professional investors and KAS BANK's assets in custody will further increase.

The Supervisory Board regards this cooperation as strategic. It is an important step for KAS BANK in guaranteeing an independent future by working together with dwpbank to resolve the growing complexity caused by European developments and regulations, thus enabling operating costs to be structurally reduced and important added value for clients to be created. dwpbank gains access to the European market and the opportunity to offer its wholesale business in Germany on a broader scale. KAS BANK and dwpbank are both specialist and infrastructural players whose knowledge and substance complement each other. KAS BANK will acquire a fourth focus area, retail securities processing, or service provision to financial institutions with a retail client base.

The Supervisory Board has been closely involved in the preparations for this cooperation. A separate subcommittee, consisting of the Supervisory Board chairman and Supervisory Board members Icke and Teerlink, was created in order to properly guarantee the Supervisory Board's commitment and responsibility. The members met once every two to three weeks and reported on this discussion during the plenary meeting of the Supervisory Board. The Supervisory Board has also met periodically with the supervisory directors ('Aufsichtsrat') of dwpbank since the Memorandum of Understanding was signed in 2011.

The interests of all stakeholders were emphatically taken into account in the Supervisory Board's considerations. In relation to the shareholders, it was explicitly considered that the cooperation may not impede strategic opportunities in the future. The cooperation with dwpbank will create significant future opportunities for all the bank's stakeholders.

Corporate social responsibility

The Supervisory Board sees governance as a priority for KAS BANK in the context of corporate social responsibility. The Board regards good governance as a fundamental building block for sustainable growth and for a trusted and lasting relationship with stakeholders. As a 'governance bank', KAS BANK supports its clients by independently providing them with important and relevant information 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 fulfil its administrative and social responsibilities.

Clients and operations

The focus in KAS BANK's business model is the client's interest. KAS BANK sends a clear message to the market with its low risk profile, pure play business model and strong solvency and liquidity. This is an important reason why market parties choose to work with KAS BANK. A great deal of attention is also devoted to stable operations and close management of operational risks. The on-going financial unrest on the markets has prompted close attention to collateral management both at the bank and KAS BANK's clients.

KAS BANK has received a 'clean' ISAE 3402 Type 2 statement for the business and for IT. This statement is increasingly important from the perspective of the business as a control framework for the client. The starting point

is the testing of processes and the functioning of the controls, but there is also increasing emphasis on the management's being in control. For the ISAE 3402, the client is the focus: the client must be able to base its financial reporting on the data it receives from KAS BANK.

The Supervisory Board also monitors operations using the Managing Board dashboard. The dashboard contains all relevant management information so that insight into all key issues, developments and objectives at the bank can be obtained at a single glance.

The commercial progress in the home markets is a permanent point of attention at every meeting of the Supervisory Board. The Supervisory Board finds that despite the difficult market conditions, including the ongoing pressure on fees and the consolidation of institutional clients, KAS BANK's position is slowly but steadily improving.

Conduct and culture

De Nederlandsche Bank (DNB) has made conduct and culture at financial institutions one of its supervisory priorities. In DNB's opinion, conduct and culture largely determine the company's performance. The Supervisory Board supervised that the action points from DNB's single-item study into the role of conduct and culture in decision making, internal communication and internal culture are complied with. It is important that the interests of all stakeholders involved are explicitly identified and weighed in important decision-making processes; this consideration process must also be documented. The Supervisory Board has also tightened this up in its own decision making.

The aspect of culture also received extensive attention in the employee satisfaction survey conducted in 2012. In this context, the Supervisory Board advised that a medium-term plan on the expected developments in HR be prepared, citing clear objectives and priorities and concrete challenges. This would then be actively and openly communicated to the employees.

Conduct and culture are also focal points in the 'KAS BANK in gesprek' (KAS BANK in discussion) sessions where the issue is the subject of intensive discussion in small groups. Ultimately, all the bank's employees will participate in this. The Supervisory Board was given a presentation on this subject.

The internal culture and internal communication are also frequently discussed in the regular talks between supervisory board members and the Works Council.

Risk tolerance

Every year, the Supervisory Board discusses the policy concerning KAS BANK's risk tolerance with the Managing Board and the Chief Risk Officer. It is discussed whether there could be reasons for changing the bank's low risk tolerance.

The Supervisory Board reconfirmed the low risk profile for 2013. 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 service provision. 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 profile has a clear signalling function in the market.

Regulations for Sound Remuneration Policy

The regulations for sound remuneration policy focus on further management of the risks inherent in variable remuneration and apply to the whole banking sector. KAS BANK's remuneration policy was reviewed and adjusted in line with the regulations and approved by the Supervisory Board. The Managing Board's remuneration was also revised in line with the regulations and carried out in accordance with the regulations. Eightteen employees were designated as identified staff. Specific requirements concerning variable remuneration apply for the identified staff. The Managing Board are also considered identified staff.

In the Supervisory Board's opinion, also because of its business model and corporate culture, KAS BANK has remuneration for the senior management and employees that is properly balanced, a well thought-out bonus scheme for this group and no excessive bonuses or perverse incentives.

Permanent education

In 2012, the Supervisory Board followed a permanent education programme to further deepen its members' knowledge and understanding of the bank's key operations and the related risks. The objective was to arrive at the core of the business and reach a clear and simple description of the operational processes, whilst taking into account the position of all stakeholders. The common theme throughout the presentations was that the core of the operations is in fact to connect the client with the market and make the complex environment accessible and comprehensible for the client.

Senior management also regularly gives presentations during and in connection with the various meetings of the Supervisory Board and its committees.

Governance*Composition and working method of the Supervisory Board*

The Supervisory Board consists of six members. See pages 4 and 5 of the annual report for the members' personal details. 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 holds KAS BANK shares or options.

At its meetings and outside, the 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. The composition and duties of these three committees are described further on in this report. It has been decided not to institutionalise the strategic committee which guided the cooperation with dwpbank.

The members of the Supervisory Board retire by rotation. Supervisory Board member Frijns was due to retire by rotation in 2012. After careful consideration, the Supervisory Board nominated Mr Frijns for reappointment to the General Meeting of Shareholders, which reappointed Mr Frijns as supervisory board member on 25 April 2012. Neither the General Meeting of Shareholders nor the Works Council put forward any other candidates.

Supervisory Board members Lundqvist and Van der Meer are due to retire by rotation in 2013. Mr Lundqvist is not eligible for reappointment because he has served for the maximum term of 12 years. In order to fill the vacancy created by his departure, the profile for his replacement describes a person who has knowledge and experience in IT and risk. High priority is given to finding a female candidate. The Supervisory Board plans to put forward Ms P. Bieringa. She is an excellent candidate who matches the job profile well. More information on the candidate can be found on the agenda of the General Meeting of Shareholders which will be held on 24 April 2013.

Mr Van der Meer is eligible for reappointment for another four-year period and has announced that he is available for reappointment. The profile for his position calls for someone with knowledge and experience in risk management and control systems. The Supervisory Board plans to put forward Mr Van der Meer. He is an excellent candidate who matches the job profile well. More information on Mr van der Meer can be found on the agenda of the General Meeting of Shareholders which will be held on 24 April 2013.

Supervisory Board members Smit, Icke and Teerlink are due to retire by rotation in 2014. The full rotation schedule can be found on the company's website.

Managing Board

The Managing Board is not composed of at least 30 percent female members as set out in the Act on Management and Supervision [*Wet bestuur en toezicht*]. In order to increase gender diversity in the Managing Board in accordance with the Act, the company pays close attention to gender diversity in the profiles of new board members. In the event that candidates for new appointments to the Managing Board must be selected, the Supervisory Board will duly consider the relevant diversity standards and requirements for a listed company and specialised bank. Furthermore, the company encourages the development of female talents within the company, which has already led to the appointment of women in management positions.

Supervisory Board

The size and composition of the Supervisory Board and the combined education, experience, expertise and (gender) diversity is aimed 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 lead to a Supervisory Board in which one member will be female and five members are male as of 2013. The Supervisory Board realises that the current gender balance does not meet the requisite gender balance of 30% as promulgated in the Act on Management and Supervision. In order to increase gender diversity in the Supervisory Board, close attention will be paid to gender diversity in the profiles of new Supervisory Board candidates and the Supervisory Board will take the requirements for a better gender balance into account and will duly consider the relevant diversity standards and requirements for a listed company and specialised bank.

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 or familiarity with IT, 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 the members of the Supervisory Board have also 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.

Cooperation with the management

The Supervisory Board was once again very involved in the company's business in 2012. The chairmen of the Supervisory Board and Managing Board regularly have contact outside 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 the senior management both inside and outside meetings as well. The Supervisory Board will continue to talk with the bank's senior management on a structural basis, both in one-on-one talks and group meetings, formally and informally. This gives a good picture of the governance within the bank and is also important in succession planning.

Number of meetings

The Supervisory Board met with the Managing Board seven times in 2012 in accordance with the meeting schedule adopted. The Supervisory Board also met in the absence of the Managing Board on two occasions. The turnout at the meetings was 100%. Supervisory Board members twice participated in the Works Council's consultative meeting.

Self-evaluation by the Supervisory Board

The Supervisory Board evaluates its own performance annually. At the beginning of 2012 the evaluation (for the year 2011) was assisted by an external expert. At the beginning of 2013 the self-evaluation (for the year 2012) was done by the Supervisory Board itself. The main conclusions from the self-evaluation were:

- With regard to the Board's own performance, the Board has more of a grasp on the substance, more initiative and restrained 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.
- A permanent education session on the new legislation and regulations concerning capital and liquidity and the consequences of this will be organised.
- Partly in response to the employee survey, HR will receive more attention in the Supervisory Board meetings. The Appointments and Remuneration Committee will be responsible for preparations.
- The Supervisory Board found that it was not the time to review its own remuneration. A possible revision will be revisited next year.

Priority areas for 2013

The Supervisory Board has adopted a number of priorities for 2013, including human resources, the further development of Germany and the German organisation and attention for the commercial activities.

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 at the end of this report in the chapter 'Corporate governance', which also explains the bank's corporate governance structure. A discussion on corporate governance will be on the agenda of the forthcoming Annual General Meeting of Shareholders, during which the subject will be further explained.

Committees formed by the Supervisory Board

The Supervisory Board has formed three committees: the Risk Management Supervision Committee, the Audit Committee and the Appointments and Remuneration Committee. The Supervisory Board receives the minutes from every committee meeting. The chairmen of the committees report verbally on the discussions and recommendations from every meeting to the plenary meeting of the Supervisory Board.

The 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 risks, operational risks and Business Continuity Management. The Risk Management Supervision Committee consists of Supervisory Board members Van der Meer (chairman), Teerlink and Frijns. The committee met six times in 2012, which was appropriate given the turbulent times. The committee devoted a great deal of attention to the management's translation of the low risk profile into concrete risk limits and/or measures to mitigate operational, IT and outsourcing risks. The committee further 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 cooperation with dwpbank, compliance / reputation risk / amended legislation and regulations and ICAAP / stress testing. A recurring agenda item was also introduced whereby the Managing Board reports on the immediate future with reference to a KAS BANK-wide top ten risks list.

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, administrative and technical perspective. The quality and integrity of and decisions made in relation to the financial information provision, the role and functioning of the Internal Audit department and the relationship with the external auditor, especially its independence, are priorities in this committee's work. The Audit Committee consists of Supervisory Board members Icke (chairman), Van der Meer, Lundqvist and Smit.

The Audit Committee met three times in 2012. All meetings were attended by all the committee members. The external auditor also attended these meetings. The main items on the agenda were the annual and interim reporting, the developments in new legislation and regulations, the advisory report on the quality of internal control by the Internal Audit department and the audit report from the external auditor, the loss analyses, the Internal Audit department's mandate and the Internal Audit department's audit plan for the coming year. The bank's IT security was a point of attention from the audit report. The internal control surrounding the project-based preparation for the cooperation with dwpbank was also discussed.

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 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 Lundqvist (chairman), Icke and Smit.

The Committee met four times in 2012. The remuneration policy for the Managing Board was evaluated with an external expert. The variable remuneration for the Managing Board members was adopted and the individual performance of the Managing Board members was assessed. It was discussed how the granting and payment of variable remuneration to the Managing Board must take place in line with the Regulations on Sound Remuneration Policy (RBB). The remuneration policy for the bank as a whole and the way in which it is implemented was tested against the RBB.

Preliminary work was undertaken for filling the vacancies on the Supervisory Board in 2013, with great deal of attention to diversity, the job profile and suitability of the candidates. The remuneration policy for the Supervisory Board was discussed. A start was made on a policy for succession planning.

Principles of remuneration policy/remuneration report

The 2011 remuneration policy for the Managing Board, which was approved by the General Meeting of Shareholders in November 2010, 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 adopted policy on the recommendation of the Appointments and Remuneration Committee. The Supervisory Board is assisted by KAS BANK's Internal Audit department in determining the components of the variable remuneration.

Fixed salary

The fixed 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 ASX 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 fixed annual salary of the chairman of the Managing Board was set at EUR 390,000 and the fixed annual salary of the other members of the Managing Board was set at EUR 285,000 with effect from 1 January 2012. This is the policy level for the remuneration of the Managing Board adopted by the General Meeting of Shareholders. The Supervisory Board decided not to adjust the fixed salary of the Managing Board members as of 1 January 2013.

Short-term variable remuneration

The system for short-term variable remuneration came into effect on 1 January 2011. The annual short-term variable remuneration of members of the Managing Board is determined with reference to a number of performance criteria set by the Supervisory Board. Of these criteria, 70% are quantitative, in the form of KAS BANK's external financial targets, and 30% are qualitative, relating to strategy and risk. The quantitative criteria include the growth in income versus the growth in expenses, the efficiency ratio, the return on equity and the operational growth in earnings per share. In addition to the performance criteria, a personal rating of 0.8 to 1.2 is given at the Supervisory Board's discretion to reflect how effectively the individual has performed as a member of the Managing Board. The performance criteria are selected such that they do not encourage members of the Managing Board to act in their own interests or take risks that are inconsistent with the approved strategy.

For 'at target' performance, the variable remuneration for the members of the Managing Board is 41.67% of the salary under the approved remuneration policy. The maximum short-term variable remuneration is 50% of the fixed salary, which applies if 120% of the 'at target' performance is achieved. To determine the actual payment (between 0% and 50% of the fixed salary), bandwidths are set for the performance targets to be achieved with respect to the relevant criteria.

The short-term variable remuneration for 2012 is assessed in accordance with the 2011 remuneration policy. With regard to the quantitative criteria the targets for return on equity, growth in income versus growth in expenses and growth in earnings per share were met. The target for efficiency ratio was not met. The qualitative criteria for 2012 related mainly to strategic development and risk control. On these criteria, the Managing Board's performance was 'at target'.

Based on these results, the Supervisory Board determined the short-term variable remuneration for 2012 and granted the Managing Board members short-term variable remuneration of 41.7% of their fixed salary.

Long-term variable remuneration

The new system for long-term variable remuneration came into force on 1 January 2010. Under the new system, the long-term variable remuneration may consist exclusively of shares which are granted unconditionally only after three years, if certain performance criteria are met. The long-term variable remuneration is calculated on the basis of three performance measures: earnings per share, total shareholder return (TSR) relative to the AScX Index and TSR relative to the Stoxx Europe 600 Banks Index.

The system used to determine the performance targets for growth in earnings per share is based on a bandwidth which is consistent with the bank's risk profile and takes into account the dividend policy and payout percentage. The system used to determine the performance targets for TSR is based on a bandwidth relative to the AScX Index and Stoxx Europe 600 Banks Index. TSR performance is 'at target' if it matches the chosen indices. The 'at target' bandwidth is from 80 to 120 percentage points of the target.

If 'at target' performance is achieved, the members of the Managing Board receive 25% of their fixed salary. The maximum long-term variable remuneration is 50% of fixed salary. Any exceptional results are discounted.

For the long-term variable remuneration for the 2010 - 2012 period, a number of shares were conditionally granted to the Managing Board at the beginning of the period, assuming 'at target' performance at the end of this period. The numbers were based on the percentage of 25% of the fixed salary in line with the remuneration policy for the Managing Board. The Supervisory Board assessed the performance over this 3-year period and determined that the three performance criteria for the long-term variable remuneration were not met. Therefore no long term-variable remuneration for the 2010-2012 period was granted. This does not result in any unconditional granting of shares for this period.

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 also 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 2012 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, 28 February 2013

The Supervisory Board:

R. Smit, chairman

J.M.G. Frijns, vice-chairman

A.H. Lundqvist

R.A.H. van der Meer

R. Icke

R. Teerlink

Results

Net result increased by 52% in 2012 to EUR 15.5 million (2011: EUR 10.2 million). The contribution to the profit of non-operating items increased from EUR 2.2 million in 2011 to EUR 6.9 million in 2012. Operating profit increased by 7% to EUR 8.6 million (2011: EUR 8.0 million).

Total income increased by 2% to EUR 117.7 million (2011: EUR 115.3 million) as a result of an increase in fee and commission income by 2% to EUR 69.7 million (2011: EUR 68.1 million) and an increase in the result on investments of EUR 6.8 million to EUR 15.9 million (2011: EUR 9.1 million). The decrease in interest income and other income limited the increase in total income. Interest income decreased by 11% to EUR 24.6 million (2011: EUR 27.5 million) as a result of the lower market rate of interest. Other income decreased from EUR 10.6 million in 2011 to EUR 7.6 million in 2012 because of lower incidental income.

Total operating expenses decreased by 3% to EUR 96.6 million (2011: EUR 100.0 million).

The contribution to the profit of non-operating items in 2012, as was the case in 2011, consisted mainly of changes in values of securities in the investment portfolio, (the reversal of) impairments and incidental contractual income.

The return on equity was 9% in 2012 (2011: 6%) and the efficiency ratio improved from 85% in 2011 to 83% in 2012.

Solvency

KAS BANK's low risk profile is reflected in the quality of the balance sheet and the high solvency ratio. The average BIS ratio in 2012 was equal to 21% (2011: 23%). At the end of 2012, the BIS ratio was 23% (at the end of 2011: 26%) and the Tier 1 ratio was 22% (at the end of 2011: 24%).

Income

Income increased by 2% in 2012 to EUR 117.7 million (2011: EUR 115.3 million). Higher fee and commission income and returns on investments were to an extent offset by a lower interest result and other income.

<i>In millions of euros</i>	2012	2011	change	%
Interest	24.6	27.5	-2.9	-11%
Fee and commission	69.7	68.1	1.6	2%
Result on investments	15.9	9.1	6.8	74%
Other income	7.6	10.6	-3.0	-29%
Total income	117.7	115.3	2.4	2%

Interest income decreased by 11% to EUR 24.6 million (2011: EUR 27.5 million) due to lower margins as a result of the lower short euro market rate of interest.

Fee and commission income increased by 2% to EUR 69.7 million (2011: EUR 68.1 million).

Breakdown of fee and commission income

<i>In millions of euros</i>	2012	2011	change	%
Asset Servicing	44.2	41.5	2.7	7%
Transaction Servicing	16.9	20.2	-3.3	-16%
Other commissions	8.6	6.4	2.2	34%
Total commission	69.7	68.1	1.6	2%

Asset servicing fee and commission income increased partly as a result of an increase in the Assets under Administration with 7% to EUR 44.2 million (2011: EUR 41.5 million). The Assets under Administration increased by 10% to EUR 303 billion as at the end of 2012 (at the end of 2011: EUR 276 billion). The 16% decrease in transaction servicing fee and commission income to EUR 16.9 million (2011: EUR 20.2 million) is the result of lower clearing and settlement income. The increase in other fees and commission income is the result of higher income from laborious transactions.

