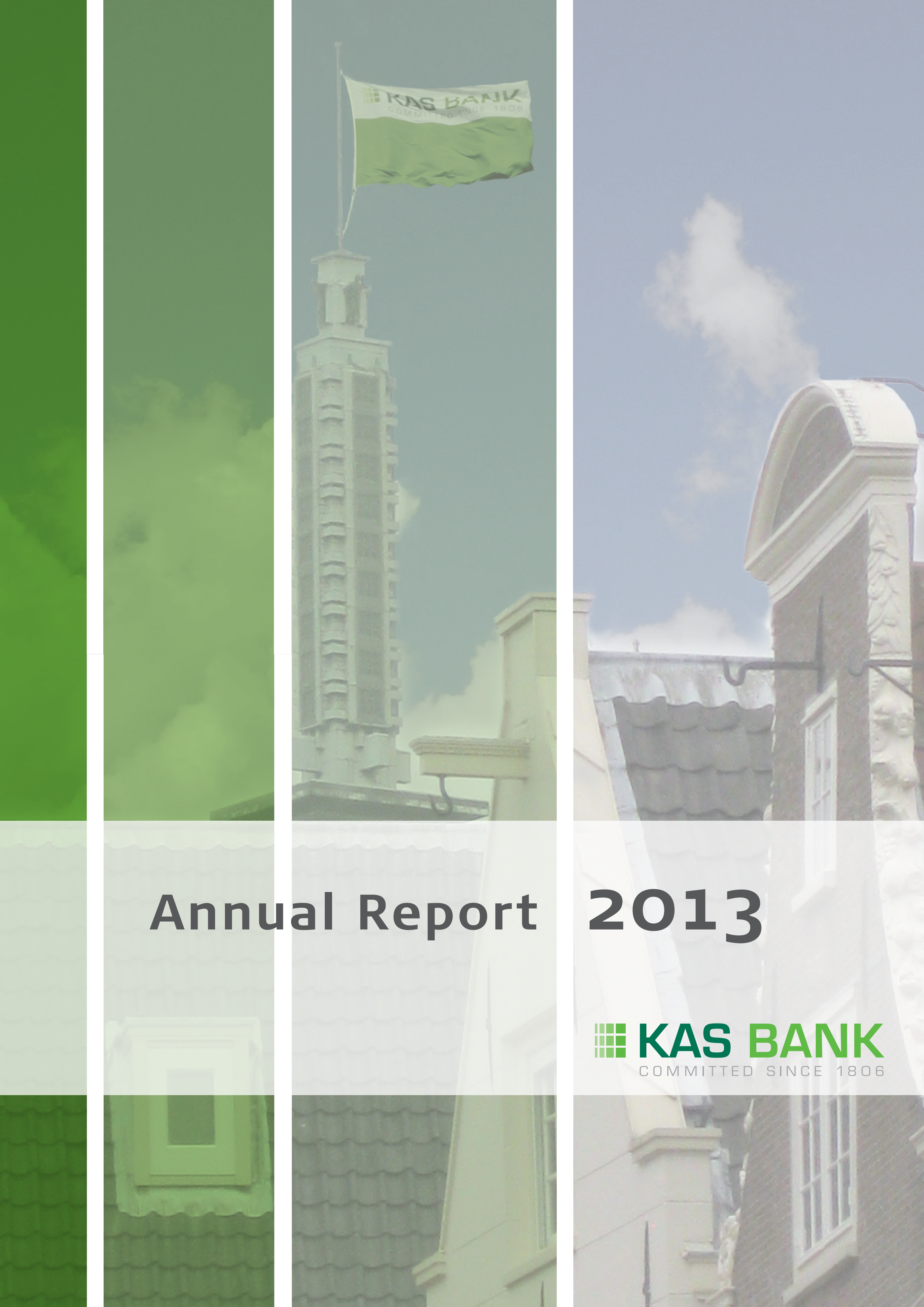

Annual Report 2013

KAS BANK
COMMITTED SINCE 1806

FIVE YEARS IN FIGURES KAS BANK N.V.

Consolidated, in millions of euros	2013	2012	2011	2010	2009
Own funds					
Equity attributable to KAS BANK shareholders	213.1	192.3	170.6	187.0	193.4
Total assets	3,789.7	5,205.7	5,347.9	6,017.3	6,329.7
Operating income	114.2	117.7	115.3	117.1	135.9
Operating expenses	101.8	98.5	101.8	94.9	104.0
Result before tax	12.4	19.2	13.5	22.3	31.8
Net result attributable to KAS BANK shareholders	**12.3**	**14.1**	**8.9**	**18.5**	**24.6**
Figures per share of EUR 1.00 nominal value (in euros)					
Net asset value after proposed dividend	14.21	12.86	11.53	12.83	13.27
Basic earnings per share	0.84	0.97	0.61	1.27	1.69
Dividend	0.64	0.64	0.50	0.73	0.73
Share price, high	10.00	8.90	12.25	14.24	14.40
Share price, low	7.65	6.80	7.72	11.00	6.95
Share price at 31 December	9.75	7.56	8.55	11.76	14.05
Ratios					
Net return on average shareholders' equity (%)	6.3	7.9	5.0	10.0	13.7
Efficiency ratio (excluding impairments)	89	84	87	83	77
BIS ratio (at 31 December)	29	23	26	23	25

ANNUAL REPORT 2013

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.

KAS BANK bridges the gap between the financial markets and our clients' needs by translating market standards and requirements into client relevancy, thereby minimising market complexity and creating added value and continuity for both KAS BANK and our clients. Standardised services and complete transparency are paramount: this is achieved by combining a proactive approach with advanced information technology and rigorous process control. Outsourcing their administrative functions to KAS BANK enables our clients to focus primarily on their own core activities.

KAS BANK is listed on the NYSE Euronext Amsterdam stock exchange. As a European specialist KAS BANK has an international presence with offices in Amsterdam, London and Wiesbaden.

Contents

Situation as at 4 March 2014

Supervisory Board

R. Smit (1950), chairman
J.M.G. Frijns (1947), vice-chairman
R.A.H. van der Meer (1949)
R. Icke (1957)
Ms P.J.E. Bieringa (1959)

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 Krediet Management GmbH in Düsseldorf; member Advisory Board Blue Carpet B.V. in Baarn; board member Stichting OKI in Bussum
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; chairman of the Supervisory Board of Delta Lloyd; member of the Board of Directors of JP Morgan Funds (Luxembourg)
First appointed	2008
Current term of office expires	2016

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.; deputy member of the Enterprise Section of the Amsterdam Court of Appeal
Previous principal position	Member of the Managing Board of Fortis Amev; member of the Managing Board of Aegon
Other positions	Vice-chairman of the Supervisory Board of Cório N.V.; member of the Supervisory Board of European Asset Trust N.V.
First appointed	2005
Current term of office expires	2017

R. Icke

Current principal position	None
Previous principal position	Chief Executive Officer (CEO) of USG People N.V.
Other positions	Member of the Supervisory Board and chairman of the Audit Committee of Heijmans N.V.; chairman of the Supervisory Board of DPA Group N.V.; advisor of the Board of orizon Holding GmbH; advisor of the Supervisory Board of Kinderopvang Nederland B.V.; member of the Supervisory Board of the Dutch Land Registry and VvAA Groep B.V.; member of the Investment Committee of the Project Holland Fund; chairman of the Supervisory Board of Ormit Holding B.V. and orizon GmbH; board member Stichting Administratiekantoor V.O.Zee
First appointed	2010
Current term of office expires	2014

Ms P.J.E. Bieringa

Current principal position	Managing Director Public Finance at N.V. Bank Nederlandse Gemeenten
Previous principal position	Managing Director ING BHF Bank AG
Other positions	Member Advisory Board Open University Heerlen; chairman of the Supervisory Board of LSP Life Sciences Fund N.V.
First appointed	2013
Current term of office expires	2017

The members of the Supervisory Board are Dutch nationals.

Managing Board

A.A. Röell (1959), chairman
K.H.J. Wulteputte (1967), Chief Financial and Risk Officer
S.A.J. van Katwijk (1964)

Senior management

Ms M.J.W.H. Janssen
G.J. Kremer
J.N.P. Laan
R. Roos
M. Schilstra
M.A. van der Sluis
T. Stuker
L.G. Vis
M. van Weezenbeek

Compliance Officer

C.J. Dasselaar

Internal auditor

J. Voskuilen

Secretary to the Managing Board

M.G.F.M.V. Janssen

Dear shareholder,

Europe is slowly emerging from the economic downturn. Although growth forecasts are still modest, this is naturally good news. Structural economic and financial reforms are still urgently needed, however. Without reforms, the necessary restoration of public confidence in social institutions like banks, pension funds and insurance companies will be a long time coming.