The result on investments increased from EUR 9.1 million in 2011 to EUR 15.9 million in 2012.

Breakdown of result on investments

<i>In millions of euros</i>	2012	2011	change	%
Trading - foreign exchange transactions	10.4	10.5	-0.1	-1%
Trading - securities and derivatives	0.6	-3.5	4.1	118%
Investments - investment portfolio	4.9	2.1	2.8	131%
Result on investments	15.9	9.1	6.8	74%

Client-driven foreign currency transactions constitute the largest component of the investments result. Amounting to EUR 10.4 million, this component remained virtually the same in 2012 (2011: EUR 10.5 million). The increase in the investments result was caused by price rises of a number of bonds to which impairments were applied in 2008 and a higher trading result on securities and derivatives.

Other income decreased by EUR 3 million to EUR 7.6 million (2011: EUR 10.6 million) as a result of lower incidental contractual income.

Operating expenses

<i>In millions of euros</i>	2012	2011	change	%
Personnel expenses	62.4	62.6	-0.2	0%
Housing	3.5	3.6	-0.1	-2%
Information technology	16.1	14.1	2.0	14%
General and administrative expenses	8.8	10.4	-1.6	-15%
Depreciation/amortisation	6.5	7.2	-0.7	-10%
Total operating expenses - normal	97.3	97.9	-0.6	-1%
Impairment losses	-0.7	2.1	-2.8	-131%
Total operating expenses	96.6	100.0	-3.4	-3%

Operating expenses (excluding impairments, but including once-only additional costs for the partnership with dwpbank) decreased by 1% in 2012 to EUR 97.3 million (2011: EUR 97.9 million). The increase in IT costs and decrease in general costs are partly the result of a shift of costs based on a changed classification.

Impairment losses

Impairments mainly relate to (the reversal of) loans and goodwill. On balance, the positive effect of impairments on the 2012 result amounted to EUR 0.7 million (in 2011: negative EUR 2.1 million).

Quality of the investment portfolio

The table below shows the securities of the investment portfolio that are investments available for sale, investments at fair value through profit or loss and investments held to maturity according to credit rating (Moody's Investor Services).

<i>In millions of euros</i>	31 Dec. 2012	Percentage of portfolio	31 Dec. 2011	Percentage of portfolio
Aaa - Aa3	902	84%	1,288	96%
A1 - A3	60	6%	17	1%
Baa1 - Baa3	104	9%	39	3%
P1 - P2	-	0%	-	0%
Shares	6	1%	6	0%
Total	1,073	100%	1,350	100%

At the end of 2012, 90% of the investments had a credit rating of A3 or higher (at the end of 2011: 97%).

Risk-weighted value of the assets

<i>In millions of euros</i>	Carrying amount as at 31/12/2012	Risk-weighted value 2012	Carrying amount as at 31/12/2011	Risk-weighted value 2011
Due from banks	1,458.7	221.5	517.6	84.8
Loans	1,357.8	39.0	1,435.2	36.9
Reverse repurchase agreements	582.1	0.1	656.1	0.7
Derivative financial instruments	258.1	29.3	154.2	65.0
Financial assets designated at fair value	50.4	-	181.9	-
Financial investments available-for-sale	1,011.6	148.0	1,168.3	117.6
Financial investments held-to-maturity	10.6	-	-	-
Other assets	472.0	68.9	1,232.0	77.3
	5,201.5	506.9	5,345.3	382.4
Off-balance sheet exposure	37.5	260.3	52.6	313.5
Total of the risk-weighted items		767.2		695.9
	2012	BIS 2012	2011	BIS 2011
Tier 1	165.2	22%	164.3	24%
Tier 2	11.4		14.1	
Total BIS	176.6	23%	178.4	26%

KAS BANK's low risk profile is reflected by the high solvency ratio, which remained the same in 2012. The average BIS ratio in 2012 was equal to 21% (2011: 23%). The decrease in the BIS ratio as at the end of 2012 (23%) relative to the end of 2011 (26%) was mainly caused by an increase in the weighted assets of interbank investments in combination with a minor decrease in regulatory capital.

Liquidity

The table below shows the cash flows (not discounted) for the financial assets based on the contractual maturity date.

<i>Maturity calendar as at year-end 2012 In percentages</i>	On demand	< = 3 months	< = 1 year	< = 5 year	> 5 year	Maturity not applicable	Total
Banks, loans and other financial assets	63%	35%	1%	2%	0%	0%	100%
Financial investments available-for-sale	0%	8%	10%	68%	13%	1%	100%
Total financial assets	50%	29%	3%	16%	3%	0%	100%

<i>Maturity calendar as at year-end 2011 In percentages</i>	On demand	< = 3 months	< = 1 year	< = 5 year	> 5 year	Maturity not applicable	Total
Banks, loans and other financial assets	46%	50%	1%	0%	3%	0%	100%
Financial investments available-for-sale	0%	11%	8%	59%	22%	0%	100%
Total financial assets	35%	41%	3%	14%	7%	0%	100%

The high level of liquidity is shown by the fact that, as at the end of 2012, 79% of investments had a maximum term of three months (at the end of 2011: 76%).

The average liquidity surplus based on the Financial Supervision Act [*Wet financieel toezicht*] was EUR 1.5 billion in the fourth quarter of 2012 (fourth quarter of 2011: EUR 1.5 billion).

Strategy and objectives

The continuous change proceeding from European regulation - primarily aimed at further improvement of the governance and transparency of the business models of financial institutions and the protection of both investors and consumers - introduces growing and unwanted complexity. This growing complexity has a significant impact on the needs of financial investors and traders and their access to the financial markets. Financial institutions will therefore continue to reconsider their business models and core activities and the reduction of operational costs along the whole value chain. As a result, a further consolidation will take place in the European financial sector, including the pension industry.

For financial institutions, the growing number of European and national regulations entails high investments for the timely implementation in their IT and infrastructural operational systems. An increasing number of financial institutions are therefore being forced to seriously reconsider the future of their securities business. Outsourcing securities processing-related activities is a good way to reduce the fixed costs of IT and infrastructure systems, whilst becoming more 'in control' of the entity's own internal organisation. This development gives KAS BANK great potential to further insource financial institutions' non-core activities. This is particularly the case for the insourcing of processing activities in the back office.

Worldwide there is a tendency towards de-globalisation. This involves a shifting competitive environment where an increasing part of profits will be generated in infrastructure supporting clearing, collateral management and service delivery. Distribution and operational scope will become more important than financial leverage and trading prowess. This tendency will also lead to further focus on core activities and specialisation within the European financial sector.

These tendencies create opportunities for KAS BANK to strengthen its business position in Europe. Our pure play strategy, low risk profile, high risk awareness throughout our entire organisation as well as our traditionally conservative attitude tie in well with the developments in new primary and secondary legislation for banks and financial institutions in the Netherlands and Europe.

KAS BANK bridges the gap between the financial markets and our client's developing agenda and needs by translating market standards and requirements into client relevancy, thereby minimising market complexity and creating added value for both KAS BANK and our clients.

In this process, client intimacy will become even more important. In the aftermath of the credit crunch, we expect greater recognition of the value of services provided by an institution which is close to home, has local expertise and is in control in its own legal and fiscal environment.

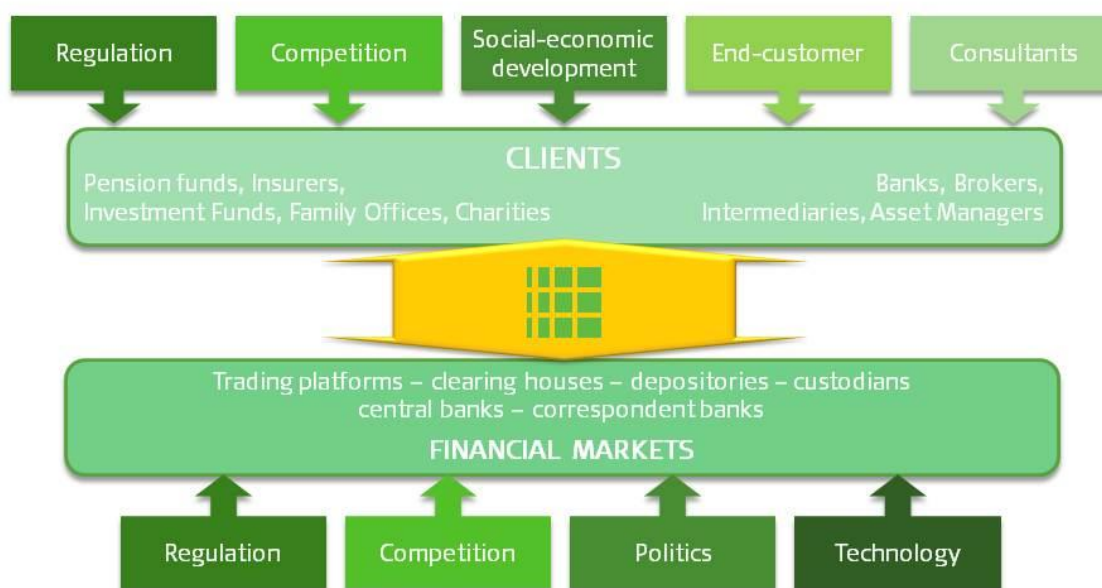
Trends

Client business models are under regulatory and economic pressure. Basel III forces commercial banks to cut costs, leading to outsourcing of non-core activities like securities back-offices. Wholesale banks move towards

network models. Pension funds are professionalising their boards in the areas of governance, risk and control. They are also focusing on cost control, transparency and consolidation. Insurance companies face increased reporting standards, e.g. Solvency II. Brokers and asset managers are pressured to outsource administrative functions. European regulations like EMIR, Solvency II and AIFMD generate important changes in collateral management and (local) safekeeping.

Connect traders, investors and markets in a volatile world

Bridging complexity; allowing focus on core



7

KAS BANK
COMMITTED SINCE 1808

The European Solvency II directive for insurers comes into effect on 1 January 2014 (a deferral of the implementation date to 1 January 2015 has been proposed by the European Commission. A final resolution had not been reached up to the publication date of this Annual Report). Solvency II reflects new risk management practices to define required capital and manage risk. With Solvency II, for the first time insurers will be subject to the same economic and risk-based solvency requirements as other financial institutions. As a consequence, adequate internal risk management will become even more important for insurers.

Together with our clients and the markets, KAS BANK is constantly developing innovative solutions to absorb the growing complexity due to Solvency II. Our risk management products and services related to performance measurement, risk management and reporting to the regulator constitute a solid basis for our clients to satisfy the requirements stipulated by Solvency II.

The trade in derivative financial instruments and the lack of supervision on this trade are widely seen as a significant cause of the financial crisis. In response, the global OTC derivatives market will be more tightly regulated as of 2014. In Europe, this has been formalised in the European Market Infrastructure Regulation ('EMIR'). EMIR should achieve more transparency in the trade in derivative financial instruments. The regulation requires trading parties to clear standardised OTC contracts centrally and to trade via trading platforms for

standardised OTC derivatives (where possible). All OTC derivatives must be notified to trade repositories. This can tackle both the operational risks and the trading costs in this segment of the market. KAS BANK has anticipated this with updated derivatives service provision under EMIR and the development of a Derivatives Risk platform.

Another European Directive with far reaching consequences is the Alternative Investment Fund Managers Directive ('AIFMD'). The AIFMD has such a wide scope that managers of virtually all types of Alternative Investment Funds will fall under its reach. It also obliges almost all European investment fund managers of non-UCITS investment funds for professional investors to obtain a licence and appoint an independent AIFMD Depository. The role and task of the depository will also change significantly. It will be responsible for the monitoring and supervisory duties with respect to the manager of the investment scheme and the custody of the assets, for example.

The AIFMD opens up new markets for investment funds in Europe. Together with both our existing and new clients, KAS BANK is developing new services as AIFMD Depository for investment funds through our subsidiary KAS Trust B.V. As a result, we expect to play an important role as AIFMD Depository for investment funds in Europe.

Network bank: bridging clients and markets

KAS BANK responds to the larger trend towards a bank-to-bank network model through a network of partners and participations. This network widens our scope and commercial reach whilst avoiding scale and cost issues. This transformation into a network bank intermediating selected third party products in a complete offering leads to increased sustainability and positioning of KAS BANK in the Netherlands and Europe.

Our partnership with dwpbank perfectly fits into our network model. A joint venture with dwpbank has been established to offer high volume retail securities processing services to Dutch banks and other financial institutions. Our joint European securities processing platform offers KAS BANK operational scale and adds a fourth focus area to our range of services: servicing retail clients. Both parties are fully committed to this European partnership.

Client intimacy

Brokers and institutional investors increasingly demand service enhancements and tailored products to fit their specific needs. Although these (groups of) clients represent a significant value, they are clearly being overlooked by the majority of the existing service providers. In order to ensure that this value is captured by KAS BANK for the benefit of its stakeholders, KAS BANK has a business model which is centred around client intimacy. Our strategic course of action focuses on how to structure the organisation to best accommodate this value discipline.

To increase client intimacy, KAS BANK constantly improves its ability to identify special client needs and to match products and services accordingly. Being client-centred means choosing quality of service provision above scale. This makes us appealing to new clients looking for a different service level.

The focus on our core values is increasingly paying off. Clients and prospects see our bank as an organisation that combines quick manoeuvrability with reliability, transparency, and knowledge of and commitment to the client's specific business. Clients particularly appreciate the fact that KAS BANK is close to its clients, both in the Netherlands and the rest of Europe. This is reflected, among other things, in the rise in the average client rating in 2012 compared to 2011.

Outsourcing our operational processes to dwpbank will allow us to devote more time and resources to further expanding our added-value services for institutional investors, banks and brokers. In our constant endeavour to achieve operational excellence, changes to primary and secondary legislation are implemented in our services as quickly as possible.

Asset administration

European asset administrators are slowly but surely finding their own identity within the securities services value chain. In-house administrators - consisting of a large group of existing asset managers and institutional investors - struggle with economies of scale. They are looking for solutions to increase their scale or lower their costs. KAS BANK offers a full service concept to meet the asset administrator needs. Three million participants of pension funds already rely on the accuracy of our administrative services. We are striving to become the Dutch market leader in asset administrations.

European broker services

Under EMIR, market participants must designate a clearing member who is a member of the preferred Central Counterparty (CCP). For this, KAS BANK offers a full EMIR derivatives clearing service as well as risk management services with respect to non-cleared OTC derivative transactions. This service provides opportunities for both pension funds and insurers to benefit from EMIR.

In November 2012, we strengthened our position in the European infrastructure through a participation in the Swedish execution service provider Neonet. This step enables KAS BANK to further develop its post-trade securities services in anticipation of the increasing requirements of transparency and best-execution under European Directive MiFID II, which is expected to come into force next year.

Germany

The German institutional market is increasingly important for the long-term growth of KAS BANK. German financial institutions want to improve their wholesale securities services to institutional parties inside and outside Germany. In that context, KAS BANK is further developing its wholesale and network management services for the German market in cooperation with our German partner dwpbank. We expect the first results of this service in the summer of 2013 with the transition of a considerable portfolio of Assets under Administration to KAS BANK.

Tactical approach

* Focus on wholesale securities services	<ul style="list-style-type: none"> • pure player; independent • specialised in administrative services; no active asset management • traders and investors serviced under one roof • trading solely at the expense of third parties; no active trading for own account
* New focus area: retail securities processing services	<ul style="list-style-type: none"> • standardised securities processing for retail banks • central securities processing platform for retail banks in the Netherlands and Europe
* Focus on core values and services	<ul style="list-style-type: none"> • professional and transparent; expertise workforce • low risk; high risk awareness • operational excellence; management 'in control'

* Client intimacy	<ul style="list-style-type: none"> • better integration with clients by focusing on securities specialism; no conflict of interest with our clients' activities • client interest and client satisfaction is the priority • product development in cooperation with clients and the market; thought leadership • tailoring to client needs
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Financial targets

KAS BANK publishes its longer-term financial targets each year. These 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.

Ratio	Standard	2012	2011
Growth in income versus growth in expenses*	≥3%	3%	-2%
Efficiency ratio*	70-77%	83%	85%
Return on equity**	10-yr interest rate + 5-8%	9%	6%
Growth in earnings per share	>8%	51%	-45%
Dividend pay-out	60-80%	60%	71%
Solvency (av.) BIS ratio	Basel ≥13.5%	21%	23%

* Excluding impairment losses

** 10-year interest rate for 2012: 2.0%, 2011: 3.0%

The financial targets confirm KAS BANK's low risk tolerance. A relatively high BIS ratio, a realistic return for the shareholders and a growth target that is related to the trend in expenses mean that KAS BANK is able to prevent undesirable incentives distorting the relationship between growth, risk and return.

Risk control and monitoring systems

KAS BANK has a low risk tolerance. This low risk tolerance is a central part of the strategic positioning of KAS BANK safekeeping, transferring and financing the assets of its clients. A low risk tolerance fits the needs of all stakeholders: shareholder value is protected, employees are committed for the long-term, regulators aim for stability, as well as the other players in the Dutch and global financial infrastructure to which KAS BANK belongs.

In 2012, the Managing Board reaffirmed the low risk tolerance and the Supervisory Board endorsed it unanimously after a discussion with the Managing Board. KAS BANK manages its low risk tolerance on three related but distinguished levels: the strategic level, the level of the prudential risk categories and the level of liquidity and capital management.

At a strategic level, developments in the business model and activities are checked against the low risk tolerance. Special attention is given to new ventures, product development and large projects. In 2012, central supervision of projects was improved in the Project Portfolio Management Committee and Department, allowing centralised and formalised risk checks on all projects.

At the level of the prudential risk categories, the low risk tolerance is translated into quantitative and qualitative

limits and guidelines for the different risk types facing the institution, in descending order of significance: counterparty credit risk, operational risk (including ICT and legal risks), market and investment risk, balance sheet mismatch including liquidity and compliance and reputational risk. In 2012, limits and haircuts were continuously scrutinised and back tested against market conditions and for the trading and investment portfolio VaR type measures were complemented by stress tests.

Qualitative and quantitative information on KAS BANK's exposure to credit risk, market risk, liquidity risk, operating risk and compliance risk can be found in the 'Risk management' section. This section also discusses the purposes of and the principles and procedures used in measuring and controlling these risks. Continued efforts in 2012 in the area of remuneration deserve a separate mention. Again the Individual Performance Contracts (IPCs) of all staff were checked for incentives inconsistent with the low risk tolerance, and for finding the right balance between client needs, commercial needs and risk considerations. Risk and compliance checks are independently applied to variable pay.

Finally, as part of liquidity and capital management, the low risk tolerance guides the sizing of minimum buffers as well as the setting of trigger levels for intervention. After all, maintaining a high level of liquidity and a generous capital buffer, even in difficult conditions, is essential for our role as custodian. With an average BIS ratio of above 20%, capitalisation remained well above the regulatory minimum throughout the year. With regard to liquidity, regulatory requirements were satisfied and the internally set liquidity buffer requirement was satisfied throughout the year. As in the preceding years, in 2012 KAS BANK saw an inflow of cash in times of uncertainty and we are grateful for the continued trust of our clients.

As from 2014, the current Capital Requirement Directive (CRD) based on the Basel II regulations will be superseded by CRD IV, based on Basel III. The transition period from the current CRD/Basel II to CRD IV/Basel III is expected to run until 2021. KAS BANK monitors the CRD IV/Basel III rules extensively within a multi focus group with representatives of Risk Management, Treasury, Legal and Finance. If applicable, internal policies and business adoption to the new rules have been started. Internal reporting of the CRD IV/Basel III ratios to the responsible management levels and the Asset & Liability Committee is already common as from 2010. Furthermore KAS BANK reports their CRD IV/Basel III outcomes – based on the Quantitative Impact Study templates – to the Dutch Central Bank semi-annually. The internal process to implement the new rules is on track.

Risk governance at KAS BANK is based on the three lines of defence model, which is considered best practice. The first line consists of the operational and commercial functions and senior management, who are responsible for the result as well as for running the risks needed to obtain these results. The second line comprises a number of staff departments (including the central Risk Management department), which perform advisory and monitoring functions. The third is the Internal Audit department, which performs an independent checking and auditing function.

Risk policy is determined by the bank's Risk Management Committee (RBC) and balance sheet policy is implemented by the Asset & Liability Committee (ALCO). In 2012, the multidisciplinary Committee in Control (CiC) completed its first full year of operation, with a focus on the standardisation of and control on internal processes, as well as following trends and developments in the broader environment. The Audit and Risk Management Supervision Committees of the Supervisory Board monitor compliance with KAS BANK's risk management policy and risk procedures.

Financial reporting risks

KAS BANK reports in accordance with International Financial Reporting Standards (IFRS), as adopted within the European Union. Continuous improvement of financial and risk management information is kept under constant review 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 with (a delegation from) the Supervisory Board also takes place in the Risk Management Supervision Committee.

Environmental factors and developments

In 2012, the credit crisis from 2008 entered its next stages: from banking crisis to sovereign debt crisis and macro-economic recession, with major concerns for the stability of the Eurozone and especially for the position of the peripheral economies. After many debates concerning a potential collapse of the Euro zone, the situation stabilised in the second half of the year after the announcement by the ECB of the Outright Monetary Transactions (OMT) in early August. However, the successful policy response created its own challenges with an environment of low interest rates. The long-term consequences of this remain to be seen, putting pressure on the earnings model of many banks and reigniting a hunt for yield similar to the one observed in 2003-2007, the run-up to the credit crisis. Combined with low trading volumes and volatile fund inflows, these create a challenging environment for our clients as well as for KAS BANK.

The risk response at the institution has been increased scrutiny of the sovereign exposures in the investment portfolio, allowing no direct exposure to the GIIPS countries. The KAS BANK credit policy of no uncollateralised exposure was strictly enforced, with increased attention to quality and diversification of collateral. Scenario analysis and simulations were performed with respect to undesirable events in the sovereign, economic and financial intermediary context. Additional internal stress tests were introduced.

At a more strategic level, KAS BANK has been gradually reducing its cyclical dependence on the financial sector in general and on trading volumes and market prices in particular. In that context, the bank is further expanding its non-cyclical services (administration, reporting, specific treasury services). The demographic trends combined with heightened economic uncertainty are expected to translate into higher levels of savings rate and asset growth in the market as a whole.

The landscape for the basic services of custody, clearing and settlement are consolidating and the margins are under pressure. Our cooperation with the German specialist dwpbank will enable KAS BANK to achieve economies of scale in the operational processing of securities transactions and to introduce a variable cost basis in this area. It will also allow KAS BANK to further strengthen its franchise in Germany and broaden its base as a custodian and administrator through the transfer of additional assets.

The growing pressure of rules promulgated by regulators and legislators is adding to the administrative burden. However, these new rules also apply to our clients, creating opportunities for us to offer solutions to facilitate compliance.

2012 in retrospect

General

KAS BANK primarily focuses on institutional investors and financial institutions in Europe, with the Netherlands, the United Kingdom and Germany as core markets. Our clients can be divided into six groups: pension funds (including their clients, such as savers, and their administrative organisations), insurance companies, investment funds, asset managers, banks and brokers.

Our services are divided into *Asset servicing* (custody and management of securities, including administration, valuation, risk monitoring and risk management), *Transaction servicing* (supporting the settlement of securities transactions in the broadest sense), and *Treasury*. A new *Retail* division will be set up in 2013 for the administration and processing of securities transactions of retail banks and other financial institutions and their underlying clients.

All activities are managed from Amsterdam. The primary function of the offices in London and Wiesbaden is to provide commercial support to institutional investors and financial institutions. Our direct European network, together with our worldwide network of almost 100 correspondent banks, guarantees high quality global custody services in the countries outside our core markets.

The uncertain financial markets and long-term negative sentiment on the European securities markets are still bothering KAS BANK. Across the board, the commission income from stock market-related activities is decreasing as a result of the significant decline in volumes on the international stock markets. The sustained low interest rate has also been a negative factor for the bank.

Under these circumstances, KAS BANK performed well in 2012. Progress was made in all three focal areas in the past year. The number of clients increased on balance, as did the total assets under administration.

Our services and internal processes are continuously improved by making our workflow management better. With the outsourcing of our securities processing to dwpbank, we can focus even more on our core activities. We will continue to invest in our asset servicing and treasury systems and the expertise of our workforce.

Client value first

The market clearly appreciated our focus on securities and related service provision during this past year. In May, KAS BANK was voted 'Custodian of the Year 2012' for its outstanding performance within the financial industry. This accolade was based on, amongst other attributes, KAS BANK's approach to innovation and client focus. In November, we received two awards at the European Custody Risk Awards in London. The 'Technology Innovation of the Year' award was given for our Pension Fund Monitor app, which, according to the judging panel, started a revolution in the pension funds industry by responding to the need of administrators for real time management information. With the 'Custodian of the Year – The Netherlands' award, KAS BANK was praised for its pure-play strategy as an essential part of its business model. Its low-risk profile is recognised and valued by its clients.

Our focus on client value first also finds expression in our thought leadership activities. We use reference groups and other meetings to bridge the gap between the client and the changing market environment in which it operates. Suggestions for improving or expanding our range of services are actively investigated. This drives our service levels even higher.

Asset servicing

Due to the ongoing consolidation of Dutch pension funds, we are developing a full service concept comprising risk monitoring services as well as Solvency II services for insurers and added value services like 'look through' services for investment fund assets and cost transparency reports for pension funds. Pension fund administrators are also increasingly picking up their monitoring task with respect to the pension fund and the (external) asset manager(s). KAS BANK is meeting the need for independent management information with its risk monitoring services and supplementary (management) reporting which focuses on the objective 'in control' status of pension funds and insurers.

Discussions in the pension industry on cost transparency have prompted a need to provide all stakeholders with better insight into the costs related to the investments. We actively contribute to the desired transparency by providing institutional investors independent insight into the different cost components of their investment portfolio and the costs of asset management. In doing so, we use the starting points of the Federation of the Dutch Pension Funds and De Nederlandsche Bank.

The available universe which brings together all pension funds gives participating pension funds the opportunity to compare themselves to others in terms of cost levels. The pension fund administrators can use the information on implementation costs to take decisions on the investment policy, for example, and to evaluate (external) asset managers.

As a Pension Custodian, we meet the need of Premium Pension Institutions ('Premiepensioeninstelling', PPI) for independent supervision, transparency and risk management. By the end of 2012, ten PPIs were active in the Dutch market. We therefore continue to have high expectations for PPIs as the Dutch answer to opening up the European borders for pension scheme providers.

Transaction servicing

Our partnership with dwpbank has a big impact on Transaction Servicing. Throughout 2012, the consequences for our clients and operations have been analysed. This will continue in 2013 and we will further develop our partnership with dwpbank in the field of network management and Global Custody services.

Much attention was directed at the implementation of new rules and regulations of which the Financial Transaction Tax and FATCA are the most time consuming. Furthermore, steps were taken to prepare KAS BANK for the change-over to the new European payment procedures within the European Single Euro Payments Area (SEPA).

Within the framework of KAS BANK's strategy to bridge clients and markets, we have upgraded our Global Fund services to a portal for the processing of hedge and mutual funds, thereby minimising market complexity. In our role as 'Trusted administrator' for European brokers, we can strengthen our long-term relationship with brokers. Furthermore, we can now offer Direct Market Access (DMA) to all European markets through our Swedish network partner Neonet.

Treasury

Volumes in forex and money markets orders are still under pressure. Securities lending remained at its present levels. KAS BANK's excess liquidity due to the long-term refinancing operations (LTRO) negatively influences interest, thus affecting KAS BANK's profit and loss.

KAS BANK German Branch

The forecasted business growth in the German KAG market was somewhat behind in 2012 due to difficult market conditions. As a result KAS BANK has written down the capitalised goodwill of KAS Investment Servicing

(KIS) fully. The existing client base of KIS remained stable and KAS BANK strengthened its commercial team for further business growth in the coming years.

Within the Financial Institutions segment, we see an increased demand for specialised providers like KAS BANK, acting as an alternative to the existing local providers. At an operational level, we continued to focus on efficiency within the Depotbank and KAS Investment Servicing by further increasing the degree of automation locally and in conjunction with KAS BANK in Amsterdam. The cooperation with dwpbank gained momentum by offering wholesale services and network management services to both dwpbank clients and institutional clients in Germany. Teams from both organisations work closely together to define and build product sets, tailored to the needs of the dwpbank client base.

KAS BANK UK Branch

Throughout 2012, KAS BANK UK Branch further expanded its product range. Within Financial Institutions, we have continued to see the demand for Model B Clearing and Settlement Services and an increased requirement to clear OTC products via Central counterparties in the light of EMIR regulations. In the UK, we also established a separate FSA regulated company, KAS Securities Ltd, in order to enable KAS BANK to clear and settle on-exchange agency transactions. This completes the Model B service offering. To complement our Model B service offering, we have further developed our Broker Services back office solution for which we have seen heightened demand.

During 2012, UK pension funds experienced unprecedented pressures in relation to cost management and transparency. KAS BANK responded to these requirements and, in collaboration with our clients, capitalised on our sophisticated app and dashboard to deliver our cost transparency model. Through its collaborations, KAS BANK UK has grown its existing relationships and associated assets under custody, whilst entering into new partnerships.

Internal organisation

For the period January to October 2012, we once again received a 'clean' ISAE 3402 Type 2 report for Transaction Servicing, Asset Servicing and Treasury from the independent auditor. The ISAE 3402 Type 2 report for IT General Controls gave the same rating.

A great deal of attention was devoted to information security for the bank's IT processes. This continues to be a priority in 2013, also given the broad public attention to this topic.

Risk management

An overall Risk Management Framework is in place, with dedicated frameworks for the main risk categories. In the Risk Management department, the ICT risk management function was further strengthened with the appointment of a Coordinating Information Security Officer (CISO) and an ICT compliance officer.

The credit risk management process is improved continuously. For example, advance conditions are automatically updated based on market developments. The acceptance procedure for new clients was also updated. Increased attention is now paid to the commercial fit of a new prospect in KAS BANK's low risk profile.

Human Resources

Employment in the Dutch financial sector is under pressure. At KAS BANK, the number of employees was virtually unchanged, however, anticipating the growth of KAS BANK in the coming years.

In 2012, KAS BANK has launched its 'management community', consisting of all KAS BANK managers. This

community, as a whole and in subgroups, meets on a regular basis to discuss actual and relevant management topics, such as management development and employee relations.

An Employee Satisfaction Survey was held in October. The survey was supported by a professional external party that independently reported on the outcomes to KAS BANK. The outcomes of the survey (with a response rate of 85%) have been used by managers in the dialogue with their teams to further articulate what can be done both to use the strengths of the company and to focus on areas that need further improvement.

Corporate Social Responsibility

KAS BANK feels that sustainable business and corporate social responsibility are important priorities and believes it has a clear role to play in this respect. Our sustainability policy relies on five pillars: good governance, the client's interest first, good employment practices, social commitment and environmental awareness with a responsible purchasing policy.

Alongside good governance in our own entity, we also promote good governance at our clients via our independent reports on risks, benchmarking, costs and other key information relating to their investments. These asset-servicing products enable our clients to take decisions on the basis of adequate information.

The client and the service provision to the client are focal points throughout the bank. We expect our employees to be familiar with our client's concerns and with how and where we can support them using tailored solutions customised to their needs. We also conduct an active dialogue with all our stakeholders as the basis for a long-term commitment to KAS BANK.

KAS BANK endorses the UN Principles for Responsible Investment. We support our clients in implementing their policy for socially responsible investing via our Sustainability Risk Screening service. When outsourcing our own activities, we explicitly look at the CSR policy of the various providers, in particular with regard to the environment. When purchasing office supplies and other equipment, we investigate to make sure that no child labour has been used during the production process. When applicable, we confront our suppliers about this or terminate the relationship with the company concerned.

We are permanently investigating measures to reduce KAS BANK's total CO₂ emission. Accommodating all our employees in a single building from mid 2013 will make a significant contribution to this. Since 1 January 2013, we have been using an electrically powered van for deliveries within Amsterdam.

Outlook for 2013

KAS BANK is in a good position to take over non-core activities from financial institutions as we offer essential securities services on three distinct levels: operation, administration and information including risk management and governance. We are expecting to grow our business by focusing on innovative risk monitoring solutions for the Dutch pension sector, value-added services for European brokers and expansion of our position in the German institutional market.

An important focal point in 2013 is our full service concept for small and medium-sized Dutch pension funds. This concept will allow them to maintain their independence in a consolidating market. Other emphases are the further development of our data warehouse (also in connection with our joint program with dwpbank), our 'look through' service for investment funds and cost transparency for pension funds. This will promote good governance and transparency in the financial sector. We will continue to work on extensions and new uses for our Pension Fund Monitor app starting with a 'cost transparency' app for Dutch investment funds. We will also continue to expand our network of specialist partners for our transaction, asset and treasury services.

Furthermore, we expect to gain new business in the field of processing retail securities for retail banks in Europe, starting in the Netherlands. On 31 December 2012, our joint venture with dwpbank was registered in the Netherlands with KAS BANK and dwpbank as 50% shareholder each. In the first quarter of 2013, the new company will be officially launched. The market shows considerable interest in our joint offering with dwpbank. We will intensify our talks with retail banks in the Netherlands aiming to become market leader in securities processing services.

KAS BANK will continue the level of investment and expenditure in automation in 2013. We do not expect any major changes in the workforce.

The cooperation with dwpbank will be elaborated in more detail in 2013-2015. A joint programme and programme management has been set up to draw up the requirements for the new securities processing platform and our wholesale services in Germany. The start of the new securities platform and the transfer of about 160 KAS BANK employees to the new dwpbank branch in Amsterdam are scheduled for 2015.

In 2013, the profitability will also be influenced by developments on the financial markets. Particularly important factors are the height of the market interest rates, stock prices and transaction volumes. Although there seems to be a moderate recovery of confidence in Europe, it is too early to state anything with any degree of certainty regarding the development of interest rates or growth in volumes on stock exchanges.

The postponed sale of the interests in LCH.Clearnet of circa EUR 3 million after taxes, which is expected to take place in 2013, and an expected book profit from the sale of the Spuistraat office of EUR 4-6 million before taxes, will contribute to the total profit for 2013. KAS BANK's contribution, which is based on the deposit guarantee scheme, because of the nationalisation of SNS Reaal, is approximately EUR 1 million.

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 here.

Management declaration

Pursuant to Section 5, subsection 25.c, of the Financial Supervision Act [*Wet op het financieel toezicht*], the Managing Board affirms that the annual report provides a true and fair view of the company's position on the balance sheet date and the course of affairs during the financial year of the company and the related enterprises whose figures are included in its financial statements and that the annual report describes the principal risks to which the company is exposed.

Amsterdam, 28 February 2013

Managing Board

A.A. Röell, chairman

R.J. Kooijman, CFO

S.A.J. van Katwijk

FINANCIAL STATEMENTS 2012

<i>In thousands of euros</i>	Note	2012	2011
INCOME			
Interest income	1	63,951	74,751
Interest expense	2	39,391	47,255
Net interest result		24,560	27,496
Fee and commission income	3	82,102	81,186
Fee and commission expense	3	12,394	13,065
Net fee and commission result	3	69,708	68,121
Net trading income	4	11,019	7,022
Result from financial transactions	5	4,851	2,064
Other income	6	7,555	10,566
Total operating income		117,693	115,269
OPERATING EXPENSES			
Personnel expenses	7	62,392	62,629
General and administrative expenses	8	28,454	28,110
Depreciation and amortisation	9	6,453	7,216
Impairment losses (recovery)	10	-651	2,064
Total operating expenses		96,648	100,019
Operating result before tax		21,045	15,250
Tax expense	11	5,457	4,900
Net result for the year		15,588	10,350
Attributable to:			
KAS BANK shareholders		15,546	10,230
Non-controlling interests		42	120
EARNINGS PER SHARE			
	12		
- basic (in euros)		1.06	0.70
- diluted (in euros)		1.06	0.70

For details, reference is made to the notes on the consolidated financial statements, starting on page 52.

<i>In thousands of euros</i>	Before tax	2012 Tax	After tax	Before tax	2011 Tax	After tax
Net result			15,588			10,350
Gains and losses on financial investments available-for-sale	28,943	-7,236	21,707	-22,044	5,987	-16,057
Gains and losses on financial investments available-for-sale recognised in the income statement	-193	48	-145	-6,656	1,664	-4,992
Financial investments available-for-sale	28,750	-7,187	21,562	-28,700	7,651	-21,049
Unrealised impairment losses on land and buildings held for own use	-	-	-	-3,151	788	-2,363
Actuarial gains and losses on pensions	-12,065	3,026	-9,039	5,381	-1,345	4,036
Other comprehensive income	-12,065	3,026	-9,039	2,230	-557	1,673
Total comprehensive income			28,111			-9,026
Attributable to:						
KAS BANK shareholders			28,069			-9,146
Non-controlling interests			42			120

For details, reference is made to the notes on the consolidated financial statements, starting on page 52.

<i>In thousands of euros</i>	Note	31 December 2012	31 December 2011
Assets			
Cash and balances with central banks	13	385,004	1,135,738
Due from banks	14	1,458,747	517,628
Loans	15	1,357,769	1,435,221
Reverse repurchase agreements	16	582,149	656,056
Derivative financial instruments	17	258,137	154,187
Financial assets designated at fair value	18	50,384	181,871
Financial investments available-for-sale	19	1,011,647	1,168,288
Financial investments held-to-maturity	20	10,645	-
Investments in associates and joint ventures	21	25	-
Current tax assets		8,189	7,996
Other assets	22	32,426	36,513
Property and equipment	23	24,214	37,402
Goodwill and intangible assets	24	8,510	12,659
Deferred tax assets	25	2,542	1,740
Non-current assets held-for-sale	26	11,118	-
Total assets		5,201,506	5,345,299
Equity and liabilities			
Due to banks	27	260,801	457,866
Due to customers	28	4,291,808	4,476,611
Repurchase agreements	16	46,050	-
Derivative financial instruments	17	318,658	212,484
Financial liabilities designated at fair value	18	52,512	-
Current tax liabilities		8,405	603
Other liabilities	29	25,644	20,259
Deferred tax liabilities	25	8,419	9,430
Total liabilities		5,012,297	5,177,253
Issued capital	31	15,699	15,699
Treasury shares	32	-24,974	-25,324
Share premium		21,569	21,569
Revaluation reserve	33	16,134	-5,332
Other reserves (including profit for the year)	34	160,727	161,422
Equity attributable to KAS BANK shareholders		189,155	168,034
Non-controlling interests		54	12
Total equity		189,209	168,046
Total equity and liabilities		5,201,506	5,345,299
Contingent liabilities	35	23,032	26,703
Irrevocable facilities	36	14,470	25,889

For details, reference is made to the notes on the consolidated financial statements, starting on page 52.