More transparency and more regulation are generally seen as important conditions for restoring the public's trust in the financial sector. A steady stream of regulation aimed at more transparency on the financial markets has therefore been forthcoming from Brussels. Stakeholders now want more insight into the performance of banks and insurance companies, but also into that of pension funds and asset managers. In the Netherlands, transparency on costs in particular is an important topic for regulator De Nederlandsche Bank. For KAS BANK these developments offer excellent opportunities to expand our services.

KAS BANK's business model is easy to understand. Thanks to our neutral position, any conflict of interest with clients is ruled out. The long-term interest of the client is always our focus. We view the relationship first and foremost from the perspective of the accountability that our client has taken on in managing the assets of third parties. Since most assets are held in securities (including derivatives), in-depth knowledge of securities is required for risk management. We not only absorb all the relevant regulation in our service proposition, we also translate our knowledge into clear (risk) reports with a great deal of added value. Online tools provide immediate insight into the client's current positions. Our order execution service enables pension funds and investment funds to settle their transactions on the financial markets transparently, as prescribed by regulation.

In order to further reinforce our market position as independent securities specialist, we are tightening our focus even more. All our clients profit from this. Our 'look through' reports, for instance, give our institutional clients better insight into the underlying investments of investment funds in which pension funds and insurers invest. The standardisation of our securities service provision means that brokers, bankers and other financial institutions profit from greater efficiency, higher value and lower risk.

We therefore look forward to the future with confidence, despite the fact that KAS BANK has not been able to fully neutralise the negative impact of the extremely low interest rates on our overall results. We have strengthened our commercial positioning in our key markets the Netherlands, the UK and Germany.
Our solvency is among the most conservative in the industry and our operational costs continue to decline year on year.

The good relationship with our shareholders is an important element in KAS BANK's continuity. In this respect, we would like to thank our shareholders for their loyalty to the bank. Management and employees are proud to be able to provide our shareholders with this long-term continuity. Rest assured that KAS BANK is in a good position for further growth in the Netherlands and Europe in the coming years.

Amsterdam, 4 March 2014

Albert Röell
Chairman Managing Board
KAS BANK N.V.

Attendance at General Meetings of Shareholders in 2013

92.5% of the issued capital was represented and entitled to vote at the annual General Meeting of Shareholders held on 24 April 2013. The shareholders and depositary receipt holders in attendance represented 50.4% of the voting capital. Stichting Administratiekantoor Aandelen KAS BANK ('KAS BANK Registrar's Office'), acting on behalf of holders of depositary receipts who did not attend the meeting in person, therefore represented 49.6% of the voting shares. All depositary receipt holders attending the meeting were automatically authorised to vote by KAS BANK Registrar's Office. Virtually all resolutions at the meeting were adopted unanimously. The result of the voting was published on the company website immediately after the meeting.

Listing

The ordinary shares have been listed on the Official Market of the stock exchange of NYSE Euronext Amsterdam N.V. in the form of depositary receipts for shares since 1986. KAS BANK is part of the Amsterdam 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 2013. 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.

- APG Algemene Pensioen Groep N.V.	8.8%
- ING Groep N.V.	7.9%
- Wellington Management Company, LLP	6.8%
- 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 rose by around 30% from EUR 7.56 (at year-end 2012) to EUR 9.75 (at year-end 2013). The basic earnings per KAS BANK share in 2013 were EUR 0.84 (2012: EUR 0.97). The figures per KAS BANK ordinary share can be found in the 'Five years in figures' summary.

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

2015 financial calendar

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

To the stakeholders of KAS BANK,

We hereby present the annual report and financial statements for the 2013 financial year, as prepared by the Managing Board. The Supervisory Board discussed the 2013 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 2013 financial statements be adopted;
- the 2013 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 2013, the final dividend for 2013, 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 2013 and the members of the Supervisory Board for their supervision in 2013.

In our report, we inform you of the working method and activities of the Supervisory Board and its committees in 2013, 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 2013, significant steps were taken to realise further strengthening of the bank. As a result of the persistently low interest rate structure, it is necessary for operating income to grow and for the efficiency ratio to be brought within the external objectives. To that end, the bank’s strategy was sharpened further at the end of 2013 and a start was made on adapting the organisation to this. In addition, cost reductions are planned for 2014 and 2015 to structurely reduce the bank’s costs. An important step has already been taken in the second half of 2013, through the relocation of the bank to a single building, which has led to better internal cooperation and greater efficiency.

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.

Strategy

The Supervisory Board ensures that the bank’s business model focuses on the interests of clients. The Supervisory Board notes that the low risk profile, the pure play business model and the strong solvency and liquidity are important reasons for market parties to work with KAS BANK. In addition, close attention is devoted to stable business operations and tight steering of operational risks. Due to the continuing difficult market conditions, attention remains intensely focused on collateral management at both the bank and KAS BANK’s clients.

The bank has adjusted its strategy and developed the focus on client interests in more detail. The adjusted strategy is necessary in order to respond to changes in the environment and in the organisation, and in order to improve the bank’s profitability in the longer term. The bank will concentrate on its core competencies and added value for its clients. The focus will be on third-party capital and on the parties to which that capital is entrusted. The core segments in which KAS BANK is best able to distinguish itself and add value are pensions, insurance, investment funds and wealth management. The core markets remain the Netherlands, Germany and the UK.

This adjustment is also reflected in further standardisation of processes, which will improve efficiency and lead to economies of scale. For financial intermediaries the emphasis will be on high-quality straight-through processing (STP) services.

The Supervisory Board endorses the choices made by the Managing Board in adjusting the strategy. The bank needs a simple, effective, battle-ready strategic model focusing more on the core objectives. The Supervisory Board expects the effectiveness to increase through a focus on a limited number of core segments in a limited number of markets. The Supervisory Board will monitor the implementation of the strategy closely.

The Supervisory Board is convinced that successful implementation of this strategy is possible, enabling the bank as a niche player to sustainably add value for its clients, its shareholders and, last but not least, its employees.

Important issues in 2013

Cooperation with dwpbank

The cooperation between KAS BANK and dwpbank developed further in the course of 2013. In September 2013, KAS BANK and dwpbank launched the Secpoint joint operation in order to further develop the creation of a European retail securities processing platform.

The Supervisory Board was closely involved in the preparation of this partnership and remains so in the implementation phase. There are also regular talks with the Supervisory Board members (‘Aufsichtsrat’) of dwpbank.

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

New remuneration policy for the Managing Board

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

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

For further information on the new remuneration policy for the Managing Board in 2014, please see the agenda for the General Meeting of Shareholders on 23 April 2014.

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 among others 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 Supervisory Board has discussed the ISAE 3402 certificate and is encouraged to note that an unqualified report was obtained for the business and for IT, with no findings. The ISAE 3402 certificate is an important control framework for clients and a fine development of the client focus strategy. After all, a clean ISAE 3402 report means that clients can base their (financial) reports on the data that they receive from KAS BANK with full confidence.

The Supervisory Board 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 is of the opinion 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 2013, DNB investigated progress in the field of conduct and culture at KAS BANK and to this end, conducted interviews with a number of Supervisory Board members. DNB's recommendations related primarily to the cooperation between the Supervisory Board and the Managing Board, internal communications and decision-making. In response to this, the Supervisory Board and the Managing Board took measures for further improvements on these points and to be able to track follow-up action concretely and measurably. The Supervisory Board put the interests of a strong culture and transparent communication first in this regard.

The Supervisory Board will ensure proper compliance with the points for action. The Supervisory Board ensures that the interests of all stakeholders are explicitly mentioned in all important decision-making processes and are taken into account in the considerations. The Supervisory Board has also sharpened this further in its own decision-making processes.

At the start of 2013, all Supervisory Board members took the oath or made the pledge in accordance with the Regulations on the oath or pledge in the financial sector.

In the last employee survey in 2012, close attention was devoted to the culture within the bank. Progress with the follow-up actions from the survey was discussed with the Supervisory Board. The next employee survey is planned in 2014.

The Supervisory Board welcomes the relocation to a single building as an improved corporate culture. The internal culture and internal communications are also discussed regularly in the regular talks between Supervisory Board members and the Workers Council. Furthermore, the Supervisory Board members hold regular talks with individual members of the bank's senior management.

Risk tolerance

The Supervisory Board regularly discusses the policy concerning KAS BANK's risk tolerance with the Managing Board and the Head Risk Management, and considers whether there could be reasons for changing the bank's low risk tolerance.

The Supervisory Board reconfirmed the low risk profile for 2014. The Board considered in this respect that the bank's risk profile arises from its core activities and that a low risk tolerance is inherently connected with its 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 on Sound Remuneration Policy (*Regeling beheerst beloningsbeleid Wft 2011*) 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. In addition to the Managing Board, a number of employees were designated as 'identified staff' for whom specific requirements apply with regard to variable remuneration.

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

Permanent education

In 2013, the Supervisory Board and the Managing Board followed an intensive programme of permanent education, focusing on the new laws and regulations relating to capital and liquidity, and their consequences for the bank. Subjects such as Basel III, ICAAP, ILAAP, the recovery plan, the Intervention Act, etc. were discussed in depth by a combination of internal and external specialists. They succeeded in making the complex subject matter of laws and regulations transparent in a clear manner.

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

Governance

Composition and working method of the Supervisory Board

The Supervisory Board consists of five 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 elsewhere in this report. It has been decided not to institutionalise the strategic committee which guides the cooperation with dwpbank.

The members of the Supervisory Board retire by rotation. Supervisory Board members Mr Lundqvist and Mr Van der Meer were due to retire by rotation in 2013. Mr Lundqvist was not eligible for reappointment because he had served for the maximum term of 12 years. Mr Van der Meer was eligible for reappointment for another four-year period. At the end of September 2013, Mr Teerlink resigned from the Board. The Supervisory Board expresses its gratitude to Mr Lundqvist and Mr Teerlink for their great efforts and commitment to the company during their term of service as Supervisory Board members.

After careful consideration, the Supervisory Board nominated Ms P.J.E. Bieringa MBA for appointment and Mr R.A.H. van der Meer RA for reappointment. The General Meeting of Shareholders appointed Ms Bieringa as a Supervisory Board member on 24 April 2013. On the same date, the General Meeting of Shareholders reappointed Mr van der Meer. Both appointments are for a term of four years. Neither the General Meeting of Shareholders nor the Workers Council nominated any other candidates.

Supervisory Board members Mr Smit and Mr Icke are due to retire by rotation in 2014. Mr Smit has made himself not available for reappointment due to health reasons. The Supervisory Board is in the process of fulfilling the vacancy.

Mr Icke is eligible for reappointment for another four-year period and has announced that he is available for reappointment. The Supervisory Board intends to nominate Mr Icke for reappointment. He is an excellent candidate who fits the job profile. More information on both vacancies can be found on the agenda of the General Meeting of Shareholders which will be held on 23 April 2014.

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

KAS BANK’s aim is for the size and composition of the Supervisory Board and the combined education, experience, expertise and (gender) diversity to be such as to best fit the profile and strategy of the company. This aim for the best fit in combination with the availability of qualifying candidates should result in a Supervisory Board in which one member is female and four 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 [*Wet bestuur en toezicht*]. 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 give due consideration to 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/operations, administrative organisation, national and international banking, securities and derivatives, social policy, national and international business, the workings of institutional investors and financial institutions and the (European) securities industry. The members of the Supervisory Board have also all filled in a suitability matrix which provides insight into the expertise of the individual supervisory board members and the group as a whole.

The Supervisory Board strives for as much diversity as possible in its composition in terms of gender, expertise, nationality, age and background.

Composition of the Managing Board

The Supervisory Board appointed Mr K.H.J. (Kris) Wulteputte to the Managing Board as Chief Financial and Risk Officer (CFRO) as of 1 October 2013. Mr Wulteputte succeeded Mr Kooijman in the Managing Board. Mr Kooijman left the company on 1 January 2014, at his own request and by agreement. The Supervisory Board took into careful consideration here that Mr Wulteputte is an excellent match with the job profile drawn up. As Chief Risk Officer in the preceding four years, Mr Wulteputte showed that he has a good understanding of the positioning of the bank, is able to think strategically and is focused on consistent implementation of the strategy. The Supervisory Board welcomes the fact that risk management is rooted in the organisation within the Managing Board.

The Supervisory Board would like to thank Mr Kooijman for his contribution toward strengthening the bank's risk governance and the further improvements in the field of finance and balance sheet management.

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 will pay close attention to gender diversity in the profiles of new board members. When future candidates for appointments to the Managing Board are to be selected, the Supervisory Board will give due consideration to the relevant diversity standards and requirements for a listed company and specialised bank. Moreover, the company encourages the development of female talents within the company, which has already led to the appointment of women in management positions.

Cooperation with the management

Once again, the Supervisory Board was very involved in the company's business in 2013. 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. Supervisory Board members regularly attend events with the employees, bank seminars for clients, and other formal and informal occasions. There is increasing contact with 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 six times in 2013 in accordance with the meeting schedule adopted. On one occasion, the Board conducted incidental talks by telephone in response to the nationalisation of

SNS Reaal. The Supervisory Board also met in the absence of the Managing Board on one occasion. The turnout at the meetings was close to 100%. Supervisory Board members twice participated in the Workers Council's consultative meeting.

Self-evaluation by the Supervisory Board

The Supervisory Board evaluates its own performance annually. At the end of 2013 the self-evaluation was done by the Supervisory Board itself. The main conclusions of 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 sound supervision. The advisory duty is being exercised more intensely, not from a desire to interfere but from a sense of involvement. The one-tier and two-tier models are growing closer to each other. The relationship and cooperation between the Supervisory Board and the Managing Board are therefore important points for attention.
- A permanent education session on conduct and culture will be organised.
- Partly in response to the employee survey, HR continues to receive more attention in the Supervisory Board meetings. The Appointments and Remuneration Committee will be responsible for the preparation.
- The Supervisory Board found that it was not an opportune time to adjust its own remuneration. The latest adjustment of its remuneration took place in 2011.

Priority areas for 2014

The Supervisory Board has adopted a number of priorities for 2014, including execution of the bank’s strategy, communication with the Managing Board and improvement of the company’s results.

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 of every committee meeting. The chairmen of the committees report verbally to the plenary meeting of the Supervisory Board on the discussions and recommendations from every meeting.

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 and balance-sheet risks, compliance risks, operational risks and Business Continuity Management. The Risk Management Supervision Committee consists of Supervisory Board members Van der Meer (chairman), Bieringa and Frijns.

The committee met six times in 2013, which was appropriate given the turbulent times. The committee devoted a great deal of attention to 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, amended legislation and regulations, ILAAP and ICAAP/stress testing.

Audit Committee

The Audit Committee exercises supervision on the Managing Board in relation to the aspects of the internal risk management and control systems within the company from a financial, 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 activities. The Audit Committee consists of Supervisory Board members Icke (chairman), Van der Meer and Smit.

The Audit Committee met four times in 2013. All meetings were attended by all committee members. The external auditor attended three of these meetings. The external auditor did not attend the meeting of the Audit Committee that discussed the rotation prescribed by the law of the external auditor. The main items on the agenda were the annual and interim financial 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 as well as the increasing pressure to meet the accumulation of laws and regulations.

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 Frijns (chairman), Icke and Smit.

The Committee met four times in 2013. The remuneration policy for the Managing Board was evaluated with an external expert several times. The adjustment was prepared in more detail and is included in the agenda for the upcoming General Meeting of Shareholders. The variable remuneration for the Managing Board members was adopted and the individual performance of the Managing Board members was assessed. The remuneration policy for the bank as a whole, and the way in which it is implemented, was tested against the Regulations on Sound Remuneration Policy (*Regeling beheerst beloningsbeleid Wft 2011*). Preliminary work was undertaken for filling the vacancies on the Managing Board and Supervisory Board in 2013, with considerable attention to diversity, the job profile and suitability of the candidates. The sharpening of the strategy and the reorganisation have already been discussed. HR developments, including the topic of conduct and culture, are discussed at each meeting.

Principles of remuneration policy/remuneration report

The remuneration of the Managing Board is based on the remuneration policy approved by the General Meeting of Shareholders in November 2010, which is posted on KAS BANK's website under Investor Relations, Corporate Governance. The remuneration of the Managing Board is set by the Supervisory Board in accordance with the recommendation of the Appointments and Remuneration Committee. In determining the components of the variable remuneration the Supervisory Board is assisted by KAS BANK's Internal Audit department.

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 AScX index. The total remuneration level is below the median level for both reference groups. The remuneration policy is reviewed every two years in the light of developments in the market and is examined every four years by a remuneration expert.

The 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 fixed annual salary has not been adjusted since.

Short-term variable remuneration

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, for example strategy and risk. The quantitative criteria include the growth in income versus the growth in expenses, the efficiency ratio, return on equity and 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 to be 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 2013 is assessed in accordance with the 2011 remuneration policy. As a consequence of the restructuring of the bank the Managing Board has decided to forego the short-term variable remuneration for 2013.

Long-term variable remuneration

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 ‘at target’ aim.

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 2011 - 2013 period, a number of ‘at target’ shares were conditionally granted to the Managing Board at the beginning of the period. The numbers were based on the percentage of 25% of the 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 2011-2013 period was granted. Consequently, there was no unconditional granting of shares for this period.

The award and payment of the variable remuneration of the Managing Board takes place in accordance with the Regulations on Sound Remuneration Policy (*Regeling beheerst beloningsbeleid Wft 2011*).