<i>In thousands of euros</i>	Issued capital	Treasury shares	Share premium	Revaluation reserve	Other reserves (incl. profit for the year)	Total reserves attributable to shareholders	Non-controlling interests	Total equity
Balance as at 1 January 2011	15,699	-25,324	21,569	18,181	156,891	187,016	-109	186,907
Comprehensive income	-	-	-	-23,513	14,367	-9,146	120	-9,026
Dividend 2010	-	-	-	-	-5,832	-5,832	-	-5,832
Purchase/sale of treasury shares	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	821	821	-	821
Interim dividend 2011	-	-	-	-	-4,811	-4,811	-	-4,811
Other movements	-	-	-	-	-14	-14	1	-13
Balance as at 31 December 2011	15,699	-25,324	21,569	-5,332	161,422	168,034	12	168,046
Comprehensive income	-	-	-	21,562	6,507	28,069	42	28,111
Dividend 2011	-	-	-	-	-2,478	-2,478	-	-2,478
Purchase/sale of treasury shares	-	350	-	-	-350	-	-	-
Share-based payments	-	-	-	-	341	341	-	341
Interim dividend 2012	-	-	-	-	-4,811	-4,811	-	-4,811
Other movements	-	-	-	-96	96	-	-	-
Balance as at 31 December 2012	15,699	-24,974	21,569	16,134	160,727	189,155	54	189,209

For details, reference is made to the notes on the consolidated financial statements, starting on page 52.

<i>In thousands of euros</i>	Note	2012	2011
Cash flow from operating activities			
Net result		15,588	10,350
Adjustments for non cash items included in net result			
Depreciation and amortisation	9	6,453	7,216
Impairments	10	-651	2,064
Tax expense	11	5,457	4,900
Unrealised gains / (losses)		-4,724	4,804
Changes in operating assets and liabilities			
Due from banks (not on demand) and due to banks	14, 27	-191,970	-1,626,213
Loans	15	77,452	-668,657
(Reverse) repurchase agreements	16	119,957	-131,945
Financial assets and liabilities designated at fair value		188,133	-14,945
Derivative financial instruments	17	2,224	34,197
Due to customers	28	-184,803	897,708
Other movements		-36,053	-41,833
Taxes		-3,417	21,835
Employer's contribution to retirement benefits		-6,154	-6,781
Total cash flow from operating activities		-12,508	-1,507,300
Cash flow from investing activities			
Net (investment in) / divestment of financial investments available-for-sale	19	218,880	154,031
Net (investment in) / divestment of financial investments held-to-maturity	20	-10,557	-
Net investments in associates and joint ventures	21	-25	-
Purchases of property and equipment	23	-1,206	-2,088
Purchases of intangible assets	24	-2,005	-2,090
Total net cash flow from investing activities		205,087	149,853
Cash flow from financing activities			
Sale of own stock	34	-	-
Dividend paid		-7,289	-10,643
Total net cash flow from financing activities		-7,289	-10,643
Net cash flow		185,290	-1,368,090
Cash and cash equivalents at 1 January		1,585,063	2,953,153
Net cash flow		185,290	-1,368,090
Cash and cash equivalents at 31 December		1,770,353	1,585,063
Reconciliation of cash flow statement with balance sheet items			
Cash and balances with central banks	13	385,004	1,135,738
Due on demand from banks	14	1,385,349	449,325
Cash and cash equivalents at 31 December		1,770,353	1,585,063
Additional disclosure of operating cash flow			
Cash received as interest		64,064	74,669
Cash paid as interest		-39,401	-47,196
Cash received as dividends		43	212

For details, reference is made to the notes on the consolidated financial statements, starting on page 52.

Company information

KAS BANK N.V. is a public limited liability company, incorporated under Dutch law and registered in Amsterdam, the Netherlands. KAS BANK's consolidated annual financial statements for the period ending 31 December 2012 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 a European wholesale bank offering a wide range of security and investor services. These services primarily focus on custody, clearing, settlement and investment accounting. KAS BANK's clients include institutional investors (pension funds, insurance companies, investment funds and asset managers) and financial institutions (banking-institutions and brokers). KAS BANK does not provide asset management services itself and is independent. This emphasises its impartial and autonomous position within the sector. KAS BANK is a stable bank with a low risk appetite.

The annual financial statements were prepared by the Managing Board and authorised by the Supervisory Board and Managing Board on 28 February 2013. The annual financial statements will be presented to the General Meeting of Shareholders for adoption on 24 April 2013.

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;
 - 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;
 - Non-current assets held-for-sale.
- 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 International Financial Reporting Standards (IFRS) as adopted by the European Union (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 2012. Subsidiaries are entities which are controlled by KAS BANK. Control of an entity exists if KAS BANK is able to directly or indirectly govern its financial and operating policies in order to obtain economic benefits from its activities. 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 2012, the major subsidiaries and their statutory seat are:

• KAS Derivaten Clearing N.V.	Amsterdam
• KAS BANK Effectenbewaarbedrijf N.V.	Amsterdam
• KAS Trust B.V.	Amsterdam
• KAS Servicing B.V.	Amsterdam
• KAS Participatiemaatschappij B.V.	Amsterdam
• Centrum voor Fondsenadministratie B.V.	Amsterdam
• Addition Knowledge House B.V.	Amsterdam
• KAS BANK OG Spuistraat B.V.	Amsterdam
• KAS BANK OG NZVW B.V.	Amsterdam
• KAS Europe BVBA	Brussel
• KB Deutschland Holding GmbH	Wiesbaden
• KAS Investment Servicing GmbH	Wiesbaden
• 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 also note 44);
- Land and buildings held for own use;
- Non-current assets held-for-sale;
- The recoverable amount of cash-generating units including goodwill;
- Term and rate realisation and/or settlement of deferred tax assets and liabilities;
- Defined benefit obligations and/or receivables;
- Share-based payments;
- Impairment losses or recovery relating to financial instruments 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 three non-significant adjustments. These adjustments relate to three IFRS amendments as listed below:

- Amendment to IFRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters;
- Amendment to IFRS 7: Disclosures – Transfers of Financial Assets;
- Amendment to IAS 12: Deferred Tax – Recovery of Underlying Assets.

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 European Union. These standards will have an impact on the preparation of the financial statements in the near future. These new, amended or revised standards are listed below:

IFRS 9 Financial instruments

The new standard contains requirements for financial assets. The requirements include topics like classification and measurement, impairment methodology and hedge accounting. The new standard will replace the existing requirements as included in the current IAS 39 Financial instruments: recognition and measurement. The effective date of the new standard is 1 January 2015. The standard is not endorsed by the European Union. The expected impact of IFRS 9 will be significant.

IAS 19R Employee benefits

The revised standard results in significant changes in accounting of defined benefit pension plans. The revision requires all actuarial gains and losses to be recognised within other comprehensive income. KAS BANK already recognises all actuarial gains and losses within other comprehensive income. The expected impact of this part of the revision is limited. Furthermore the revised standard requires an expected return on pension assets which will be set equal to the discount rate of the pension obligation. The current standard distinguishes between the expected yield of the pension assets and the discount rate of the obligation. The expected impact of this part of IAS 19R will be significant. IAS 19R will be effective as from financial year 2013.

In addition to the above-mentioned significant changes, a number of new, amended and revised standards will not have a significant impact on KAS BANK's financial results and position in the near future. These amendments, revisions and new standards are:

- IFRS 10: Consolidated Financial Statements, effective as of 2013;
- IFRS 11: Joint Arrangements, effective as of 2013;
- IFRS 12: Disclosures of Interest in Other Entities, effective as of 2013;
- IFRS 13: Fair Value Measurement, effective as of 2013;
- IAS 27: Separate Financial Statements, effective as of 2013;
- IAS 28: Investments in Associates and Joint Ventures, effective as of 2013;
- Amendments to IFRS 1: Government Loans, effective as of 2013;
- Amendments to IFRS 7: Offsetting Financial Assets and Financial Liabilities, effective as of 2013;
- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities, effective as of 2014;
- Amendments to IAS 1: Presentation of Items of Other Comprehensive Income, effective as of 2013;
- Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities, effective as of 2014;
- IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine, effective as of 2013;

- Annual improvements to IFRSs (2009-2011 cycle), effective as of 2013.

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 and monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Exchange gains and losses arising from the aforesaid transactions and carrying amounts are recognised in the income statement as 'Net trading income'.

Unrealised exchange gains and losses on non-monetary financial assets are part of the total movement in the carrying amount of the asset. In the case of non-monetary financial assets which are classified as investments designated at fair value or as derivative financial instruments, exchange gains and losses are part of the gains and losses on the financial asset concerned.

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 44 of this annual report.

Measurement at amortised cost

Measurement at amortised cost relates to exposures due from banks and loans and 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.

Derivative financial instruments

KAS BANK uses derivative financial instruments such as interest rate swaps, futures and forward foreign exchange contracts. These instruments are used for hedging strategies, including hedge accounting and trading activities. Derivative financial instruments are recognised at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivative financial instruments are included in 'Net trading income'.

In addition to derivative financial instruments used for hedging strategies and trading activities, KAS BANK also recognises derivative financial instruments which are held for the account and risk and reward of clients but which are registered in the name of KAS BANK or one of its subsidiaries. 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.

Financial assets and financial liabilities designated at fair value

Financial assets and financial liabilities classified in this category are those that have been designated by the management upon initial recognition. These assets and liabilities are recognised at fair value. Changes in fair value are recognised as 'Net trading income' within the income statement.

Financial investments available-for-sale

Available-for-sale investments include equity and debt securities. 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 out of 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.

(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 consideration paid is recognised in the balance sheet.

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' 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 hedge accounting for transactions which meet specific criteria. In such transactions, KAS BANK designates a derivative as an instrument to hedge mainly the fair value movements resulting from interest rate risk in the hedged item. At each hedge effectiveness assessment date, a hedge relation must be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting.

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. 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 is recognised in the income statement of KAS BANK.

Equity investments in which KAS BANK has no significant influence are recognised in the balance sheet as 'Financial investments available-for-sale'.

Property and equipment

Property held for own use is measured at fair value. This fair value is periodically determined by an external appraiser. The movements in value as a result of periodic reappraisal are recognised in other comprehensive income. 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 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

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the difference between the acquisition price and the fair value of the identifiable assets, liabilities and contingent liabilities acquired at the time of the acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently when events or circumstances indicate that the carrying value might be impaired.

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.

Non-current assets held-for-sale

Non-current assets and/or businesses are classified as held-for-sale if their carrying amount is to be recovered principally through a sale transaction which transaction is planned to occur within 12 months. Held-for-sale assets are not depreciated and are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities of a business held-for-sale are separately presented.

Impairment

Impairment of financial assets

KAS BANK assesses at each reporting date whether there is objective evidence that a financial asset must be impaired.

Financial assets measured at amortised cost

For financial assets carried at amortised cost (such as held-to-maturity investments), KAS BANK assesses individually whether objective evidence of impairment exists. The impairment loss is the difference between the asset'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

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 considerable (more than 20%) drop in the fair value below cost. 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.

Non-financial assets

The carrying amount of KAS BANK's non-financial assets is reviewed at each reporting date to ascertain whether there are any objective indications that an asset may be impaired. If any such indication 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 or cash-generating unit 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 or a cash-generating unit to which the asset belongs is higher than the estimated recoverable amount. Impairment losses recognised in respect of cash-generating units are first deducted from the carrying amount of any goodwill attributed to the units and then from the carrying amounts of the other assets in the unit (or group of units) on a pro rata basis. Impairment losses recognised in respect of goodwill are not reversed. In the case of other assets, 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 'Provisions'.

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.

Dividend

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 schemes of the Managing Board and the staff in Germany are defined contribution plans. 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. These pension commitments are discounted at the yield on high-grade corporate bonds that have maturity dates matching those when the benefits become payable. 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.

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'.

Share-based payment transactions

A part of the remuneration paid to members of the Managing Board and other staff in exchange for services rendered takes the form of share-based payments. The cost of the service received is measured at the fair value of the shares or options 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 options granted is calculated taking into account the exercise price of the options, the share price at grant date, the risk-free interest rate, the volatility of KAS BANK shares during the vesting period of the options, and the expected dividend yield. As from 2010, options are no longer part of the remuneration of the Managing Board. As from 2012, options are no longer part of the variable salary package of other staff.

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 are not recognised (borrowing transactions) or derecognised (lending transactions) in the balance sheet. Securities received as collateral may be repledged. Collateral received or paid as cash is recognised in the balance sheet as asset or liability.

Fiduciary assets

KAS Trust B.V. – 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.

Derivative financial instruments held for risk and reward of clients are recognised at the balance sheet of KAS BANK. These securities are not pursuant to the Securities Giro Act, and are legally entered in the name of KAS BANK or one of its subsidiaries, although all risks and rewards are for the account of the client.

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 and Europe (excluding the Netherlands).

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

1. Interest income

<i>In thousands of euros</i>	2012	2011
Financial investments available-for-sale	36,295	30,775
Derivative financial instruments	10,107	9,103
Financial assets designated at fair value	4,265	5,781
Due from banks and loans	11,648	21,811
Reverse repurchase agreements	1,548	7,281
Financial investments held-to-maturity	88	-
Total	63,951	74,751

The amount of interest income relating to financial investments available-for-sale includes EUR 0.5 million (2011: EUR 0.7 million) of interest income on impaired assets.

2. Interest expense

<i>In thousands of euros</i>	2012	2011
Derivative financial instruments	25,590	16,605
Due to banks and customers	13,782	30,311
Other	19	339
Total	39,391	47,255

3. Fee and commission result

Fees and 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 'Other' in the table below.

<i>In thousands of euros</i>	2012	2011
Asset Servicing	44,198	41,523
Transaction Servicing	16,929	20,230
Other	8,581	6,368
Total	69,708	68,121

4. Net trading income

<i>In thousands of euros</i>	2012	2011
Foreign exchange transaction results	10,384	10,635
Designated at fair value	987	-2,289
Derivative financial instruments	-352	-1,324
Total	11,019	7,022

5. Result from financial transactions

<i>In thousands of euros</i>	2012	2011
Fair value movement of impaired available-for-sale assets	4,615	-4,804
Sale of financial investments available-for-sale	193	6,656
Dividends	43	212
Total	4,851	2,064

6. Other income

<i>In thousands of euros</i>	2012	2011
Revenues from staffing	683	417
Revenues from rent of office space	249	209
Other	6,623	9,940
Total	7,555	10,566

In 2012, an amount of EUR 5.9 million is recognised as other income relating to an incidental contractual payment (2011: EUR 8.4 million).

7. Personnel expenses

<i>In thousands of euros</i>	2012	2011
Salaries	44,503	43,434
Social security costs	6,379	5,443
Temporary staff	3,994	5,387
Pension charges relating to defined benefit plans	1,233	1,254
Pension charges relating to defined contribution plans	336	254
Share-based payments	341	820
Other	5,606	6,037
Total	62,392	62,629

<i>Number of employees</i>	2012	2011
<i>Average number of employees at full time equivalent basis (including temporary staff)</i>		
Netherlands	695	694
Germany	36	33
United Kingdom	18	21
Total	749	748

8. General and administrative expenses

<i>In thousands of euros</i>	2012	2011
Housing	3,542	3,634
Information technology	16,072	14,032
Other	8,840	10,444
Total	28,454	28,110

9. Depreciation and amortisation

<i>In thousands of euros</i>	2012	2011
Land and buildings held for own use	642	642
Other property and equipment	2,632	2,534
Intangible assets	3,179	4,040
Total	6,453	7,216

The amount of depreciation includes EUR 1.0 million relating to assets classified as non-current assets held-for-sale at the end of 2012.

10. Impairment losses (recovery)

<i>In thousands of euros</i>	2012	2011
Due from banks and loans	-2,680	-992
Financial investments available-for-sale	-946	-1,021
Intangible assets	2,975	4,077
Total	-651	2,064

11. Tax expense

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

<i>In thousands of euros</i>	2012	2011
<i>Tax expense</i>		
Current tax expense for the year	4,354	1,920
Non-deductible items	858	948
Adjustments relating to prior years	-152	65
	5,060	2,933
<i>Deferred tax</i>		
Temporary differences and reversals	397	1,967
Total	5,457	4,900

<i>Reconciliation with effective tax rate</i>	2012	%	2011	%
Result before tax	21,045		15,250	
Tax expense at statutory tax rate	5,261	25.0	3,812	25.0
Differences in rates	-584	-2.8	-80	-0.5
Non-deductible items	74	0.4	155	1.0
Basic tax expense for the year	4,751	22.6	3,887	25.5
Non-deductible items	858	4.1	948	6.2
Adjustments relating to prior-year assessments	-152	-0.8	65	0.4
Tax expense at effective tax rate	5,457	25.9	4,900	32.1

12. Earnings per share

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

<i>In thousands of euros, unless otherwise stated</i>	2012	2011
Net result attributable to KAS BANK shareholders	15,546	10,230
Issued capital	15,699	15,699
Treasury shares	-1,100	-1,120
Weighted average number of ordinary shares outstanding	14,599	14,579
Effect of stock options and share plans	69	92
Weighted average number of ordinary shares outstanding (diluted)	14,668	14,671
Basic earnings per share (in euros)	1.06	0.70
Diluted earnings per share (in euros)	1.06	0.70

ASSETS**13. 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.

14. 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.

<i>In thousands of euros</i>	31 December 2012	31 December 2011
Due on demand	1,385,349	449,325
Not due on demand (maturity less than one year)	73,398	68,303
Total	1,458,747	517,628

15. Loans

The table below shows the outstanding amount of loans specified by type and by maturity. The main part of the current accounts and granted credits is collateralised by customer securities.

<i>In thousands of euros</i>	31 December 2012	31 December 2011
Current accounts and granted credits	1,351,033	1,428,410
Mortgage loans	6,736	6,811
Total	1,357,769	1,435,221
Of which demand deposits	1,238,203	1,281,657
Of which maturity between one day and one year	105,365	141,753
Of which maturity exceeding one year	14,201	11,811

An amount of EUR 23.6 million (2011: EUR 26.5 million) relates to a provision for doubtful debt and is included within the total balance of loans.