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 2013 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, 4 March 2014

The Supervisory Board:

R. Smit, chairman
J.M.G. Frijns, vice-chairman
R.A.H. van der Meer
R. Icke
Ms P.J.E. Bieringa

Report of the Managing Board

Results

In millions of euros	2013	2012*	change	%
Profit	12.3	14.2	-1.9	-13%
Non-operating items	-0.5	2.6	-3.1	-119%
Banking result	**12.8**	**11.6**	**1.2**	**10%**
Sales from AFS portfolio - bonds	8.0	4.4	3.6	82%
Result from operations	**4.8**	**7.2**	**-2.4**	**-33%**

** Comparative figures have been adjusted in response to the adjustments in IAS 19R from 1 January 2013.*

KAS BANK's net result decreased by 13% in 2013 to EUR 12.3 million (2012: EUR 14.2 million), while the banking result increased by 10% to EUR 12.8 million (2012: EUR 11.6 million). Operating profit decreased by 33% to EUR 4.8 million (2012: EUR 7.2 million).

The positive impact of growth of Assets under Administration, client wins and rising transaction volumes was not sufficient to compensate the negative effects of continuous low interest rates and price constraints. Total income decreased by 3% to EUR 114.2 million (2012: EUR 117.7 million). The main drivers of the decrease were interest income, with a decrease of 14% to EUR 21.2 million (2012: EUR 24.6 million), and fee and commission income, with a decrease of 3% to EUR 67.3 million (2012: EUR 69.7 million). The investment result in 2013 was more than EUR 6 million higher than in 2012 (2013: EUR 21.9 million; 2012: EUR 15.9 million), primarily through the sale of bonds and equities from the investment portfolio and increases in the fair value of perpetuals.

Total operating expenses increased by 3% to EUR 101.8 million (2012: EUR 98.5 million), mainly caused by non-operating items. Without non-operating items, total operating expenses decreased by 4% to EUR 93.7 million (2012: EUR 97.1 million).

The total impact of non-operating items on the net result was EUR -0.5 million (2012: EUR 2.6 million). These items consisted of sales and movements in the fair value of securities in the investments portfolio, (the reversal of) impairments, and HR-related items (retrenchment in the pension scheme and reorganisations). In line with IFRS, the majority of the proceeds of the sale of the Spuistraat premises were taken directly to the balance sheet. The proceeds exceeded the revaluation reserve, as a result of which the excess (EUR 0.9 million) was shown in the income statement.

The return on equity amounted to 6.3% in 2013 (2012: 7.9%) and the efficiency ratio to 89% (2012: 84%).

Solvency

Our low risk profile is reflected in the quality of the balance sheet and the high solvency ratio. The average BIS ratio in 2013 was equal to 23% (2012: 21%). At the end of 2013, the BIS ratio was 29% (at the end of 2012: 23%) and the Tier 1 ratio was 28% (at the end of 2012: 22%).

As of 2014, banks must comply with some of the new Basel requirements (Basel III). Under these new requirements, our BIS ratio would have been 27% at year-end 2013 and the leverage ratio (capital versus assets) would be 5%.

Income

Income decreased by 3% to EUR 114.2 million in 2013 (2012: EUR 117.7 million). Lower interest income and fee and commission income were to an extent offset by higher returns on investments.

In millions of euros	2013	2012	change	%
Interest	21.2	24.6	-3.4	-14%
Fee and commission	67.3	69.7	-2.4	-3%
Result on investments	21.9	15.9	6.0	38%
Share of result of associates and joint ventures	1.0	-	1.0	100%
Other income	2.9	7.6	-4.7	-62%
Total income	**114.2**	**117.7**	**-3.5**	**-3%**

Interest income decreased by 14% to EUR 21.2 million (2012: EUR 24.6 million) due to lower margins as a result of the lower short euromarket rate of interest.

Fee and commission income decreased by 3% to EUR 67.3 million (2012: EUR 69.7 million).

Breakdown of fee and commission income

In millions of euros	2013	2012	change	%
Asset Servicing	29.1	30.0	-0.9	-3%
Transaction Servicing	23.9	23.3	0.6	3%
Treasury	14.3	16.4	-2.1	-13%
Total commission	**67.3**	**69.7**	**-2.4**	**-3%**

Asset Servicing fee and commission income (mainly Custody and Investment Management Services) decreased by 3% to EUR 29.1 million (2012: EUR 30.0 million). The reduction of the KAG activities in Germany caused the decrease of this income. The increase of Assets under Administration and client wins compensated the impact of pressure on the fees for our services. The Assets under Administration increased by 7% to EUR 325 billion (2012: EUR 303 billion), mainly due to client wins. The 3% increase in Transaction Servicing fee and commission income to EUR 23.9 million (2012: EUR 23.3 million) is the result of client wins and higher volumes mainly in clearing and settlement of (non-)listed financial instruments. Treasury income decreased by 13% to EUR 14.3 million (2012: EUR 16.4 million), primarily due to a liquidity surplus which places pressure on prices in the securities lending market.

Breakdown of result on investments

In millions of euros	2013	2012	change	%
Trading - foreign exchange transactions	9.7	10.4	-0.7	-7%
Trading - securities and derivatives	0.7	0.6	0.1	17%
Investments - investment portfolio	11.5	4.9	6.6	135%
Result on investments	**21.9**	**15.9**	**6.0**	**38%**

The main component of the result on investments consists of client-driven foreign exchange transactions. This component diminished by EUR 9.7 million in 2013 in comparison with 2012 (2012: EUR 10.4 million).

The increase in the result on investments was due to price increases for a number of bonds for which impairments were applied in 2008 and a higher trading result for equities and derivatives.

Operating expenses

In millions of euros	2013	2012*	change	%
Personnel expenses	68.0	64.3	3.7	6%
Housing	4.1	3.5	0.6	17%
Information technology	16.4	16.1	0.3	2%
General and administrative expenses	8.6	8.8	-0.2	-2%
Depreciation/amortisation	4.9	6.5	-1.6	-25%
Total operating expenses - excluding impairments	**102.0**	**99.2**	**2.8**	**3%**
Impairment losses	-0.2	-0.7	0.5	-71%
Total operating expenses	**101.8**	**98.5**	**3.3**	**3%**

* Comparative figures have been adjusted in response to the adjustments in IAS 19R from 1 January 2013.

Operating expenses (excluding impairments, but including one-off additional costs for the partnership with dwpbank) increased by 3% to EUR 102.0 million in 2013 (2012: EUR 99.2 million).
The increase in accommodation costs results mainly from the move from two office buildings to one.

The personnel expenses increased by 6% to EUR 68.0 million (2012: EUR 64.3 million). Without exceptional items personnel expenses decreased by 4%. Exceptional items in the non-operational personnel expenses primarily involve expenses related to the restructuring of the organisation (EUR 7.7 million). The positive effect on the 2013-cost level of the new pension scheme for employees in the Netherlands was 5.3 million.

Impairments

Impairments mainly relate to (the reversal of) credit facilities and impairments on assets related to the closing of KAS BANK's KAG activities in Germany in 2014. On balance, the positive effect of impairments on the 2013 result amounted to EUR 0.2 million (in 2012: positive EUR 0.7 million).

Tax expenses

The effective tax rate of 0% (2012: 26%) is caused by tax facilities with respect to the sale of our office and the sale of our interest in LCH.Clearnet and the liquidation of our German subsidiaries.

Quality of the investment portfolio

The table below shows the 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).

In millions of euros	31 December 2013	Percentage of portfolio	31 December 2012	Percentage of portfolio
Aaa - Aa3	863	79%	902	84%
A1 - A3	59	5%	60	6%
Baa1 - Baa3	116	11%	92	8%
Ba1 - Ba3	59	5%	13	1%
Shares	2	0%	6	1%
Total	**1,099**	**100%**	**1,073**	**100%**

Risk-weighted value of assets

In millions of euros	31 December 2013 Carrying amount	Risk-weighted value	31 December 2012* Carrying amount	Risk-weighted value
Due from banks	278.4	54.3	1,458.7	221.5
Loans	545.4	71.8	1,357.8	39.0
Reverse repurchase agreements	1,403.7	0.0	582.1	0.1
Derivative financial instruments	149.9	33.4	258.1	29.3
Financial assets designated at fair value	97.8	-	50.4	-
Financial investments available-for-sale	990.5	185.4	1,011.6	148.0
Financial investments held-to-maturity	10.4	-	10.6	-
Other assets	314.1	72.2	475.3	68.9
	3,790.2	**417.1**	**5,204.6**	**507.0**
Off-balance sheet exposure	53.5	298.0	37.5	260.3
Total of the risk-weighted items		**715.1**		**767.3**

Capital and ratios based on Basel II *In milllions of euros*	31 December 2013 Capital	Ratio	31 December 2012* Capital	Ratio
Tier 1	199.6	28%	168.3	22%
Tier 2	4.1		11.4	
Total BIS	**203.7**	**29%**	**179.7**	**23%**

* *Comparative figures have been adjusted in response to the adjustments in IAS 19R from 1 January 2013*.

KAS BANK's low risk profile is reflected by the high solvency ratio, which remained the same in 2013. The average BIS ratio in 2013 was equal to 23% (2012: 21%). The increase in the BIS ratio as at the end of 2013 (29%) relative to the end of 2012 (23%) was mainly caused by an increase in the Tier 1 Capital.

Liquidity

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

Maturity calendar as at 31 December 2013 *In percentages*	On demand	< = 3 months	< = 1 year	< = 5 year	> 5 year	Maturity not applicable	Total
Banks, loans and other financial assets	34%	60%	2%	3%	1%	0%	100%
Financial investments available-for-sale	0%	10%	9%	48%	33%	0%	100%
Total financial assets	**24%**	**46%**	**4%**	**16%**	**10%**	**0%**	**100%**

Maturity calendar as at 31 December 2012 *In percentages*	On demand	< = 3 months	< = 1 year	< = 5 year	> 5 year	Maturity not applicable	Total
Banks, loans and other financial assets	78%	20%	0%	2%	0%	0%	100%
Financial investments available-for-sale	0%	8%	10%	68%	13%	1%	100%
Total financial assets	**62%**	**17%**	**2%**	**16%**	**3%**	**0%**	**100%**

The high level of liquidity is shown by the fact that, as at the end of 2013, 70% of investments had a maximum maturity of three months (at the end of 2012: 79%).

The average liquidity surplus based on the Financial Supervision Act was EUR 1.1 billion in the fourth quarter of 2013 (fourth quarter of 2012: EUR 1.5 billion).

Strategy and objectives

Since the outbreak of the financial crisis in 2008, the terms 'confidence' and 'security' have acquired new significance. In order to restore public confidence in social institutions such as banks, pension funds, insurers and investment funds, a virtually continuous stream of European and national laws and regulations has developed. The regulations are directed primarily at higher capital buffers for banks and greater openness and transparency in the financial markets. Banks and other market parties must comply with strict rules of the supervisory authorities in the fields of transparency and governance. This places strong pressure on the systems and resources of all market parties concerned. It also changes the role of custodians as keepers of the accumulated assets of third parties.

Parties that are responsible for the management of the accumulated assets of third parties, such as pension funds, insurers and investment funds, aim for maximum protection of the funds entrusted to them, so that their societal task can never be jeopardised. For that reason, they seek a custodian that matches their own characteristics: with a long-term focus and a clear need for and appreciation of local partners and the securities infrastructure set up for them.

On the basis of our natural role as an independent custodian, KAS BANK is a good match with these characteristics. We consider the post-trade relationship with our clients first and foremost from the point of view of the accounting obligation that our clients have undertaken with the management of assets for third parties. We also support them on the basis of an independent and non-conflicting position, focusing on the clients' long-term interests. This principle, in turn, strengthens the long-term relationship with the client.

We guarantee custody of the property with integrity and correct management of assets. In this way, we offer financial institutions continuity in their service provision. We are concentrating still more strongly on the tasks that are crucial: custody, information services, risk management and reports to the supervisory authorities.

Increasing regulation translates into more and increasingly detailed reports to the different stakeholders. On the basis of our position as an independent custodian and administrator of third-party securities and capital, we are eminently able to collect, enhance and report on all the necessary data for the reporting obligations of our clients. In that task, we focus on four core segments: pension funds (including their clients, such as savers, and their administrative organisations), insurance companies, investment funds and wealth managers. In this way, our resources are deployed more efficiently and specifically.

In the services for parties with different accounting obligations than parties that manage third-party assets, such as brokers and other financial institutions, the focus lies on high-quality STP service provision. Investors continue to seek a connecting platform that enables them to be active in the financial markets in a transparent manner. However, the market nowadays has less need for tailor made services than in the past. Standardisation creates larger scale and higher volumes and reduces the operational risk of all parties concerned. KAS BANK bridges the gap between the financial markets and our clients' needs by translating market standards and requirements into client relevancy, thereby minimising market complexity and at the same time creating added value and continuity for both KAS BANK and our clients.

Trends

The regulatory burden already mentioned and the calls for greater transparency also foster unabated continuation of the trend towards further concentration by financial institutions on their core activities. Stricter liquidity and solvency requirements reinforce the need for substantial reductions in operating expenses. Outsourcing of non-core activities like securities processing will 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 the case, particularly, for the insourcing of processing activities in the back office.

A new trend with a potentially large impact on our industry is ‘near shoring’. Ultimate owners of assets increasingly are looking for local solutions instead of global (and other ‘off shore’) structures.

In the field of European regulation, Solvency II, the European Markets Infrastructure Regulation (‘EMIR’) and the Alternative Investment Fund Managers Directive (‘AIFMD’) are increasingly gaining shape and significance. Together with our clients and the markets, KAS BANK is constantly developing innovative tools and solutions to meet their regulatory and legal needs in the European market.

Solvency II
The implementation date of Solvency II for insurers has finally been set on 1 January 2016 by the European Commission. Solvency II reflects new risk management practices to define required capital and manage risk. With Solvency II, 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. Our risk management products and services related to performance measurement, risk management and reporting to the regulator constitute a solid basis for insurance conpanies to satisfy the requirements stipulated by Solvency II.

Although Solvency II is ‘principle-based’, the directive contains highly detailed regulations concerning governance, reporting and transparency. Insurers face the challenge of gathering and presenting the prescribed asset-related data for the determination of their solvency in the correct manner. All data must also be traceable, transparent and verifiable. This is particularly important in the gathering of data on the underlying investments in participating interests of insurers in investment funds. Without these look-through data, they are charged additional capital increments. The gathering of asset data is a core quality of KAS BANK. We also have a wealth of experience in the prompt gathering, enhancement and consolidation of look-through data of fund managers worldwide. Our Solvency services therefore have clear added value for insurers.

EMIR
Through EMIR, the European Securities and Markets Authority (ESMA) aims to bring transparency to, and control over the inherent risks present in, the derivatives market. EMIR introduces regulation for the post trade processing of derivatives by central counterparties (CCPs) as well as mandatory authorisation of CCPs, requirements involving collateral and position transfers, even if the OTC derivative contracts have not been cleared through a CCP. For non-cleared derivatives EMIR requires all market participants to take (enhanced) risk management measures as the Regulation aims to standardise the bilateral collateral management process, comparable with the risk management process of the CCP.

All these strict requirements are designed to manage and control the counterparty risk. The implementation of EMIR has significant impact on the operational conduct and liquidity requirements of every financial as well as every non-financial party that takes part in the derivatives market. Both central clearing and enhancement of the bilateral collateral requirements will result in an increase. predominantly, of collateral demands. Measurements will occur at least once every day. In fact, a CCP may ask for additional collateral 7 to 14 times a day. Parties trading derivatives therefore need to have access to high quality assets to meet these demands.

As a neutral party KAS BANK can be of important supplementary value in supporting market parties in meeting the various obligations set by EMIR. KAS BANK has been supporting its clients in adherence to new rules with the development of a Derivatives Risk platform and a comprehensive and fully-compliant reporting offering. Our services also include all connections that are required in the OTC derivatives pre and post trade infrastructure and keep them constantly up to date, thus ensuring our clients timely and complete EMIR compliance. Furthermore, EMIR dictates enhanced risk management requirements for non-cleared derivatives. By regulating our clients' liquidities and conducting their collateral management we allow them to focus on their core business and creating investment returns.

AIFMD

The Alternative Investment Fund Managers Directive opens up new markets for investment funds in Europe. 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 Depositary. As a result, the role and task of the depositary will also change quite 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. As an AIFMD administrator, we play a leading role in the Dutch, British and German market which will be expanded in the coming years.

All these developments in new primary and secondary legislation for banks and financial institutions create opportunities for KAS BANK to strengthen its business position in Europe. With our easy-to-understand business model – independent specialist, a low risk profile, no conflicts of interest and a transparent cost structure – we see clear growth potential in the Netherlands, the UK, Germany and the countries in Northwestern Europe.

Client intimacy

KAS BANK distinguishes itself through its focus on excellent service, client intimacy, neutrality with no conflicts of interest, and transparent service provision. As a 'network' bank, we administer the financial infrastructure of our clients. In the operational field, we work with the best possible partners for this. They are continuously monitored for compliance with the agreed service standards. In addition to maximisation of scale and efficiency benefits, this leads to attractive margins. Our network bank model of intermediating selected third-party products in a complete offering leads to increased sustainability and positioning of KAS BANK.

As our business model is centred around client intimacy, we constantly improve our ability to identify special client needs and to match products and services accordingly. This is reflected in a higher client satisfaction in 2013 compared to 2012.