16. (Reverse) repurchase agreements

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

17. Derivative financial instruments

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

<i>In thousands of euros</i>	31 December 2012	31 December 2011
Assets	258,137	154,187
Liabilities	-318,658	-212,484
Total	-60,521	-58,297
Of which maturity between one day and one year	-9,558	9,870
Of which maturity exceeding one year	-50,963	-68,167

As at 31 December 2012 In thousands of euros	Notional amount	Fair value assets	Fair value liabilities
<i>Derivatives held for trading</i>			
Foreign exchange contracts			
- Forward contracts	560,558	4,474	5,866
- Swaps	8,343,647	62,950	68,177
Total foreign exchange contracts	8,904,205	67,424	74,043
Interest contracts			
- Swaps	549,000	10,307	12,216
- Swaptions	220,000	22,693	22,706
Total interest rate contracts	769,000	33,000	34,922
Credit contracts			
Credit Default Swaps	-	-	-
<i>Derivatives used as fair value hedges</i>			
Interest contracts	625,427	2,787	54,767
<i>Derivatives held on behalf of clients</i>			
Exchange traded derivatives	-	154,926	154,926
Total	10,298,632	258,137	318,658

As at 31 December 2011 In thousands of euros	Notional amount	Fair value assets	Fair value liabilities
<i>Derivatives held for trading</i>			
Foreign exchange contracts			
- Forward contracts	429,337	14,669	3,980
- Swaps	7,141,227	97,607	95,928
Total foreign exchange contracts	7,570,564	112,276	99,908
Interest contracts			
- Swaps	736,161	8,327	29,950
- Swaptions	420,000	33,108	33,199
Total interest rate contracts	1,156,161	41,435	63,149
Credit contracts			
Credit Default Swaps	50,000	-	56
<i>Derivatives used as fair value hedges</i>			
Interest contracts	685,000	476	49,371
<i>Derivatives held on behalf of clients</i>			
Exchange traded derivatives	-	-	-
Total	9,461,725	154,187	212,484

Derivatives held on behalf of clients are concluded in the name of KAS BANK or one of its subsidiaries. The risk and rewards of these contracts are for the account of the client. All risks are covered by collateral posted by the client. These derivatives are recognised in the balance sheet following new legal insights as from financial year 2012. The balance sheet total increased with EUR 155 million as a result of the recognition of the client derivatives. The recognition has no impact on the shareholders' equity and the income.

18. Financial assets and liabilities designated for fair value

In thousands of euros	31 December 2012	31 December 2011
Financial assets designated at fair value	50,384	181,871
Financial liabilities designated at fair value	-52,512	-
Total	-2,128	181,871

The portfolios of financial assets and liabilities designated at fair value only include debt instruments with a remaining maturity exceeding one year.

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

<i>In thousands of euros</i>	2012	2011
Carrying amount as at 1 January	181,871	159,284
Purchases	50,000	162,767
Sales	-188,133	-147,822
Redemptions	-50,000	-
Movements in fair value	4,134	7,642
Carrying amount as at 31 December	-2,128	181,871

19. Financial instruments available-for-sale

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

2012 <i>In thousands of euros</i>	Debt instruments	Equity instruments	Money market instruments	Total
Carrying amount as at 1 January	1,162,731	5,557	-	1,168,288
Purchases	453,522	-	-	453,522
Sales	-430,278	-158	-	-430,436
Movements in fair value	60,372	921	-	61,293
Redemptions	-241,966	-	-	-241,966
Impairments	946	-	-	946
Carrying amount as at 31 December	1,005,327	6,320	-	1,011,647
Of which maturity between one day and one year	185,260	-	-	185,260
Of which maturity exceeding one year	820,067	-	-	820,067
Non-maturity	-	6,320	-	6,320

2011 <i>In thousands of euros</i>	Debt instruments	Equity instruments	Money market instruments	Total
Carrying amount as at 1 January	828,977	14,256	483,678	1,326,911
Purchases	726,302	-	-	726,302
Sales	-91,552	-9,798	-483,678	-585,028
Movements in fair value	-6,712	1,099	-	-5,613
Redemptions	-295,305	-	-	-295,305
Impairment	1,021	-	-	1,021
Carrying amount as at 31 December	1,162,731	5,557	-	1,168,288
Of which maturity between one day and one year	226,569	-	-	226,569
Of which maturity exceeding one year	936,162	-	-	936,162
Non-maturity	-	5,557	-	5,557

At 31 December 2012, EUR 454 million (2011: EUR 878 million) of the financial investments available-for-sale is pledged as collateral. As at 31 December 2012, EUR 679 million (2011: EUR 714 million) of the debt instruments is included as a hedged item in a fair value hedge relation. There is no sovereign GIIPS¹ exposure in the financial investments available-for-sale portfolio at 31 December 2012. The exposure on corporate GIIPS debt instruments (only issued by financial institutions) is limited and is collateralised.

20. Financial investments held-to-maturity

<i>In thousands of euros</i>	2012	2011
Carrying amount as at 1 January	-	-
Purchases	10,557	-
Amortisation	88	-
Carrying amount as at 31 December	10,645	-

¹ Greece, Italy, Ireland, Portugal and Spain

21. Investments in associates and joint ventures

In 2012, KAS BANK N.V. and Deutscher WertpapierService Bank AG established the limited liability company European Securities Processing Agent N.V. The company is incorporated under Dutch law and registered in Amsterdam, the Netherlands. KAS BANK N.V. and Deutscher WertpapierService Bank AG both own 50% of the issued capital of the company. The company is a joint venture whereby the management and the financial and operating policies of the economic activity are subject to joint control. The operational activities will focus on security processing services. The activities will start in 2013.

22. Other assets

<i>In thousands of euros</i>	31 December 2012	31 December 2011
Receivables	10,165	8,872
Accrued income and prepaid expenses	16,392	14,784
Defined benefit pension asset (Note 30)	5,869	12,857
Total	32,426	36,513

23. Property and equipment

KAS BANK currently owns two premises in Amsterdam which are both used for its office housing to date. In the course of 2013, the office housing will be concentrated within one of these buildings. The building which will no longer be used as office will be sold. The process to sell this building has started. This building is reclassified to the balance sheet item 'Non-current assets held-for-sale'. Reference is made to note 26 of the disclosures for additional information relating to the reclassified premises.

The value of the non-divested premises is estimated by an external appraiser at the end of 2011. The appraised value is considered as the fair value. This fair value estimation is based on the assumption of a private sale to a third party and a continued destination as office building. As an outcome of the 2011 appraisal, KAS BANK impaired the non-divested premises with EUR 1.8 million by the end of 2011. This negative value adjustment was part of a full property impairment (including the currently reclassified building) of EUR 3.2 million. The impairment is recognised within other comprehensive income. At the end of 2012, the estimated remaining useful life is 24 years. The table below shows the carrying amount of the property and equipment divided into categories.

<i>In thousands of euros</i>	Land and Buildings	Computer equipment	Fixtures and fittings	Technical installations	Total 2012
Acquisition costs at 1 January	59,161	4,849	1,275	15,030	80,315
Investments	-	814	172	220	1,206
Reclassification to non-current assets held-for-sale	-27,254	-	-	-1,875	-29,129
Acquisition costs at 31 December	31,907	5,663	1,447	13,375	52,392
Accumulated depreciation as at 1 January	-19,109	-3,059	-800	-11,103	-34,071
Depreciation for year	-642	-1,023	-184	-1,425	-3,274
Reclassification to non-current assets held-for-sale	9,061	-	-	1,336	10,397
Accumulated depreciation as at 31 December	-10,690	-4,082	-984	-11,192	-26,948
Impairments as at 1 January	-8,842	-	-	-	-8,842
Impairments for the year	-	-	-	-	-
Reclassification to non-current assets held-for-sale	7,612	-	-	-	7,612
Impairments as at 31 December	-1,230	-	-	-	-1,230
Carrying amount as at 31 December	19,987	1,581	463	2,183	24,214

<i>In thousands of euros</i>	Land and Buildings	Computer equipment	Fixtures and fittings	Technical installations	Total 2011
Acquisition costs at 1 January	59,161	3,238	972	14,856	78,227
Investments	-	1,611	303	174	2,088
Acquisition costs at 31 December	59,161	4,849	1,275	15,030	80,315
Accumulated depreciation as at 1 January	-18,467	-2,361	-589	-9,478	-30,895
Depreciation for year	-642	-698	-211	-1,625	-3,176
Accumulated depreciation as at 31 December	-19,109	-3,059	-800	-11,103	-34,071
Impairments as at 1 January	-5,691	-	-	-	-5,691
Impairments for the year	-3,151	-	-	-	-3,151
Impairments as at 31 December	-8,842	-	-	-	-8,842
Carrying amount as at 31 December	31,210	1,790	475	3,927	37,402

The value of the land and buildings, based on the cost-price method, is EUR 14.5 million (2011: EUR 15.8 million).

24. Goodwill and intangible assets

<i>In thousands of euros</i>	Goodwill	Purchased software	Internally developed software ¹	Other intangible assets	Total 2012
Acquisition costs at 1 January	11,021	10,189	8,610	8,069	37,889
Additions	-	197	1,808	-	2,005
Acquisition costs at 31 December	11,021	10,386	10,418	8,069	39,894
Accumulated amortisation as at 1 January	-	-7,966	-5,159	-2,794	-15,919
Amortisation charge for the year	-	-1,272	-1,213	-694	-3,179
Accumulated amortisation as at 31 December	-	-9,238	-6,372	-3,488	-19,098
Impairments as at 1 January	-8,271	-	-	-1,040	-9,311
Impairments for the year	-2,750	-	-	-225	-2,975
Impairments as at 31 December	-11,021	-	-	-1,265	-12,286
Carrying amount as at 31 December	-	1,148	4,046	3,316	8,510

<i>In thousands of euros</i>	Goodwill	Purchased software	Internally developed software ¹	Other intangible assets	Total 2011
Acquisition costs at 1 January	11,021	8,828	7,881	8,069	35,799
Additions	-	1,361	729	-	2,090
Acquisition costs at 31 December	11,021	10,189	8,610	8,069	37,889
Accumulated amortisation as at 1 January	-	-6,279	-3,776	-1,824	-11,879
Amortisation charge for the year	-	-1,687	-1,383	-970	-4,040
Accumulated amortisation as at 31 December	-	-7,966	-5,159	-2,794	-15,919
Impairments as at 1 January	-5,234	-	-	-	-5,234
Impairments for the year	-3,037	-	-	-1,040	-4,077
Impairments as at 31 December	-8,271	-	-	-1,040	-9,311
Carrying amount as at 31 December	2,750	2,223	3,451	4,235	12,659

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

Goodwill

The capitalised goodwill arose after the acquisitions of KAS Investment Servicing GmbH (2008) and Deutsche Postbank Privat Investment Kapitalanlagegesellschaft MbH (2009). In 2009 the activities of Postbank Privat Investment Kapitalanlagegesellschaft merged with KAS Investment Servicing. The combined activities constitute one cash-generating unit. The capitalised goodwill is tested for impairment at least annually by comparing the recoverable amount to the carrying amount. At the end of 2012, the carrying amount of the goodwill (EUR 2.8 million) was fully written down.

The assessment of the recoverable amount is based on the following assumptions:

- Continuation of the current activities;
- An authorised long-term forecast of the cash-generating unit for the period 2013–2017;
- A discount rate of 12%.

Other intangible assets

Other intangible assets mainly relate to the capitalised value of client portfolios. These portfolios are part of the acquisition of KAS Investment Servicing and Deutsche Postbank Privat Investment Kapitalanlagegesellschaft. The value of these portfolios is depreciated on a straight line base during the estimated remaining life (five to fifteen years). In 2012 an amount of EUR 0.2 million is impaired as part of the pro rata allocation of the impairment of the goodwill. In 2011, an amount of EUR 1.0 million was impaired as a result of a termination of a client contract.

25. Deferred tax assets and liabilities

<i>In thousands of euros</i>	31 December 2012	31 December 2011
Deferred tax assets	2,542	1,740
Deferred tax liabilities	-8,419	-9,430
Net	-5,877	-7,690

<i>In thousands of euros</i>	1 January 2012	Income statement	OCI	31 December 2012
Defined benefit obligations	-3,213	-1,279	3,026	-1,466
Financial investments available-for-sale	-181	-	-784	-965
Buildings held for own use (including non-current assets held-for-sale)	-3,861	-	70	-3,791
Other property and equipment	1,441	-102	-	1,339
Internally developed software	-863	-284	-	-1,147
Intangible assets	-1,323	287	-	-1,036
Tax loss carryforwards ¹	309	905	-	1,214
Other	1	-1	-25	-25
Total	-7,690	-474	2,287	-5,877

<i>In thousands of euros</i>	1 January 2011	Income statement	OCI	31 December 2011
Defined benefit obligations	-447	-1,421	-1,345	-3,213
Financial investments available-for-sale	-1,807	-	1,626	-181
Buildings held for own use	-4,679	-	818	-3,861
Other property and equipment	1,638	-197	-	1,441
Internally developed software	-1,026	163	-	-863
Intangible assets	-1,950	627	-	-1,323
Tax loss carryforwards ¹	1,383	-1,074	-	309
Other	71	-65	-5	1
Total	-6,817	-1,967	1,094	-7,690

1) The recognised amounts of tax loss carry forwards do not expire.

26. Non-current assets held-for-sale

KAS BANK Amsterdam is located in two office buildings to date. Recently KAS BANK decided to concentrate its office housing within one of these buildings in Amsterdam. The building which will be divested is owned by KAS BANK OG Spuistraat B.V. KAS BANK OG Spuistraat B.V. is a subsidiary of KAS BANK N.V. As a consequence of the reduction of office spacing, this legal entity is applicable for sale and the process to sell the company has started. The sale is expected to be finalised in the course of 2013. The revaluation reserve relating to the

disposed property is included within the consolidated equity and amounts approximately EUR 7 million. This revaluation reserve will be released to the income statement after finalising the sale of the subsidiary.

The following assets are classified as non-current assets held-for-sale:

<i>In thousands of euros</i>	31 December 2012	31 December 2011
Land and buildings	10,581	-
Technical installations	537	-
Property and equipment	11,118	-

The subsidiary KAS BANK OG Spuistraat B.V. does not hold liabilities with non-consolidated parties.

EQUITY AND LIABILITIES**27. Due to banks**

<i>In thousands of euros</i>	31 December 2012	31 December 2011
Due on demand	252,158	332,081
Not due on demand	8,643	125,785
Total	260,801	457,866

28. Due to customers

<i>In thousands of euros</i>	31 December 2012	31 December 2011
Saving deposits	393,101	419,668
Time deposits	236,795	301,547
Other deposits	3,661,912	3,755,396
Total	4,291,808	4,476,611
Of which demand deposits	3,661,912	3,755,396
Of which maturity between one day and one year	629,896	721,215

29. Other liabilities

<i>In thousands of euros</i>	31 December 2012	31 December 2011
Accrued expenses and deferred income	20,522	19,284
Long-term employee benefits	1,159	887
Other liabilities	3,963	88
Balance as at 31 December	25,644	20,259

The cumulative preferred stock of KAS BANK is classified as 'Other liabilities'. At 31 December 2012 KAS BANK has issued 25 (2011: 25) of the authorised 12,500,000 cumulative preference stock. 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.

30. Retirement benefit plan

KAS BANK sponsors pension schemes in the Netherlands, Germany and the United Kingdom. The schemes of the Managing Board and the staff in Germany are defined contribution plans. 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. The Dutch defined benefit plan – under which the retirement age is 65 – is a part final-pay and part average-pay plan. The Dutch defined contribution scheme receives contributions from both the sponsor and the employees. The contribution up to 10% of the pension base is fully paid by the sponsor. If the contribution exceeds 10% of the pension base, half of the excess is paid by the sponsor and half by the employee, up to a maximum of 5%. The contribution above 20% of the pension base is fully paid by the sponsor.

The majority of KAS BANK's pension assets and obligations relates to the Dutch employee defined benefit scheme. The disclosures in this paragraph solely relate to this Dutch defined benefit scheme.

<i>In thousands of euros</i>	31 December 2012	31 December 2011
Fair value of plan assets	219,318	187,635
Present value of benefit obligation	-213,450	-174,778
Total assets/liabilities	5,868	12,857
<i>Movements in the fair value of plan assets were as follows:</i>		
Balance as at 1 January	187,635	168,189
Expected return on plan assets	11,683	10,868
Employer contributions	6,154	6,781
Employee contributions	1,224	1,301
Benefits paid and disbursement costs	-5,345	-5,530
Actuarial gains and losses	17,967	6,026
Balance plan assets as at 31 December	219,318	187,635
<i>Movements in the present value of the benefit obligation were as follows:</i>		
Balance as at 1 January	-174,778	-166,405
Current service cost	-3,396	-2,930
Interest cost	-8,853	-8,562
Benefits paid and disbursement costs	4,872	5,065
Employee contributions	-1,224	-1,301
Actuarial gains and losses	-30,071	-645
Balance of benefit obligation as at 31 December	-213,450	-174,778
<i>Breakdown of pension expenses:</i>		
Current service cost	-3,396	-2,930
Interest cost	-8,853	-8,562
Additional charges	-473	-473
Expected return on plan assets	11,683	10,868
Net benefit expense	-1,039	-1,097

Actuarial gains and losses are recognised in other comprehensive income. The pension asset is recognised in 'Other assets' (note 22).

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

<i>In thousands of euros</i>	2012		2011	
Shares	50,714	23%	46,603	25%
Bonds	152,668	70%	119,899	64%
Derivative financial instruments	8,429	4%	15,054	8%
Cash	7,507	3%	6,079	3%
Total	219,318	100%	187,635	100%

The actual return on plan assets in 2012 amounted to EUR 29.7 million positive (2011: EUR 16.9 million positive).

Actuarial assumptions					
<i>In percentages</i>	2012	2011	2010	2009	2008
<i>The principal actuarial assumptions employed are:</i>					
Discount rate	3.30%	5.00%	5.10%	5.60%	5.60%
Return on plan assets	3.85%	6.08%	6.30%	5.95%	6.07%
Increases in wages	1.20%	2.10%	1.90%	2.00%	1.00%
Five years overview					
<i>In thousands of euros</i>	2012	2011	2010	2009	2008
<i>Pension obligation</i>					
Fair value of plan assets	219,318	187,635	168,189	140,524	127,145
Present value of benefit obligation	-213,450	-174,778	-166,405	-143,119	-129,040
Surplus / (deficit)	5,868	12,857	1,784	-2,595	-1,895
<i>Experience adjustments on plan assets</i>					
Experience adjustments on plan assets	17,967	6,026	8,281	4,191	-24,354
Experience adjustments on plan liabilities	-30,071	-645	-16,219	-8,063	24,671
<i>Cumulative actuarial result</i>					
Cumulative actuarial result	-8,009	4,095	-1,286	6,652	10,524

31. Issued capital

<i>Number of shares</i>	2012	2011
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 (15,618,807 shares) of the issued capital is registered in the name of Stichting Administratiekantoor Aandelen KAS BANK. Stichting Administratiekantoor Aandelen KAS BANK has issued stock certificates for them with a nominal value of EUR 1.00 each.