Tactical approach

* Focus on wholesale securities services	• pure play; independent; securities specialist for entrusted assets of third parties • specialised in administrative and reporting services; no active asset management • standardised securities processing for retail banks and brokers • trading solely at the expense of third parties; no active trading for own account
* Main areas	• pension funds, insurers, funds and wealth managers • post trade securities platform for retail banks and brokers in Europe
* Focus on core values and services	• professional and transparent; expertise workforce • low risk; high risk awareness • operational excellence; management 'in control'
* Client intimacy	• better integration with clients by focusing on securities specialism; no conflicts of interest with our clients' activities • client interest and client satisfaction is the priority • product development in cooperation with clients and market participants; thought leadership

Financial targets

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

Ratio	Standard	2013	2012*
Growth in income versus growth in expenses	**≥3%**	-5.8%	2.7%
Efficiency ratio**	**70-77%**	89.3%	84.3%
Return on equity***	**10-yr interest rate + 5-8%**	6.3%	7.9%
Growth in earnings per share	**>8%**	-13%	59%
Dividend pay-out	**60-80%**	75%	66%
Solvency (av.) BIS ratio	**≥16%**	23%	21%

* The comparative figures have been restated to reflect the amendments to IAS 19R which became effective on 1 January 2013.
** Excluding impairment losses
*** 10-year interest rate for 2013: 2.0%; 2012: 1.9%

Risk control and monitoring systems

KAS BANK's low risk tolerance policy is being applied in all our legal entities, and to all risks to which KAS BANK is exposed. The low risk tolerance of KAS BANK is key to our business of safeguarding, transferring and financing the assets of our clients. Shareholder value is stable, employees are committed, regulators as well as the other players in the Dutch and global financial infrastructure to which KAS BANK belongs aim for stability.

In 2013, both the Managing and Supervisory Board reaffirmed the low risk tolerance strategy. At a strategic level, developments in KAS BANK's business model and activities are aligned with the low risk tolerance. Special attention is given to controlling and monitoring the risks associated with new ventures, new clients and product development. All new developments are continuously monitored and reviewed from a corporate level at our head office in Amsterdam.

At the prudential risk level, the low risk tolerance is translated into quantitative and qualitative limits and guidelines for the different risk types facing KAS BANK. In descending order of significance: counterparty credit risk, operational risk (including ICT and legal risks), compliance and reputational risk and balance sheet mismatch (including liquidity and market and investment risk). During 2013, limits and haircuts were continuously reviewed and back tested against market conditions. In 2013, the Value at Risk method for assessing market risk of the trading and investment portfolio was complemented by stress tests and scenario analyses.

Extensive 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 of this Annual Report. This section also covers the purposes, principles and procedures used in measuring and controlling these risks.

The Individual Performance Contracts (IPCs) of all staff were checked for conflicting incentives with the low risk tolerance. The IPCs were also used to find 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. Maintaining a high level of liquidity and an ample capital buffer, even in difficult conditions, is essential for our role as custodian. With an average BIS ratio of 23%, capitalisation remained well above the regulatory minimum throughout the year. With regard to liquidity, regulatory requirements were adhered to and the internally set liquidity buffer requirement was satisfied throughout the year.

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. KAS BANK monitors the CRD IV/Basel III rules extensively within a multifocus group with representatives of Risk Management, Treasury, Legal and Finance. If applicable, internal policies and business will be adapted to the new rules. Internal reporting of the CRD IV/Basel III ratios to the responsible senior management and to the Asset & Liability Committee is institutionalised. Furthermore, KAS BANK reports its 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.

Lines of defence

Risk governance at KAS BANK is based on the three lines of defence model, which is considered to be best practice. The first line consists of the operational and commercial functions and senior management, which are responsible for the result. They have to assure that new clients and new business are aligned with the low risk tolerance strategy. The second line comprises the staff departments (including the central Risk Management department) which perform advisory and monitoring functions. The third line is the Internal Audit department, which performs independent checks and audit functions.

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 2013, 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 financial and regulatory 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 the International Financial Reporting Standards (IFRS), as adopted within the European Union. KAS BANK takes into account directives, requests and wishes of other stakeholders such as the Enhanced Disclosure Task Force. Financial and risk management information is continuously reviewed by the bank. The structure and functioning of the internal risk control and monitoring systems are regularly evaluated in the light of the bank's objectives and risk profile, and assessed by internal and external supervisors. Discussion also takes place in the Risk Management Supervision Committee.

Environmental factors and developments
The persisting uncertainty as to the stability of the Eurozone, especially the financial and macro-economic health of the peripheral economies, continued in 2013. Low interest rates combined with low trading volumes and volatile fund inflows create a challenging environment for our clients as well as for KAS BANK. The last quarter of 2013 showed increasingly positive signs for economic recovery in the Eurozone.

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

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) and is standardising its custody, clearing and settlement services. Our cooperation with dwpbank will enable KAS BANK to outsource the operational processing of securities transactions. It will also allow KAS BANK to further strengthen its market position in Germany and broaden its base as a custodian and administrator of assets held by institutional clients on behalf of third parties through the transfer of additional assets.

The growing pressure of rules promulgated by regulators and legislators is adding to the administrative burden. As these new rules also apply to our clients, this creates opportunities for KAS BANK to offer solutions for facilitating compliance and cost transparency, and reporting tools.

2013 in retrospect

General

KAS BANK is active all over Europe, with the Netherlands, the United Kingdom and Germany as core markets. Our core clients can be divided into four groups: pension funds (including their clients, such as savers, and their administrative organisations), insurance companies, investment funds and wealth managers. Financial intermediaries are being served through our high-quality STP securities services.

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.* For 2013, we received a 'clean' ISAE 3402 Type 2 report for Transaction servicing, Asset servicing, Treasury and IT General Controls from the independent auditor.

All activities are managed from Amsterdam. From June 2013, all Dutch staff is located in our office at Nieuwezijds Voorburgwal. The ownership of our former head office in Spuistraat was transferred to the new owner at the end of December 2013. The move to a single building has already led to substantial cost savings and more efficiency as staff operates more closely together.

The primary function of the offices in London and Wiesbaden is to provide local commercial support to investors in the British and German markets. Our direct European network, together with our worldwide network of almost 100 correspondent banks, guarantees high quality custody services across the globe.

As of 1 October 2013, the Managing Board consists of Albert Röell (chairman), Sikko van Katwijk and Kris Wulteputte (who succeeded Rolf Kooijman in the Managing Board). Kris Wulteputte has been appointed as Chief Financial and Risk Officer (CFRO) for a period of four years.

Regulation

The multitude of new rules and requirements represents a heavy burden for banks and other market parties. Through our central role in the core financial infrastructure, this also applies for KAS BANK. In view of our low risk profile, we have strengthened the compliance function within the bank.

The introduction of the American Foreign Account Tax Compliance Act and a European Financial Transaction Tax is complex and time consuming. The European FTT not only represents a considerable administrative effort but also weakens the competitive position of the Dutch and European financial sectors in general. KAS BANK therefore supports efforts to limit the consequences of the FTT as far as possible.

Client value first

Our services bridge the gap between the financial markets and our clients' developing agendas 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.

The market clearly appreciates our focus on securities and related service provision and client value first. At the annual European Custody Risk Awards ceremony in London we received the European Pension Fund Custodian of the Year award. The independent judges' panel of industry specialists praised KAS BANK for being the first to offer transparency in stock price and FX. KAS BANK was also rated 'commended' by its Leading Clients in the Global Custodian Agent Banks in Major Markets Survey for 2013. With a score of 5.78 on a scale of 1-7 we received the highest score of all Agent Banks in the Netherlands. KAS BANK was rated best in class by both our Leading Clients and our Cross Border/Non Affiliated clients.

Our focus on client value also finds expression in our thought leadership activities. In April 2013 we launched the online knowledge platform 10TALKS. Specialists from the pension and securities sector discuss new trends and developments in the pensions industry and how to keep the Dutch pension system upright in order to make it sustainable for the future. In addition, we use reference groups to bridge the gap between the client and the changing market environment. These initiatives are much appreciated and drive our service levels even higher.

Asset servicing

The European market is becoming increasingly harmonised. Nevertheless, there is a clear need for a party with extensive knowledge of the local rules and legislation in Europe. Our clients are looking for an institution which is close to home, has local expertise and is in control in its own legal and fiscal environment. Thanks to our close contacts with the local supervisory authorities, we have excellent and early integrated legal and regulatory changes. As a result, KAS BANK can respond directly to changes in the market and conceive of working solutions that match the needs in the market. For example, we were the first party to process the new Ultimate Forward Rate in the reports for the Financial Assessment Framework of DNB for pension funds.

As an AIFMD administrator, we play a leading role in the Dutch market. In June 2013, KAS Trust & Depositary Services B.V. (KAS Trust), a wholly-owned subsidiary of KAS BANK N.V., was granted a licence by the Netherlands Authority for the Financial Markets (AFM) to act as an investment company. With this license KAS Trust can act as an independent depositary for investment institutions under the AIFMD. It also gives KAS Trust the ability to pass on orders in unlisted investment funds. Furthermore, KAS Trust can set up activities in other European countries as well. In the UK, we started the registration process for KAS Trust as independent depositary under the AIFMD.

KAS BANK is meeting the pension funds' and insurers' need for independent management information with its risk monitoring services and supplementary (management) reporting services. With our acclaimed KAS BANK Monitor for both PCs and tablets (app) our clients have 24/7 access to various reports with key figures like the funding level ('dekkingsgraad') for pension funds and data relating to the Solvency II requirements. Among other things, our tools comprise a cost transparency module, a look-through module and (in 2014) an EMIR reporting module. With these tools our clients are always 'in control' of the most important parameters of their organisation in relation to the regulatory demands and European and national laws and regulations.