32. Treasury shares

<i>Number of shares</i>	2012	2011
Opening balance at 1 January at average of EUR 22.61 (2011: EUR 22.61)	1,120,127	1,120,127
Granted as share-based payments	20,545	-
Closing balance at 31 December at EUR 22.71 (2011: EUR 22.61)	1,099,582	1,120,127

33. Revaluation reserve

<i>In thousands of euros</i>	Land and building reserve	Available-for-sale reserve	Total
At 1 January 2011	14,038	4,143	18,181
Unrealised results (net of tax)	-	-20,418	-20,418
Release due to sales and redemptions	-	-6,656	-6,656
Impairment (loss) / recovery	-2,362	-	-2,362
Reclassified to other reserves	-101	-	-101
Reclassified to current tax assets	-	6,024	6,024
At 31 December 2011	11,575	-16,907	-5,332
Unrealised results (net of tax)	-	18,309	18,309
Release due to sales and redemptions	-	4,555	4,555
Impairment (loss) / recovery	-	-	-
Reclassified to other reserves	-96	-	-96
Reclassified to current tax assets	-112	-1,190	-1,302
At 31 December 2012	11,367	4,767	16,134

34. Other reserves (including profit for the year)

<i>In thousands of euros</i>	2012	2011
Balance as at 1 January	161,422	156,891
Final dividend previous year	-2,478	-5,832
Share-based payments	341	821
Actuarial results (net of tax)	-9,039	4,036
Transferred from revaluation reserves	96	101
Result for the period	15,546	10,230
Interim dividend	-4,811	-4,811
Treasury shares	-350	-
Other movements	-	-14
Balance as at 31 December	160,727	161,422

A cash interim dividend of EUR 4.8 million (2011: EUR 4.8 million) was distributed to the shareholders in 2012.

35. 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. Retail and SME customers are included in the Dutch deposit guarantee scheme [*depositogarantiestelsel*].

36. 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.

37. 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:

<i>In thousands of euros</i>	31 December 2012	31 December 2011
Within one year	3,758	5,353
After one year but within five years	7,310	8,709
After five years	326	39
Total	11,394	14,101

The operating lease commitments and long-term rental and maintenance contracts mainly relate to hardware, software, cars and premises. An amount of EUR 8.4 million (2011: EUR 7.8 million) relating to these contracts is included in the income statement as 'General and administrative expenses'.

38. Risk management

The purpose of risk management at KAS BANK is to ensure that the actual risk profile of the institutions remains within the boundaries set by its low risk tolerance as defined by the Managing Board. In 2012, the Managing Board re-confirmed the low risk appetite of KAS BANK, as affirmed by the Supervisory Board.

Management of the risk profile

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 the risk department in assessing new ventures, new products, and new projects, which is facilitated by the operation of the Project Portfolio Management Committee which completed a successful year of operation in 2012.

The relative importance of the different prudential risk categories for KAS BANK for 2012 is as follows (internal estimates for 2012):

- Counterparty credit risk amounts roughly for half of the risk profile, including exposures on customers, treasury counterparties and infrastructural counterparties;
- Operational risk amounts for 20%;
- Market risk is in the order of 20% of the risk profile, mainly due to investment risks, with limited trading risks;
- Interest rate mismatch in the balance sheet and other balance sheet risks like the pension liability account for up to 10% of the risk profile;
- Liquidity risk;
- Compliance risk and reputation risk is considered limited because of the pure play strategy and business model of KAS BANK.

With regard to the variables used to guide management decisions, there is careful scrutiny to ensure that the key performance indicators used are reconcilable with a low risk profile. The remuneration policy was reviewed by the Risk Management department to identify risk-increasing elements. The limits and trigger levels for liquidity and capital are set and managed by the Asset & Liability Committee (ALCO).

In the following notes, further information on KAS BANK's exposure and objectives is disclosed.

Risk governance structure

KAS BANK's risk management governance is structured around the three lines of defence 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, together with senior management, are the first line of defence. 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 defence are the Risk Management, Compliance, Legal and Finance 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 Chief Risk Officer 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 Chief Risk Officer reports directly to the Chairman of the Managing Board. The third line of defence comprises the Internal Audit department, 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 defence. 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 Management 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 Chief Risk Officer form the permanent core of the Risk Management Committee. The members of operational divisions and staff departments complete the Risk Management Committee on invitation. The Risk Management Committee meets every two weeks. The main providers of information to the Risk Management Committee are the Chief Risk Officer, the Treasury Risk Management Committee and the Internal Audit department.
- The Asset & Liability Committee (ALCO) advises the Risk Management 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 Controller and the Chief Risk Officer and meets once a month.
- The Committee in Control monitors standards within the bank and coordinates all efforts aimed at being 'In Control'.

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 Controller 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 Chief Risk Officer.

Risk management department

The Risk Management department 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;
- Operational Risk including ICT risk, ICT compliance, security and Business Continuity Management (BCM);
- Market risk, investment risk and balance sheet mismatch, including liquidity risk;
- Compliance Risk.

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

Management 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.

Most significant risk-related developments in 2012

The year 2012 was marked by persistent attention to risk management in an uncertain environment. Main highlights in risk management for 2012 are:

- Risk governance was strengthened with the 'Committee in Control' completing its first year of operation as a sub-committee of the Risk Committee. This committee brings together operational managers and relevant staff from the second and third defence lines under the leadership of the chairman of the managing board to focus on operational risk, control and monitoring relevant trends and developments in the environment;
- In the Risk Management Department, the ICT risk management function was strengthened with the appointment and recognition of three distinct roles: the ICT risk manager, the ICT compliance officer and the Coordinating Information Security Officer (CISO);
- Updated and improved versions of the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and the Recovery Plan were produced in the context of the Pillar 2 Supervisory Review Process (SREP) for discussion internally and with the regulator:
 - In the ICAAP, more attention was paid to the overall stress testing framework at KAS BANK, both from a governance and from a capital management perspective. More attention was paid to the risks in the investment portfolio in line with market stress and developments;
 - In the ILAAP, the section reverse testing was elaborated. More substance was given to the sizing of the internal liquidity buffer. The impact of the securities borrowing and lending activity was explored in more detail. Improvements were made in liquidity forecasting. The fund transfer pricing methodology was explained in greater detail;
 - The Recovery Plan now includes a more refined set of triggers and responses. A market confidence plan and reverse stress test were added, estimated success rates are added for the recovery measures, the governance section is more detailed, and additional details are included on capital conservation and recovery plans.
- The market risk in the very limited trading positions of the bank remained well within the Value-at-Risk (VaR) limit of EUR 5 million. Monitoring was enriched by complementing VaR measures with stress tests for the trading and investment position, including sovereign spread movement. Increased scrutiny was applied to the monitoring of sovereign risks in the investment portfolio;
- 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;
- Liquidity was maintained well above the internally set minimum levels throughout the year and an increase could be observed in times of market stress. In 2012, the Basel III Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) were monitored in the Asset & Liability Committee (ALCO) and levels above the proposed regulatory minimum were maintained, whilst tools were developed to manage the new ratios;
- The efforts to continuously improve and automate the credit risk management process were continued. Updating of advance conditions based on market developments was automated. The acceptance procedure for new customers was updated based on lessons learned from the financial crisis. Improvements were made to the setting of haircuts. Counterparty monitoring was increased both based on market factors (where applicable) and soft factors;
- In 2012, Risk Self Assessments (RSAs) also played a central role in Operational Risk Management (ORM) at KAS BANK. The RSAs were prepared and challenged by the operational risk management team. The efficiency of the process was improved by introducing a central, automated repository for risks and actions. Improvements were made in the measurement of operational risks as part of the ICAAP;

- For the second time, 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;
- In the area of Business Continuity Management, the BCM manual is continuously updated to recent developments the availability analysis of IT systems was updated, tests were held and improvements were made to the handling of a scenario in which the two main buildings of KAS BANK would not be available. As a member of the core financial infrastructure in the Netherlands, KAS BANK participated in market-wide crisis tests;
- In the area of IT risk management, a formal IT Risk Management Framework was aligned with the overall Risk Management Framework and approved. The approach to RSAs in the ICT area was aligned with the ORM approach to RSAs. Key Risk Indicators are monitored by means of a dashboard. The change management process was strengthened.

Constant monitoring of the developments for the infrastructure of the organisation remains an important part and an estimation of the risks for KAS BANK and its business relations as a result of the infrastructure and the developments therein.

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 and settlement activities of clients is in majority covered by collateral and based on applicable internal credit limits.

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.

The Credit Risk Management group within Risk Management is responsible for measuring and managing KAS BANK's credit risk. The Back Office Treasury department is in charge of monitoring the credit risk arising from treasury activities, supervised by the Credit Risk Management group. The Credit Risk Management group reports directly to the Risk Management Committee.

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

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. This enables KAS BANK to monitor the risks of outstanding transactions. Internal authorisation of client instructions is also part of this monitoring system. The settlement of security transactions includes a counterparty risk in cases where KAS BANK delivers securities and/or cash, but does not receive cash or securities from the counterparty. Delivery versus payment is a standardised

method which means that 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.

KAS BANK uses an internal rating system for monitoring credit risks on counterparties. These internal ratings are reassessed every 1 to 3 years, depending on the risk classification and developments on the markets or at clients' 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 used for setting limits and determining the level of margins required to be held in respect of security transactions.

Exposures based on collateral

Exposures relating to settlement and clearing facilities are always covered by collateral with a pledge on the securities and cash for KAS BANK. Client withdrawal of the facilities is in accordance with a policy as established by the Credit Risk Management group and approved by the Risk Management Committee. A basic requirement is that advances are only made against 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. 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 Management 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 and (reverse) repurchase transactions

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.

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

<i>In thousands of euros</i>	2012	2011
Banks	5,787,323	6,198,090
Other parties	634,972	367,865
Receivables in respect of securities lending	6,422,295	6,565,955
Securities	6,836,298	6,987,991
Cash	24,862	121,983
Collateral received	6,861,160	7,109,974
Banks	23,250	17,696
Other parties	5,258,392	5,703,482
Liabilities in respect of securities lending	5,281,642	5,721,178
Borrowers' repledged securities	4,696,018	4,958,779
Reverse repurchase agreements	427,209	247,760
Financial investments available-for-sale	453,601	878,412
Collateral on behalf of lenders	5,576,828	6,084,951

Exposures in money market instruments and derivatives

The Risk Management Committee assigns limits for internal money market transactions and foreign currency positions for all counterparties. These limits are recorded in a risk management information system. Excesses on money market and currency limits have to be approved by the Head of Treasury. 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). In addition, we also use the Credit Support Annex (CSA) with various parties that requires cash collateral to be posted to cover movements in the fair value of derivatives. In these cases, the credit risk relates to the fair value of the derivative less the collateral posted.

Own securities portfolios

KAS BANK limits the exposure to credit risk in its own security portfolio by investing solely in marketable securities with an investment grade credit rating from both Moody's Investors Service and Standard & Poor's. The Asset & Liability Committee (ALCO) approves 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.

<i>In thousands of euros</i>	Financial assets designated at fair value	Financial investments available-for- sale	Financial investments held- to-maturity	Total
2012				
Government / government-guaranteed	50,384	383,422	10,645	444,451
Other Aaa t/m Aa3	-	457,712	-	457,712
Total Aaa t/ Aa3	50,384	841,134	10,645	902,163
A1 - A3	-	59,837	-	59,837
Baa1 - Baa3	-	104,356	-	104,356
P1 - P2	-	-	-	-
Shares	-	6,320	-	6,320
Total	50,384	1,011,647	10,645	1,072,676
2011				
Government / government-guaranteed	181,871	579,630	-	761,501
Other Aaa t/m Aa3	-	526,903	-	526,903
Total Aaa t/ Aa3	181,871	1,106,533	-	1,288,404
A1 - A3	-	17,435	-	17,435
Baa1 - Baa3	-	38,763	-	38,763
P1 - P2	-	-	-	-
Shares	-	5,557	-	5,557
Total	181,871	1,168,288	-	1,350,159

Maximum credit risk

The maximum amount of credit risk (without taking into account 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.

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 regulations. Furthermore, concentration risk also occurs in relation to a single country or segment. KAS BANK's credit risk is 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 our 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

<i>In thousands of euros</i>	Central government	Financial Institutions	Institutional Investors	Other	Total
Concentration by segment 2012					
Cash and balances with central banks	385,004	-	-	-	385,004
Due from banks and loans	12,500	1,274,126	1,062,562	467,328	2,816,516
Reverse repurchase agreements	-	582,149	-	-	582,149
Derivative financial instruments (assets)	-	120,261	134,003	3,873	258,137
Financial assets designated at fair value	-	50,384	-	-	50,384
Financial investments available-for-sale	222,125	789,522	-	-	1,011,647
Financial investments held-to-maturity	10,645	-	-	-	10,645
	630,274	2,816,442	1,196,565	471,201	5,114,482
Concentration by segment 2011					
Cash and balances with central banks	1,135,738	-	-	-	1,135,738
Due from banks and loans	-	538,885	1,122,465	291,499	1,952,849
Reverse repurchase agreements	-	656,056	-	-	656,056
Derivative financial instruments (assets)	-	49,864	103,445	878	154,187
Financial assets designated at fair value	130,416	51,455	-	-	181,871
Financial investments available-for-sale	388,370	779,918	-	-	1,168,288
Financial investments held-to-maturity	-	-	-	-	-
	1,654,524	2,076,178	1,225,910	292,377	5,248,989

<i>In thousands of euros</i>	The Netherlands	Rest of European Union	Other	Total
Concentration by region 2012				
Cash and balances with central banks	385,004	-	-	385,004
Due to banks and loans	1,681,227	828,483	306,806	2,816,516
Reverse repurchase agreements	50,006	532,143	-	582,149
Derivative financial instruments (assets)	170,522	75,641	11,974	258,137
Financial assets designated at fair value	-	50,384	-	50,384
Financial investments available-for-sale	578,280	417,535	15,832	1,011,647
Financial investment held-to-maturity	-	10,645	-	10,645
	2,865,039	1,914,831	334,612	5,114,482
Concentration by region 2011				
Cash and balances with central banks	1,135,738	-	-	1,135,738
Due from banks and loans	1,682,102	187,355	83,392	1,952,849
Reverse repurchase agreements	-	656,056	-	656,056
Derivative financial instruments (assets)	111,140	43,047	-	154,187
Financial assets designated at fair value	181,871	-	-	181,871
Financial investments available-for-sale	553,472	600,161	14,655	1,168,288
Financial investments held-to-maturity	-	-	-	-
	3,664,323	1,486,619	98,047	5,248,989

Capital management

The limited exposure to credit risk is also expressed by the high capital ratios of KAS BANK. KAS BANK's policy is aimed at maintaining a strong capital base in order to meet the bank's existing and future capital requirements and to fulfil the capital adequacy standards at all times. The BIS capital ratio is the ratio of the bank's capital to its risk-weighted assets (including off-balance sheet exposure). The capital of KAS BANK comprises Tier 1 Capital and supplementary Tier 2 Capital. KAS BANK's internal minimum BIS ratio amounts 13.5% (2011: 13.5%). Dutch law and banking regulations require a minimum BIS ratio of 8%.

The credit-risk exposure is presented in the following table. The applicable risk weights are in accordance with current applicable regulations.

<i>In thousands of euros</i>	31 December 2012		31 December 2011	
	Carrying amount	Risk-weighted amount	Carrying amount	Risk-weighted amount
Due from banks	1,458,747	221,539	517,628	84,835
Loans	1,357,769	38,997	1,435,221	36,916
Reverse repurchase agreements	582,149	94	656,056	724
Derivative financial instruments	258,137	29,339	154,187	65,008
Financial assets designated at fair value	50,384	-	181,871	-
Financial investments available-for-sale	1,011,647	147,987	1,168,288	117,635
Financial investments held-to-maturity	10,645	-	-	-
Other assets	472,028	68,943	1,232,048	77,264
	5,201,506	506,899	5,345,299	382,382
Off-balance sheet exposure	37,502	260,305	52,592	313,487
Total of the risk-weighted items		767,204		695,869

<i>Capital and ratios based on Basel II</i>	31 December 2012		31 December 2011	
	Capital	Ratio	Capital	Ratio
Tier 1	165,202	22%	164,356	24%
Tier 2	11,367		14,071	
Total BIS	176,569	23%	178,427	26%

40. Operational risk

General

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. These include operational risks such as IT problems, shortcomings in the organisation structure, absence of or inadequate internal control, human error, fraud and external threats.

Managing operational risk

In 2009, the Managing Board adopted a more stringent operational risk policy. Management's responsibility is fundamental for identifying and analysing operational risks and implementing adequate internal control measures. In the performance of this task, management is supported by experts in the field of systems organisation and internal control and by the operational risk manager. The Internal Audit department performs a monitoring role involving operational audits.

KAS BANK's operational risk policy is also underpinned in the following ways:

- For each process, there is a control structure in place in which the process, inherent risks, control objectives and control measures are all documented. These control structures are periodically evaluated on the basis of Risk Self Assessments (RSAs), assessments performed by the Risk Management department and operational audits;
- Operational risks are continuously monitored by means of the Quality Dashboard that was set up during the year;
- Systematic records are kept of losses attributable to operational risks in an Operational Loss Database. The recorded events are periodically analysed;
- Analysis of events and risks, including proposals for improving processes;
- Ongoing attention to enhancing risk and quality awareness among staff;
- Training and professional development as important elements in staff performance;
- In order to manage the continuity risk, we have established a Business Continuity function, responsible for recovery and resolution plans. The Business Continuity Manager reports directly to the Risk Management Committee;

- The Internal Audit department systematically evaluates the control, risk management and overall management processes and reports its findings to the Risk Management Committee and the Audit Committee.

The three internal lines of defence and, as a fourth independent line of defence, the external auditor and the regulators, report any shortcomings identified in the design, existence and operating effectiveness of internal controls to the bank's Risk Management Committee, the Managing Board and/or the Audit Committee. The bank's Risk Management Committee assesses the risk and decides on action to be taken in the form of temporary and/or structural measures in order to solve the shortcoming. The Operational risk manager and Internal Audit department report to the Risk Management Committee on the follow up of these.

Various scenarios have been examined in order to see the effects that operational risk stress testing has on shareholders' equity. These exceptional but still plausible scenarios were selected and examined in liaison with the line management organisation and based partly on actual or extrapolated losses. 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 reserves are sufficient to absorb the expected losses under the various stress scenarios.

The RSA 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 RSAs involves the collaboration of the risk coordinator of the relevant process and the operational risk manager, with the risk coordinator playing a particularly important role in the process. The risk coordinator is the key figure in preparing an RSA and is also responsible for addressing the points raised by an RSA leading to measures to minimise risks. The results of the RSAs were satisfying and resulted in the continuing and expanding of the RSAs in 2013.

In 2012, KAS BANK published an ISAE 3402 Type 2 report over the period January 2012 to October 2012 with a bridge letter for the remaining two months. This report (the 'in control statement') 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 an unqualified auditor's report.

Business Continuity Management

Business Continuity Management (BCM) is very important within KAS BANK. Sector-wide crisis management focuses on the Dutch Financial Core Infrastructure (FKI) [*Financiële Kerninfrastructuur*] during an operational disruption. The FKI consists of institutions that are essential to the operation of payment and securities systems in the Netherlands. The Dutch central bank gives guidance to the Crisis management of the FKI. Being a member of the FKI, KAS BANK participated in the successful market-wide exercise held in November 2012. ICT tests in which the recovery procedures of ICT are tested are also very important within BCM. In 2012 these tests were successfully performed.

Managing IT Risk

IT risk is the business risk associated with the use, ownership, operation, involvement, influence and adaption of Information Technology within KAS BANK.

Since 2011, KAS BANK has a dedicated IT Risk Management function in place to manage the IT related risks. The IT risk manager advises the operational management with regard to internal control and assists in identifying and analysing IT risks. The IT Internal Audit department performs a monitoring role with IT audits.

The IT processes and systems are monitored on a daily basis 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 Assessments (RSA).

KAS BANK improved the management of its IT risks in 2012. Some examples of this improvement are:

- The adoption of a formalised and approved IT Risk Management framework aligned with the enterprise Risk Management framework;
- Introduction of a uniform and business aligned method for performing RSAs;
- The integration and monitoring of IT risks into a company-wide risk register;
- Professionalisation of the IT processes and the process managers' role;
- The IT process managers are also assigned risk coordinators for their process, resulting in increased risk awareness and more powerful management of IT risks;
- The key risk indicators (KRIs) of the IT processes are monitored by the means of a Dashboard;
- An extended set of acceptance criteria in the change management process including a more stringent set of IT management procedures;
- The introduction of an improved level of penetration testing and vulnerability scanning.

41. 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 exposure to market risks. The bank's Risk Management Committee has adopted procedures and guidelines and set limits with regard to market risks. The Asset & Liability Committee (ALCO) and the Risk Management 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 Management 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 five working days. The Risk Management Committee has set a VaR limit of EUR 1.5 million for the limited trading book positions that may arise as a consequence of the client activity of the FX desk.

A so-called signal VaR of EUR 5 million applies for the total security portfolios of KAS BANK. 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.

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 one week assumes the possibility to sell the positions within one week, which is uncertain in periods of illiquidity or extreme events affecting the market. 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 may cause major losses.

Market risk exposure

The following table shows the internally reported Value-at-Risk (VaR) figures in millions of euros.

<i>In millions of euros</i>		31 December	Highest	Lowest	Average
VaR total	2012	3.7	4.6	2.5	3.8
VaR total	2011	4.0	4.0	2.3	3.3
VaR trading	2012	0.8	1.0	0.2	0.6
VaR trading	2011	0.5	0.6	0.2	0.4

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 2012				Derivative	
<i>In thousands of euros</i>	Assets	Liabilities	Net	financial instruments	Open (abs.)
USD	324,944	427,121	-102,177	99,611	-2,566
GBP	153,381	273,070	-119,689	116,869	-2,820
CHF	32,133	18,289	13,844	-15,600	-1,756
SEK	7,591	13,038	-5,447	6,080	633
JPY	14,756	21,132	-6,376	5,846	-530
AUD	2,310	19,273	-16,963	17,884	921
CAD	3,656	17,163	-13,507	13,759	252
Other	76,481	58,256	18,225	-12,523	5,702
Total	615,252	847,342	-232,090	231,926	

31 December 2011				Derivative	
<i>In thousands of euros</i>	Assets	Liabilities	Net	financial instruments	Open (abs.)
USD	96,645	352,823	-256,178	259,058	2,880
GBP	171,082	339,172	-168,090	174,457	6,367
CHF	28,099	7,069	21,030	-19,801	1,229
SEK	11,390	3,261	8,129	-7,936	193
JPY	48,070	73,680	-25,610	19,624	-5,986
AUD	2,303	58,080	-55,777	61,145	5,368
CAD	8,197	6,463	1,734	-1,293	441
Other	42,727	55,933	-13,206	16,788	3,582
Total	408,513	896,481	-487,968	502,042	

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 (AFS) 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 AFS portfolio is monitored using Value-at-Risk (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 Management 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. The Risk Management department reports the results of the analyses to the Asset & Liability Committee (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 probably results in an increase of 39% (2011: 15% 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% (2011: 17% 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 3% decrease of equity (2011: 2% decrease), while a sudden decrease of 200 basis points in the market rate of interest probably results in an increase of 0.3% of equity (2011: 0.2% decrease).

These calculations assume that all financial instruments as included in the balance sheet at reporting date are held until maturity and, if they mature within one year, are replaced by similar financial instruments.

42. 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 inward and outward flows 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.

The Asset & Liability Committee (ALCO) advises the Risk Management 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 staff within the bank.

Basel III introduces two new liquidity ratios to measure the adequate liquidity: the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (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.

Developments in 2012

Even after the introduction of tighter regulation (the Supervisory Regulation on Liquidity [*Regeling liquiditeit wft 2011*]), 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.

The table below shows the financial assets and liabilities of KAS BANK divided by maturity.

Maturity calendar as at 31 December 2012							Non-
In thousands of euros							maturity
	Direct	<= 3 months	<= 1 year	<= 5 year	> 5 year		Total
Assets							
Cash and balances with central banks	385,004	-	-	-	-	-	385,004
Due from banks	1,385,349	68,398	5,000	-	-	-	1,458,747
Loans	1,238,203	105,365	7,465	6,736	-	-	1,357,769
Reverse repurchase agreements	-	582,149	-	-	-	-	582,149
Financial assets designated at fair value	-	-	-	50,384	-	-	50,384
Financial investments available-for-sale	-	83,206	102,355	685,903	133,863	6,320	1,011,647
Financial investments held-to-maturity	-	-	-	10,645	-	-	10,645
	3,008,556	839,118	114,820	753,668	133,863	6,320	4,856,345
Equity and liabilities							
Due to banks	252,158	8,643	-	-	-	-	260,801
Due to customers	3,661,912	622,996	6,900	-	-	-	4,291,808
Repurchase agreements	-	46,050	-	-	-	-	46,050
Financial liabilities designated at fair value	-	-	-	52,512	-	-	52,512
	3,914,070	677,689	6,900	52,512	-	-	4,651,171
Derivative financial instruments							
Foreign exchange contracts	-	-	-	-	-	-	-
· Incoming cash flow	-	8,248,659	696,879	-	-	-	8,945,538
· Outgoing cash flow	-	-8,251,549	-700,760	-	-	-	-8,952,309
Interest contracts	-	-	-	-	-	-	-
· Incoming cash flow	-	8,060	26,107	53,381	142,320	-	229,868
· Outgoing cash flow	-	-11,598	-34,809	-83,826	-145,904	-	-276,137
	-	-6,428	-12,583	-30,445	-3,584	-	-53,040
Contingent positions							
Liquidity surplus/(deficit)	-37,502	-	-	-	-	-	-37,502
Liquidity surplus/(deficit)	-943,016	155,001	95,337	670,711	130,279	6,320	114,632

Maturity calendar as at 31 December 2011							Non-
In thousands of euros							maturity
	Direct	<= 3 months	<= 1 year	<= 5 year	> 5 year		Total
Assets							
Cash and balances with central banks	65,738	1,070,000	-	-	-	-	1,135,738
Due from banks	449,325	68,303	-	-	-	-	517,628
Loans	1,281,657	121,753	20,000	5,000	6,811	-	1,435,221
Reverse repurchase agreements	-	656,056	-	-	-	-	656,056
Financial assets designated at fair value	-	36,050	15,405	-	130,416	-	181,871
Financial investments available-for-sale	-	131,381	95,188	690,880	245,282	5,557	1,168,288
Financial investments held-to-maturity	-	-	-	-	-	-	-
	1,796,720	2,083,543	130,593	695,880	382,509	5,557	5,094,802
Equity and liabilities							
Due to banks	332,081	125,785	-	-	-	-	457,866
Due to customers	3,755,396	713,315	7,900	-	-	-	4,476,611
Financial liabilities at fair value through income	-	-	-	-	-	-	-
	4,087,477	839,100	7,900	-	-	-	4,934,477
Derivative financial instruments							
Foreign exchange contracts	-	-	-	-	-	-	-
· Incoming cash flow	-	7,631,269	344,492	-	-	-	7,975,761
· outgoing cash flow	-	-7,618,416	-345,378	-	-	-	-7,963,794
Interest contracts	-	-	-	-	-	-	-
· Incoming cash flow	-	2,482	9,266	60,768	38,469	-	110,985
· outgoing cash flow	-	-4,565	-14,778	-103,683	-57,790	-	-180,816
	-	10,770	-6,398	-42,915	-19,321	-	-57,864
Contingent positions							
Liquidity surplus/(deficit)	-52,592	-	-	-	-	-	-52,592
Liquidity surplus/(deficit)	-2,343,349	1,255,213	116,295	652,965	363,188	5,557	49,869

43. Compliance risk

KAS BANK has a compliance function in place to manage the compliance risk, as required under the Financial Supervision Act [*Wet op het financieel toezicht*]. The purpose of the compliance function is to promote compliance with the legislation, regulation and internal rules relating to integrity by KAS BANK, its employees and its corporate bodies. In addition, KAS BANK's aim is to ensure a certain conduct amongst its employees.

KAS BANK's compliance function enables it to act in accordance with applicable legislation and regulation in respect of the integrity of the bank, its Managing Board and employees.

The compliance function has the knowledge and experience necessary to identify the integrity risks within KAS BANK. It is also able to propose or take appropriate preventative, remedial or punitive measures in order to achieve a level of integrity that is not only consistent with legislation and regulation, but also anticipates the social standards and values that are taking shape.

By acting in this way, the compliance function will be able to contribute to a balanced value creation for all KAS BANK's stakeholders in the long term.

At a strategic level, the compliance function promotes compliance with the rules and codes for good governance. The compliance function's focus on the tactical level involves the requirements stipulated for the design of ethical business operations. At an operational level, the compliance function promotes the application of integrity rules in concrete cases.

Embedding the compliance function in the organisation

The compliance function operates under the functional responsibility of the Group Compliance Officer (GCO) and is part of KAS BANK's risk management structure. The GCO reports to the Chief Risk Officer (CRO) primarily in a functional and hierarchical sense. The GCO also has a direct formal line to both the chairman of the Managing Board and the chairman of the Supervisory Board.

The GCO focuses primarily on the management of the process concerned. If the escalation structure described above fails to offer a solution, the GCO may turn directly to the supervisory authorities, the Dutch central bank and the Netherlands Authority for the Financial Markets (AFM).

The compliance function consists, together with the GCO, of a deputy compliance officer, the local compliance officers in Germany and the United Kingdom, a number of specialists for the performance of monitoring activities and an integrity officer in Human Resources. KAS BANK also has three confidential intermediaries who play an important role in detecting issues. Finally, the bank has an Integrity Committee which, among other things, guarantees independence and discretion in the implementation of the whistleblower scheme. An organisation-wide compliance meeting takes place periodically with relevant individuals from the various divisions of the bank.

The compliance function forms the 'second line of defence' in respect of the management of the compliance risk. In addition to this formal embedding, every employee has his or her own responsibility in respect of compliance and integrity.

The members of the Managing Board perform their functions in a careful, expert and ethical manner taking due account of all applicable legislation and regulation, codes and rules. Every member of the Managing Board has signed a moral and ethical declaration. KAS BANK's employees are deemed to be aware of the fact that the

members of the Managing Board have signed this declaration and all the employees are similarly expected to act in accordance with this moral and ethical declaration. Specifically this means that, when appropriate, employees should prudently weigh up the interests of the clients, the shareholders, their colleagues and society as a whole. When weighing up these interests, employees should, as far as possible, deem the clients' interests paramount.

Compliance function duties

KAS BANK has numerous regulations to guarantee integrity, including arrangements for dealing with insider information and private securities transactions and a whistleblower scheme. The whistleblower scheme encourages employees to report any actual or suspected violations of the law and regulations or internal policy and is designed to protect KAS BANK employees who report abuses.

An important condition for complying with the rules is that staff know and acknowledge the importance of these rules ('awareness'). Various forms of regular training and communications are used to support this process.

As well as providing support for the organisation, the compliance officer primarily devotes attention to limiting client-related integrity risks (such as money laundering, terrorism financing) and integrity risks arising from the behaviour of individuals (such as insider trading). The Group Compliance Officer (GCO) also oversees the regulations for protecting personal data, the policy on gifts, the order execution policy, the regulations on loans and advances to Managing Board members and the regulation to prevent conflicts of interest.

Other focal areas for the compliance function include primary and secondary legislation relating to financial institutions enacted as a consequence of the EC Markets in Financial Instruments Directive (MiFID) and the various codes concerning the proper governance of banks and businesses in general, including the Banking Code and the rules regarding a sound remuneration policy at financial undertakings.

The emphasis of the compliance function in 2012

Whilst historically the compliance function used to concentrate on the prevention of money laundering and financing of terrorism, the function has now been broadened, as explained above. This trend has, in part, been prompted by increased legislation and regulation, the credit crisis and the developing social norms and values in respect of integrity.

In 2012, KAS BANK participated in a sector-wide assessment on culture and behaviour within financial institutions. The assessment was carried out by a dedicated independent external office. The outcome of the report was reported to the Works Council and the Supervisory Board. The recommendations of the risk self assessments on compliance carried out in 2011 were also implemented, i.e. on the continuous monitoring of customers.

The implementation of the rules and regulations on controlled remuneration [*Regeling beheerst beloningsbeleid Wft*] was another topic in 2012.

In 2012, the compliance function revised the compliance client acceptance policy. The revised policy was approved by the Risk Steering Committee of our Management Board.

There is a definite feeling that, as indicated previously, the financial crisis has accelerated the existing increase in financial supervision and regulation and this requires the continuous attention of KAS BANK and its compliance function.

44. Fair value of financial assets and liabilities

The following table presents the financial instruments that are carried at fair value, analysed by 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;
- Level 3: Valuation techniques using variables other than observable market data.

31 December 2012 <i>In thousands of euros</i>	Level 1	Level 2	Level 3	Cost	Total
Derivative financial instruments (assets)	154,926	103,211	-	-	258,137
Financial assets designated at fair value	-	50,384	-	-	50,384
Available-for-sale debt instruments	927,092	76,627	1,608	-	1,005,327
Available-for-sale equity instruments	-	5,986	53	281	6,320
Total financial assets	1,082,018	236,208	1,661	281	1,320,168
Derivative financial instruments (liabilities)	154,926	163,732	-	-	318,658
Financial liabilities designated at fair value	52,512	-	-	-	52,512
Total financial liabilities	207,438	163,732	-	-	371,170

31 December 2011 <i>In thousands of euros</i>	Level 1	Level 2	Level 3	Cost	Total
Derivative financial instruments (assets)	-	154,187	-	-	154,187
Financial assets designated at fair value	181,871	-	-	-	181,871
Available-for-sale debt instruments	1,071,747	89,377	1,607	-	1,162,731
Available-for-sale equity instruments	-	4,516	53	988	5,557
Total financial assets	1,253,618	248,080	1,660	988	1,504,346
Derivative financial instruments (liabilities)	-	212,484	-	-	212,484
Financial liabilities designated at fair value	-	-	-	-	-
Total financial liabilities	1,253,618	35,596	1,660	988	1,291,862

Reconciliation of fair value at level 3

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

<i>In thousands of euros</i>	Financial investments available-for-sale
Position as at 1 January 2012	1,660
Reclassification from Level 2 to Level 3	-
Result on reclassification	-
Total income and charges	-
• Impairments	-
• Fair value movement recognised in income statement	1
Level 3 assets as at 31 December 2012	1,661

45. 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. This segmentation overview reflects the structure of the internal management information provided to the Managing Board.

Operating segmentation

2012 <i>In millions of euros</i>	Financial institutions	Institutional investors	Treasury	Other	Total
Interest income and expenses ¹	4.8	14.4	5.4	-	24.6
<i>Commission income and expense:</i>					
- Asset Servicing	2.6	40.3	1.3	-	44.2
- Transaction Servicing	8.9	8.0	-	-	16.9
- Other commissions	2.4	6.2	-	-	8.6
Result on financial transactions and trading income	0.5	7.6	1.9	5.8	15.8
Other income	0.4	0.4	-	6.8	7.6
Total income	19.6	76.9	8.6	12.6	117.7
Operating expenses (direct)	-28.3	-47.9	-2.5	-	-78.7
Contribution	-8.7	29.0	6.1	12.6	39.0
Operating expenses (overhead)				-18.0	-18.0
Result for the period before tax					21.0

2011 <i>In millions of euros</i>	Financial institutions	Institutional investors	Treasury	Other	Total
Interest income and expenses ¹	5.0	15.9	6.6	-	27.5
<i>Commission income and expense:</i>					
- Asset Servicing	2.9	37.4	1.3	-	41.6
- Transaction Servicing	10.2	10.0	-	-	20.2
- Other commissions	1.7	4.6	-	-	6.3
Result on financial transactions and trading income	0.5	7.8	1.3	-0.5	9.1
Other income	0.4	1.3	-	8.9	10.6
Total income	20.7	77.0	9.2	8.4	115.3
Operating expenses (direct)	-26.1	-47.0	-3.0	-	-76.1
Contribution	-5.4	30.0	6.2	8.4	39.2
Operating expenses (overhead)				-23.9	-23.9
Result for the period before tax					15.3

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 Wiesbaden. Operational processing is mainly carried out on the IT systems in Amsterdam.

The following tables present the total revenue divided into the Netherlands and other European countries (United Kingdom and Germany) on the basis of the country of residence of the KAS BANK offices. Segmentation on the basis of the markets in which the transactions are conducted and the income is generated shows that approximately half of the commission income is attributable to countries outside the Netherlands.

Geographical segmentation of income <i>In millions of euros</i>	2012	2011
Country of residence KAS BANK		
Netherlands	102.6	91.1
Other Europe	15.1	24.2
Total	117.7	115.3

Geographical segmentation of the property and equipment and intangible assets		
<i>In millions of euros</i>		
	2012	2011
Country of residence KAS BANK		
Netherlands	39.8	42.0
Other Europe	4.0	8.1
Total	43.8	50.1

Concentration of income

The 25 largest clients of KAS BANK account for 39% (2011: 37%) of the total revenue. None of these clients (2011: none) account for more than 10% of the total revenue.

46. Share-based payments

Share and option plans

KAS BANK operates share and option plans for the members of the Managing Board, senior management and other employees.

Employee option plan and Identified staff share plan

The following table presents the characteristics of the options granted to employees and of the shares granted to the identified staff. The 2010 tranche has the possibility to extend the expiry by two years. KAS BANK did not grant options to employees in 2012.

	Shares Identified staff	Options Other staff	
Grant date	March 2012	March 2011	March 2010
Fair value at grant date (in euros)	8.56 at most	2.93	3.32/3.37
Share price at grant date (in euros)	8.56	11.82	13.55
Exercise price (in euros)	N/A	11.82	13.55
Life	4 years	5 years	5/7 years
Vesting period	1-4 years	3 years	3 years

Variable remuneration for the Managing Board

The variable remuneration of the Managing Board consists of a long-term component and a short-term component. As from 2010, the long-term variable remuneration of the Managing Board only includes shares. 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 number of shares granted is based on the three equally weighted benchmarks. These benchmarks are the Total Shareholder Return (TSR), the relative performance to the Amsterdam Small Cap Index (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 characteristics of the granted non-vested shares and options (series 2010) are:

	Shares			Options
Grant date	January 2012	January 2011	January 2010	January 2010
Fair value at grant date (in euros)	6.83	9.78	11.46	3.77
Share price at grant date (in euros)	8.38	11.99	14.05	14.05
Exercise price (in euros)	N/A	N/A	N/A	14.05
Life	5 years	5 years	5 years	8 years
Vesting period	3 years	3 years	3 years	3 years

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:

<i>In thousands of euros</i>	2012	2011
Option payments Managing Board	144	341
Share payments Managing Board	10	236
Option payments Other staff	187	244
Total	341	821

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

<i>In thousands of euros</i>	2012	2011
Share payments Managing Board	240	215
Share payments Identified staff	65	-
Option payments Other staff	-	331
Total	305	546

Outstanding options

The following table presents the outstanding options as per 31 December 2012.