KAS BANK has developed a central asset administration platform for the Dutch institutional market. Most institutional asset portfolios are still administrated in-house (total NL: EUR 1,400 bn). Base investment administration is not a core activity for institutional investors, however. The new platform, which is open to other large asset administrators, reduces the regulatory and technical complexity for its participants and creates economies of scale and efficiency. The platform can be developed later into a custody platform for the whole of Northwestern Europe.

For institutional clients, look-through information and cost transparency are becoming increasingly important, in relation to both transparent communication to stakeholders and the reporting obligations to supervisory authorities. KAS BANK has developed two modules for this. The look-through module provides full transparency regarding the underlying investments of investment funds in which the pension fund has invested. This gives the fund insight into the actual exposures in relation to all underlying investments or concentrations in the field

of ratings, sectors and currencies.
The cost transparency module gives pension fund managers full, up-to-date insight into movements in the transaction and asset management costs of the fund, in comparison with a budget fixed in advance.

Transaction servicing
A virtually continuous stream of laws and regulations is placing strong pressure on the European financial sector. Regulations such as EMIR, AIFMD, Solvency II and the increased capital requirements for banks (Basel III) put heavy demands on the financial and technical resources of all parties concerned. Combined with lower margins, this forces them to further reduce operational risk. This risk can be reduced primarily by further increasing the STP (Straight Through Processing) level of cash and securities transactions. KAS BANK actively supports its clients in reducing their operational risk via solid basic service provision with a high STP level. We also offer them a central clearance platform for transactions in the international financial markets. In this regard we closely cooperate with carefully selected partners with a proven track record in the international securities industry.

European banks and other financial institutions continue to look for possibilities for outsourcing their back office securities processing. In September 2013 KAS BANK and dwpbank officially launched Secpoint N.V., a 50/50 joint operation based in Amsterdam. Secpoint will offer a robust and state-of-the-art European platform for retail securities processing. Throughout 2013, we dedicated considerable effort to the further development of our joint securities processing platform with dwpbank and the partnership in general.

On 1 February 2014, KAS BANK successfully switched to the new payment standards within the European Single Euro Payments Area (SEPA). Although the European Commission has proposed a six month transition period for the mandatory use of the SEPA standards and the new International Bank Account Number (IBAN), we will continue to actively support our clients with the transition to IBAN and SEPA as soon as possible.

With regard to EMIR, KAS BANK serves as an operational hub to which our clients can outsource their derivatives clearing operations with numerous clearing members and CCPs. We establish all connections that are required in the complete OTC derivatives pre and post trade infrastructure and constantly keep them up to date.

In May 2013, KAS BANK signed as first custodian with Trade Repository REGIS-TR as their first participant acting as third party reporting on behalf of other market participants under EMIR. As a neutral party, KAS BANK has great supplementary value for supporting market parties in meeting the various obligations set by EMIR. We conduct collateral management on our clients' behalf and regulate their liquidities with the appropriate models to check collateral calls. Our integral EMIR solution including collateral management is attracting a lot of interest in the market and has already led to concrete collateral management and order execution services to Dutch and other European parties.

Treasury
Volumes in forex and money markets orders are still under pressure. Securities lending is slowly but surely returning to pre-crisis levels. KAS BANK's excess liquidity due to the long-term refinancing operations (LTRO) still negatively influences interest, thus affecting KAS BANK's profit and loss. Our liquidity and solvency remains amply sufficient and meets all international standards and requirements.

KAS BANK German Branch

Through our Depotbank services we are able to move forward in the German institutional market. Our German and Dutch institutional systems were harmonised in 2013, facilitating the introduction of innovative services in Germany. We now provide custody and GRC-services (Governance, Risk and Compliance) for German institutional clients. These services will enhance KAS BANK's brand awareness in the German institutional market.

The activities of KAS Investment Servicing GmbH have been discontinued as a result of the adjusted focus of the bank. In line with our core competencies we now focus our attention primarily on expanding our role as a Depotbank and provider of matching information to institutional parties.

KAS BANK UK Branch

The legal and regulatory landscape continued to change throughout 2013, with the introduction of two new UK bodies replacing the Financial Services Authority: the Prudential Regulatory Authority and the Financial Conduct Authority. Regulation in Europe continues to mirror Dodd-Frank through EMIR and AIFMD, both of which aim to bring increased transparency to markets. We started the registration process for KAS Trust as independent depositary under the AIFMD.

The UK banking sector is still feeling pressure from artificially low interest rates and transaction volumes, yet KAS BANK saw increasing interest from buy to hold institutions for management reporting services, such as aiding with cost transparency and regulatory reporting for institutional investors. The transaction services market came under cost pressures related to unbundling of services and corporate access; KAS BANK supports this market segment with a focus on high volume Straight Through Processing.

Human Resources

Employment in the European financial sector is subdued. Unfortunately, KAS BANK was no exception in that regard in 2013. The organisation is being redesigned in important areas. As a result, a major reorganisation was started within the bank. In early 2013, in close consultation with the trade unions, a social plan was agreed. In 2014, 90-100 employees will lose their jobs as a result of the reorganisations.

In 2013, important issues were finalised. A new, moderated pension scheme took effect on 1 January 2014. The realisation of a new General Banks Collective Labour Agreement (CAO) affords KAS BANK the opportunity to continue to work on simplified and modernised working conditions that are appropriate for the difficult period that the financial sector is currently undergoing. By agreement with the Workers Council, a new and simpler assessment and remuneration system has been introduced for the entire bank. A great deal of time has been invested in communication with all employees on the change process within KAS BANK.

Corporate Social Responsibility

KAS BANK signed the United Nations Principles for Responsible Investment (UN PRI) as a custodian. We apply the principles in our investment policy as well as in our compliance and sustainability risk screening services for our clients. We encourage investors to adopt the Principles in our role as service provider and we enable our clients to adhere to their responsible investment policies by using the Sustainability Risk Screening module which forms an integral part of our compliance services.

We encourage good governance within the investment and securities industry, and point out the importance of UN PRI to our worldwide network of sub custodians and branch organisations which we are member of.

We have an active dialogue on ESG topics with our stakeholders, clients and prospects and actively ask feedback of experts to improve our ESG results. Good governance and ESG issues are major factors in selecting our sub custodians and service providers. Through our asset servicing products and services we actively support pension funds and other institutional investors in fulfilling their administrative and social responsibilities.

KAS BANK's sustainability policy is based on five pillars: good governance, client focus, acting as a good employer, social responsibility, environmental protection and procurement. The topic of good governance in particular ties in with the bank's strategy and position. Good governance is a cornerstone of the bank's internal organisation. Each member of the Managing Board signs an ethical declaration. All employees must also act according to the moral and ethical statement (and are bound to this by the conduct rules of the bank) through careful consideration of the interests of clients, shareholders, employees and society. Employee involvement is encouraged through annual strategy sessions and current issues relating to this.

Especially in the area of environmental management and purchasing, important steps have been taken in 2013. Moving to a single office building has reduced our total ecological footprint considerably. In the renovation of the premises at Nieuwezijds Voorburgwal many materials were re-used.

Outlook for 2014

KAS BANK is in a good position to take over institutional investors' and financial institutions' non-core activities as we offer essential services on three distinct levels: operation, administration and information including risk management and governance. We expect to grow our business by focusing on innovative risk monitoring solutions for the pension sector, our collateral management services under EMIR, standardisation (STP) of our securities services and further growth of our position in the German institutional market.

EMIR, AIFMD and Solvency II will continue to attract considerable attention and resources from KAS BANK. We are developing an app for insurers as well as an EMIR module in the KAS BANK Monitor. Target2-Securities, the ECB interbank payment system for the real-time processing of cross-border transfers throughout the European Union, will also require considerable operational and IT resources in 2014.

Through new services and product offerings KAS BANK will continue to support its clients in their quest for compliance. The EMIR reporting and monitoring capability and a new cost transparency monitor will complement the bank's current offering to its clients.

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, 4 March 2014

The Managing Board:

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

FINANCIAL STATEMENTS 2013

Consolidated income statement

In thousands of euros	Note	2013	2012
INCOME			
Interest income	1	43,820	63,951
Interest expense	2	22,667	39,391
Net interest result		21,153	24,560
Fee and commission income	3	80,959	82,102
Fee and commission expense	3	13,649	12,394
Net fee and commission result	3	67,310	69,708
Net trading income	4	10,413	11,019
Result from financial transactions	5	11,492	4,851
Share of result of associates and joint operations	6	951	-
Other income	7	2,875	7,555
Total operating income		**114,194**	**117,693**
OPERATING EXPENSES			
Personnel expenses	8	67,999	64,278
General and administrative expenses	9	29,145	28,454
Depreciation and amortisation	10	4,866	6,453
Impairment losses (recovery)	11	-166	-651
Total operating expenses		**101,844**	**98,534**
Operating result before tax		12,350	19,159
Tax expense	12	50	4,986
Net result for the year		**12,300**	**14,173**
Attributable to:			
KAS BANK shareholders		12,273	14,131
Non-controlling interests		27	42
EARNINGS PER SHARE	13		
- basic (in euros)		0.84	0.97
- diluted (in euros)		0.83	0.96

For details, reference is made to the notes on the consolidated financial statements, starting on page 53.