	Expiry date	Exercise price in euros	Outstanding as at 31/12/2011	Conditionally granted	Exercised	Expired	Outstanding as at 31/12/2012	Status
Managing Board								
A.A. Röell	March 2012	17.10	407			407	-	Vested
	March 2013	20.74	4,880				4,880	Vested
	March 2012	22.89	9,760			9,760	-	Vested
	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
	January 2018	14.05	43,253				43,253	Not yet vested
R.J. Kooijman	January 2017	9.90	68,106				68,106	Vested
	January 2018	14.05	24,716				24,716	Not yet vested
S.A.J. van Katwijk	January 2017	9.90	14,580				14,580	Vested
	January 2018	14.05	24,716				24,716	Not yet vested
Former Managing Board members	March 2012	17.10	11,067			11,067	-	Vested
	March 2012	22.89	15,626			15,626	-	Vested
	March 2013	20.74	11,180				11,180	Vested
	March 2014	22.89	7,814				7,814	Vested
	January 2016	25.00	3,408				3,408	Vested
	January 2017	9.90	27,873				27,873	Vested
	January 2018	14.05	22,244				22,244	Not yet vested
Other staff	March 2012	17.10	6,000			6,000	-	Vested
	March 2013	20.74	9,697				9,697	Vested
	March 2012	22.89	146,397			146,397	-	Vested
	March 2014	22.89	8,948				8,948	Vested
	March 2013	26.00	159,152			5,439	153,713	Vested
	March 2015	26.00	153,068			4,013	149,055	Vested
	March 2014	8.31	119,972			4,309	115,663	Vested
	March 2016	8.31	6,599				6,599	Not yet vested
	March 2015	13.55	69,402			1,641	67,761	Not yet vested
	March 2017	13.55	29,000				29,000	Not yet vested
	March 2018	11.82	1,355				1,355	Not yet vested
	March 2018	11.82	111,458			17,287	94,171	Not yet vested
Total			1,176,383	-	-	221,946	954,437	

Outstanding shares

The following statement presents outstanding shares of the Managing Board and the Senior Management (Identified staff).

	Grant date	Outstanding as at 31/12/2011	Conditionally granted	Unconditionally granted	Not granted	Outstanding as at 31/12/2012	Status
Managing Board							
A.A. Röell	January 2009	11,277		11,277		-	Vested
	January 2010	6,228				6,228	Not yet vested
	January 2011	8,128				8,128	Not yet vested
	January 2012		11,635			11,635	Not yet vested
R.J. Kooijman	January 2009	6,444		6,444		-	Vested
	January 2010	3,559				3,559	Not yet vested
	January 2011	5,940				5,940	Not yet vested
	January 2012		8,502			8,502	Not yet vested
S.A.J. van Katwijk	January 2009	2,686		2,686		-	Vested
	January 2010	3,559				3,559	Not yet vested
	January 2011	5,940				5,940	Not yet vested
	January 2012		8,502			8,502	Not yet vested
Former Managing Board members	January 2009	5,799		5,799		-	Vested
	January 2010	3,203				3,203	Not yet vested
	January 2011	1,980				1,980	Not yet vested
Senior Management	March 2012			4,552		-	Vested
	March 2012		3,035			3,035	Not yet vested
Total		64,743	31,674	30,758	-	70,211	

47. Related parties

KAS BANK identifies as related parties the members of the Managing Board, the members of the Supervisory Board and the company pension fund Stichting Pensioenfonds van de KAS BANK.

48. 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	Short term variable remuneration	Pension costs	Other payments	Total remuneration in cash	Value of options granted	Value of shares granted	Total remuneration
2012								
A.A. Röell	390	184	108	22	704	-	98	802
R.J. Kooijman	285	134	76	22	517	-	71	588
S.A.J. van Katwijk	285	134	67	46	532	-	71	603
Total	960	452	251	90	1,753	-	240	1,993

Remuneration of the Managing Board In thousands of euros	Base salary	Short term variable remuneration	Pension costs	Other payments	Total remuneration in cash	Value of options granted	Value of shares granted	Total remuneration
2011								
A.A. Röell	370	77	92	21	560	31	100	691
R.J. Kooijman	268	56	67	21	412	16	68	496
S.A.J. van Katwijk	268	56	67	45	436	8	63	507
N.E. Blom (until 1 July 2011)	268	56	67	403 ¹⁾	794	18	30	842
Total	1,174	245	293	490	2,202	73	261	2,536

1) N.E. Blom's other remunerations include one additional annual salary and a contribution to his pension.

The short term variable remuneration is paid half in shares and half in cash. In addition to the remuneration of the Managing Board presented above, a crisis levy of EUR 120,000 is charged to the company in 2012. This is an incidental measure in which the Dutch tax authorities charge salaries exceeding EUR 150,000 with an additional 16% levy.

Depositary receipts

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

<i>Number of shares</i>	2012	2011
A.A. Röell	14,505	3,228
R.J. Kooijman	6,444	-
S.A.J. van Katwijk	2,686	-

Loans

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

49. 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:

<i>In thousands of euros</i>	2012	2011
R. Smit	48	48
J.M.G. Frijns	41	40
A.H. Lundqvist	40	40
R.A.H. van der Meer	48	46
R. Icke	45	45
R. Teerlink	32	32
Total	254	251

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

50. Audit fee

The following table presents the fees paid to KPMG for services rendered. These fees are included in the income statement as 'General and administrative expenses'.

<i>In thousands of euros</i>	2012	2011
Audit fees	445	423
Other audit assignments	161	390
Tax fees	143	64
Other non-audit assignments	433	127
Total	1,182	1,004

The above amounts include VAT which is not recoverable amounting to EUR 141,000 (2011: EUR 121,000).

<i>In thousands of euros</i>	2012	2011
INCOME		
Interest income	63,946	74,699
Interest expense	39,553	47,245
Net interest result	24,393	27,454
Fee and commission income	77,802	75,457
Fee and commission expense	12,394	13,065
Net fee and commission result	65,408	62,392
Results of subsidiaries	-2,821	2,510
Net trading income	11,020	7,021
Result from financial transactions	4,851	2,069
Other income	6,829	1,744
Total operating income	109,680	103,190
OPERATING EXPENSES		
Personnel expenses	59,336	59,513
General and administrative expenses	28,846	28,631
Depreciation and amortisation	3,615	3,948
Impairment losses (recovery)	-3,626	-2,013
Total operating expenses	88,171	90,079
Operating result before tax	21,509	13,111
Tax expense	5,963	2,881
Net result	15,546	10,230

<i>In thousands of euros</i>	31 December 2012	31 December 2011
Assets		
Cash and balances with central banks	385,004	1,135,736
Due from banks	1,453,827	511,553
Loans	1,366,968	1,443,330
Reverse repurchase agreements	582,149	656,056
Derivative financial instruments	258,137	154,187
Financial assets designated at fair value	50,384	181,871
Financial investments available-for-sale	1,011,647	1,168,288
Financial investments held-to-maturity	10,645	-
Investments in associates and joint ventures	25	-
Current tax assets	9,076	9,520
Other assets	28,314	33,507
Participating interest in group companies	124,835	127,450
Property and equipment	2,784	3,008
Goodwill and intangible assets	4,964	5,148
Deferred tax assets	1,382	1,314
Total assets	5,290,141	5,430,968
Equity and liabilities		
Due to banks	260,508	457,397
Due to customers	4,391,725	4,571,534
Repurchase agreements	46,050	-
Derivative financial instruments	318,658	212,484
Financial liabilities designated at fair value	52,512	-
Current tax liabilities	7,875	-
Other liabilities	20,048	17,258
Deferred tax liabilities	3,608	4,262
Total liabilities	5,100,984	5,262,935
Share capital	15,699	15,699
Share premium	21,569	21,569
Treasury shares	-24,974	-25,324
Revaluation reserve	16,134	-5,332
Statutory reserve	4,045	3,451
Other reserves (including profit for the year)	156,684	157,970
Total equity attributable to KAS BANK shareholders	189,157	168,033
Total equity and liabilities	5,290,141	5,430,968
Contingent liabilities	23,032	26,703
Irrevocable facilities	14,470	25,889

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.

Group companies <i>In thousands of euros</i>	2012	2011
Position as at 1 January	127,450	127,335
Result for the year	-2,821	2,510
Adjustment previous years	61	-32
Actuarial result	-39	-
Cash contribution	184	-
Impairment	-	-2,363
Position as at 31 December	124,835	127,450

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 company tax and VAT. The tax group is jointly and severally liable for taxation payable by the tax group.

Management declaration

KAS BANK's Managing Board and Supervisory Board hereby declare that the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuing institution and the companies included in the consolidation.

Amsterdam, 28 February 2013

KAS BANK Managing Board and Supervisory Board

Managing Board

A.A. Röell, chairman
R.J. Kooijman, Chief Financial Officer
S.A.J. van Katwijk

Supervisory Board

R. Smit, chairman
J.M.G. Frijns
A.H. Lundqvist
R.A.H. van der Meer
R. Icke
R. Teerlink

Appropriation of result for 2012

Proposed appropriation of the result 2012

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 2012 result:

Appropriation of the result according to the consolidated income statement for 2012	
<i>In thousands of euros</i>	
Result for the period	15,546
Interim dividend	-4,811
Proposed final dividend	-4,526
Proposed addition to other reserves	6,209

In 2012, an interim dividend of EUR 4.8 million (EUR 0.33 per share) is paid.

Subsequent events

In November 2012, KAS BANK agreed to acquire a minority interest of 20% in the Swedish execution service provider Neonet AB. This agreement was subject to the approval of the Swedish Financial Supervisory Authority. The agreed acquisition price is SEK 1. In February 2013, KAS BANK received permission to finalise the acquisition. As from 2013, the participation in Neonet AB is included in the balance sheet of KAS BANK as 'Investments in associates and joint ventures'. KAS BANK's share in the results of Neonet AB will be included in the income statement of KAS BANK as from financial year 2013.

To: the General Meeting of Shareholders of KAS BANK N.V.

Report on the financial statements

We have audited the accompanying financial statements 2012 of KAS BANK N.V., Amsterdam. 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 2012, the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2012, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

The Managing Board's responsibility

The Managing Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Managing Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Managing Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

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 2012 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Independent auditors' report

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of KAS BANK N.V. as at 31 December 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, 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 under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 28 February 2013

KPMG Accountants N.V.

M.A. Hogeboom RA

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 2012 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 25 April 2012.

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 membership profile for the Executive Committee of the Registrar's Office was further adjusted in line with the new Constitution and Administrative Conditions as amended on 30 September 2011. 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 25 April 2012, the Registrar's Office issued proxies to 44 depositary receipt holders and/or their proxies, compared with 49 the previous year.

The shareholders and depositary receipt holders in attendance represented 43,9% of the voting capital in the meeting. The Registrar's Office therefore represented 56.1% of the voting right.

The total number of ordinary shares in the issued capital of the company remained unchanged in 2012 at 15,699,017. As at year-end, the Registrar's Office had 15,618,807 ordinary shares under administration, in exchange for which the same number of depositary receipts had been issued. Depositary receipts have been issued for approximately 99.5% of the total issued share capital.

The actual administrative procedures are performed by the company. The expenses of the Registrar's Office in 2012, 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 2012, it was the turn of Mr H. Zwarts to step down as member of the Executive Committee. Mr Zwarts is available for reappointment for a period of three years until 2015. 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. The Executive Committee did not receive any nominations. The Executive Committee accordingly reappointed Mr Zwarts to sit on the Executive Committee, with effect from 1 July 2012 and to serve a term of office of three years. In 2013, it will be the turn of Mr Baan and Mr Scheffers to retire by rotation. Mr Baan will not be available for reappointment since he has served on the Executive Committee of the Registrar's Office for 12 years.

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, 22 February 2013

The Executive Committee:

A. Baan, chairman	(2013)
H. Zwarts	(2015)
H. Scheffers	(2013)

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

KAS BANK Effectenbewaarbedrijf N.V. (KDTC) merged with KAS BANK as of 15 January 2013, whereby KDTC transferred its activities to KAS BANK. The Stichting Administratiekantoor Aandelen KAS BANK Effectenbewaarbedrijf (the KDTC Registrar's Office) was dissolved in connection with this. Because of the expansion of the protective effect of the Dutch Securities Giro Act (Wet giraal effectenverkeer) as of 1 January 2011, a separate depository company is no longer required for securities.

Until its dissolution, the KDTC Registrar's Office held all the shares in KDTC and had issued KAS BANK non-exchangeable depositary receipts for shares. KDTC acted on KAS BANK's behalf as a custodian of securities for KAS BANK's clients, to the extent that such securities would be counted as KAS BANK's assets by virtue of KAS BANK's custody thereof. KDTC's object expressly excluded the conduct of any business other than the custody of securities which involves commercial risk. Custody was provided by KDTC subject to the 'Terms concerning custody of securities', in which KAS BANK guarantees to its clients the correct performance of all of KDTC's obligations to them. The activities associated with custody operations were performed by KAS BANK, which also acted as the Management of KDTC.

The (former) board of KDTC Registrar's Office met for the last time on 7 February 2013 to discuss the aforementioned merger and the report from the auditor to the board that the design and existence of the provisions taken by KAS BANK to ensure separation of assets were in line with the applicable statutory regulations.

This is the final report from the KDTC Registrar's Office.

Amsterdam, 7 February 2013

The (former) board:

D.H. Cross, chairman

R.P. Voogd

R.J. Kooijman

Report of Stichting Administratiekantoor Aandelen KAS Derivaten Clearing (KASDC Registrar's Office)

KAS Derivaten Clearing N.V. ('KASDC') merged with KAS BANK as of 15 January 2013, whereby KASDC transferred its clearing activities and derivatives positions to KAS BANK. The Stichting Administratiekantoor Aandelen KAS Derivaten Clearing (the KASDC Registrar's Office) was dissolved in connection with this. Due to requirements and regulations for clearing institutions, KAS BANK and KASDC have integrated their clearing activities.

Until its dissolution, the KASDC Registrar's Office held all the shares in KASDC and had issued KAS BANK non-exchangeable depositary receipts for shares. KASDC acted on KAS BANK's behalf as clearing member and holder of derivatives positions for KAS BANK's clients. KASDC's object expressly excluded the conduct of any other business which involves commercial risk. KASDC held derivatives positions for clients subject to the 'Terms concerning the holding of derivatives' in which KAS BANK guaranteed to its clients the correct performance of all of KASDC's obligations to them. The positions were administered by KAS BANK.

The (former) board of KASDC Registrar's Office met for the last time on 7 February 2013 to discuss, among other things, the aforementioned merger and the report from the auditor to the board that the design and existence of the provisions taken by KAS BANK to ensure separation of assets were in line with the applicable statutory regulations.

This is the final report from the KASDC Registrar's Office.

Amsterdam, 7 February 2013

The (former) board:

D.H. Cross, chairman

R.P. Voogd

R.J. Kooijman

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 held views 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. The present section of the 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 exposition takes as a basis 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 coming 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 two provisions only. This concerns best-practice provision II.1.1 (the existing members of KAS BANK's Managing Board 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. The Banking Code concentrates on further 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. 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.

Corporate governance

KAS BANK made further progress with the implementation of the Banking Code during the year. The bank's risk tolerance and low risk profile were again endorsed and approved by the Supervisory Board. The strategic developments and collaboration with dwpbank were discussed in all the Supervisory Board's meetings. A new – carefully constructed, restrained and durable – remuneration policy was adopted for the bank as a whole. A self-evaluation of the Supervisory Board and the Managing Board regarding their own performances were done with the assistance of an external expert. A permanent education programme was implemented 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 organization were discussed with the Supervisory Board and generally tightened up within the bank. The description of the structure and operation of the internal risk management and control systems was further refined.
- 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 in place a product approval process.
- The internal audit function performs an audit regularly on the implementation of 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 was adopted. The underlying principles are that the new 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 remuneration policy for the bank was discussed with the Supervisory Board and satisfies the requirements of the Banking Code.
- The Managing Board's remuneration is reviewed with the assistance of an external expert; the variable remuneration is carried out in accordance with the Regulations on Sound Remuneration Policy.
- Eighteen employees are designated as identified staff. Specific requirements concerning variable remuneration apply for the identified staff. The Managing Board is also considered identified staff.

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 2012, an intensive permanent education programme was organized for the members of the Supervisory Board to further deepen the knowledge and understanding of the bank's key operations and related risks. Presentations were given by a number of internal experts on all relevant subjects.
- In 2013, a permanent education programme is scheduled on new legislation and regulations concerning capital and liquidity and the consequences thereof.
- Besides the subjects mentioned in the Banking Code the permanent education program will also focus on performance management and remuneration in order to guarantee sufficient knowledge in these areas.
- When new members are appointed to the Supervisory Board, an introduction programme is put together for them, with presentations by senior management. Members of the Supervisory Board have also visited various departments within the bank to see what goes on at first hand.

Self-evaluation by the Supervisory Board

- The Supervisory Board evaluates its own performance and that of the Committees annually. In 2012 the evaluation for the year 2011 was assisted by an external expert. The outcome of this evaluation was discussed and a number of action points were identified. It was decided, for instance, to set up an operations programme to further increase the members' knowledge and understanding of the key basic processes.
- The self-evaluation for the year 2012 was done by the Supervisory Board itself. It was decided, for instance, to set up a programme for permanent education to further increase the members' knowledge and understanding of the new European capital and liquidity regulations.
- The self-evaluation also focused on the membership profile of the Supervisory Board, the competencies represented on the board and the relationship between the Supervisory Board and Managing Board.

Self-evaluation by the Managing Board

- In 2012, the Managing Board evaluated its own performance with the assistance of an external expert. The outcome of this evaluation was discussed and a number of action points were identified, such as more clearness on the role of senior management sometimes acting in a decision making capacity and sometimes in an advisory capacity.
- The Managing Board pays a lot 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 members of the Supervisory Board and the members of the Managing Board have all sworn to this banker's oath.

- 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

- Client Service Reviews: Contacts with our clients were further intensified and the Client Service Reviews were further enhanced. Almost the entire client base was involved in this exercise. The purpose of the reviews was to eliminate risks and irregularities and further enhance the standard of service and improve client satisfaction. The average rating from our clients rose in 2012 compared to 2011. Work on this project proceeded with undiminished vigour in 2012. The intake process for new clients was also accelerated and professionalized.
- KAS BANK only has corporate clients, for whom the duty of care involves something slightly different.

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.
- 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 fulfill 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. Accommodating our employees in a single building from mid 2013 will make a significant contribution to this.

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 removed 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 Employees' 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.

The Managing Board has been authorized 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 authorized 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 authorizations 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.

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 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. The by-laws and profile of the Supervisory Board are posted on the company's website.

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. A member of the Supervisory Board shall be appointed and reappointed only after careful consideration.

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.

Depository 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). Depository 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;
- approving 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;
- authorizing 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 2012, there were 15,699,017 KAS BANK ordinary shares in issue (unchanged from year-end 2011). 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 99.5% as at year-end 2011) 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 (€ 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 depositary receipts for shares since 1986.

Financial reporting

The company's financial statements are examined by external auditors 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 approval by 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 auditors.

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.

KAS BANK's anti-takeover defenses

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: Huib van Everdingen (chairman), René Verstraeten and Barbara 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.

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