Consolidated statement of comprehensive income

In thousands of euros	2013	2012
Net result	**12,300**	**14,173**
Gains and losses on financial investments available-for-sale	552	28,750
Income tax effect	-138	-7,188
	414	21,562
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**414**	**21,562**
Actuarial gains and losses on pensions	23,129	-9,415
Income tax effect	-5,782	2,364
	17,347	-7,051
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**17,347**	**-7,051**
Net total other comprehensive income	**17,761**	**14,511**
Net total comprehensive income	**30,061**	**28,684**
Attributable to:		
KAS BANK shareholders	30,034	28,642
Non-controlling interests	27	42

For details, reference is made to the notes on the consolidated financial statements, starting on page 53.

In thousands of euros	Note	31 December 2013	31 December 2012	1 January 2012
Assets				
Cash and balances with central banks	14	200,519	385,004	1,135,738
Due from banks	15	278,398	1,458,747	517,628
Loans	16	545,438	1,357,769	1,435,221
Reverse repurchase agreements	17	1,403,677	582,149	656,056
Derivative financial instruments	18	149,855	258,137	154,187
Financial assets designated at fair value	19	97,822	50,384	181,871
Financial investments available-for-sale	20	990,539	1,011,647	1,168,288
Financial investments held-to-maturity	21	10,370	10,645	-
Investments in associates and joint operations	22	1,894	25	-
Current tax assets		1,272	8,189	7,542
Other assets	23	75,572	36,610	39,933
Property and equipment	24	24,847	24,214	37,402
Goodwill and intangible assets	25	4,223	8,510	12,659
Deferred tax assets	26	5,321	2,542	1,339
Non-current assets held-for-sale	27	-	11,118	-
Total assets		**3,789,747**	**5,205,690**	**5,347,864**
Equity and liabilities				
Due to banks	28	182,817	260,801	457,866
Due to customers	29	2,934,343	4,291,808	4,476,611
Repurchase agreements	17	159,180	46,050	-
Derivative financial instruments	18	186,517	318,658	212,484
Financial liabilities designated at fair value	19	50,450	52,512	-
Current tax liabilities		1,147	8,405	603
Other liabilities	30	48,515	25,644	20,259
Deferred tax liabilities	26	13,611	9,465	9,430
Total liabilities		**3,576,580**	**5,013,343**	**5,177,253**
Issued capital	32	15,699	15,699	15,699
Treasury shares	33	-23,612	-24,974	-25,324
Share premium		21,569	21,569	21,569
Revaluation reserve	34	9,246	16,134	-5,332
Other reserves (including profit for the year)	35	190,184	163,865	163,987
Equity attributable to KAS BANK shareholders		213,086	192,293	170,599
Non-controlling interests		81	54	12
Total equity		**213,167**	**192,347**	**170,611**
Total equity and liabilities		**3,789,747**	**5,205,690**	**5,347,864**
Contingent liabilities	37	36,420	23,032	26,703
Irrevocable facilities	38	17,047	14,470	25,889

For details, reference is made to the notes on the consolidated financial statements, starting on page 53.

In thousands of euros	Issued capital	Treasury shares	Share premium	Revaluation reserve	Other reserves (incl. profit for the year)	Total attributable to share-holders	Non-controlling interests	Total equity
Balance as at 1 January 2012	**15,699**	**-25,324**	**21,569**	**-5,332**	**161,422**	**168,034**	**12**	**168,046**
Changes in accounting policies	-	-	-	-	2,565	**2,565**	-	**2,565**
Balance as at 1 January 2012	**15,699**	**-25,324**	**21,569**	**-5,332**	**163,987**	**170,599**	**12**	**170,611**
Comprehensive income	**-**	**-**	**-**	21,562	7,080	**28,642**	42	**28,684**
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**	**163,865**	**192,293**	**54**	**192,347**
Comprehensive income	-	-	-	414	29,620	**30,034**	27	**30,061**
Dividend 2012	-	-	-	-	-4,526	**-4,526**	-	**-4,526**
Purchase/sale of treasury shares	-	1,362	-	-	-1,362	**-**	-	**-**
Share-based payments	-	-	-	-	122	**122**	-	**122**
Interim dividend 2013	-	-	-	-	-4,818	**-4,818**	-	**-4,818**
Other movements	-	-	-	-7,302	7,283	**-19**	-	**-19**
Balance as at 31 December 2013	**15,699**	**-23,612**	**21,569**	**9,246**	**190,184**	**213,086**	**81**	**213,167**

For details, reference is made to the notes on the consolidated financial statements, starting on page 53.

In thousands of euros	Note	2013	2012
Cash flow from operating activities			
Net result		12,300	14,173
Adjustments for non cash items included in net result			
Share of result of associates and joint operations	6	-951	-
Depreciation and amortisation	10	4,866	6,453
Impairments	11	-166	-651
Tax expense	12	50	4,986
Net pension expense	31	-1,122	2,924
Unrealised gains / (losses)		-596	-4,724
Reorganisation provision	30	4,708	-
Changes in operating assets and liabilities			
Due from banks (not on demand) and due to banks	15, 28	-108,135	-191,970
Loans	16	812,331	77,452
(Reverse) repurchase agreements	17	-708,398	119,957
Financial assets and liabilities designated at fair value	19	-47,550	188,133
Derivative financial instruments	18	-23,859	2,224
Due to customers	29	-1,357,465	-184,803
Other movements		73,987	-37,091
Taxes		-3,209	-3,417
Employer's contribution to retirement benefits	31	-5,839	-6,154
Total cash flow from operating activities		**-1,349,048**	**-12,508**
Cash flow from investing activities			
Net (investment in) / divestment of financial investments available-for-sale	20	20,465	218,880
Net (investment in) / divestment of financial investments held-to-maturity	21	-	-10,557
Net (investment in) / divestment of subsidiaries		9,663	-
Net investments in associates and joint operations	22	-965	-25
Purchases of property and equipment	24	-4,084	-1,206
Purchases of intangible assets	25	-1,370	-2,005
Total net cash flow from investing activities		**23,709**	**205,087**
Cash flow from financing activities			
Dividend paid		-9,344	-7,289
Total net cash flow from financing activities		**-9,344**	**-7,289**
Net cash flow		**-1,334,683**	**185,290**
Cash and cash equivalents at 1 January		1,770,353	1,585,063
Net cash flow		-1,334,683	185,290
Cash and cash equivalents at 31 December		**435,670**	**1,770,353**
Reconciliation of cash flow statement with balance sheet items			
Cash and balances with central banks	14	200,519	385,004
Due on demand from banks	15	235,151	1,385,349
Cash and cash equivalents at 31 December		**435,670**	**1,770,353**
Additional disclosure of operating cash flow			
Cash received as interest		43,834	64,064
Cash paid as interest		-22,755	-39,401
Cash received as dividends		55	43

For details, reference is made to the notes on the consolidated financial statements, starting on page 53.

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 2013 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 4 March 2014. The annual financial statements will be presented to the General Meeting of Shareholders for adoption on 23 April 2014.

Basis of preparation

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

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

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 2013. 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 2013, the major subsidiaries and their statutory seat are:

• KAS Trust & Depositary Services B.V.	Amsterdam
• KAS Servicing B.V.	Amsterdam
• KAS Participatiemaatschappij B.V.	Amsterdam
• Addition Knowledge House B.V.	Amsterdam
• KAS BANK OG NZVW B.V.	Amsterdam
• KAS Europe BVBA	Brussels
• 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.

Investments in associates and joint operations

At 31 December 2013 KAS BANK has an interest in the following associates and joint operations:

- Neonet AB (Stockholm, Sweden), 20%, measured under the equity method;
- Secpoint N.V. (Amsterdam, the Netherlands), 50%. The arrangement is classified as a joint operation.

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 36);
- Land and buildings held for own use;
- Non-current assets held-for-sale;
- 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 the following adjustments:

- Amendments to IAS 19 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. In previous years KAS BANK already recognised all actuarial gains and losses within other comprehensive income. The impact of this part of the revised standards is limited. In addition the revised standard requires an expected return on pension assets which is set equal to the discount rate of the pension obligation. The amendments of IAS 19 require a retrospective implementation. As a result the comparative figures have been restated. The tables below show the impact of the retrospective application of the amendments.

Impact on equity of retrospective application new accounting standards		
In thousands of euros	**31-12-2012**	**1-1-2012**
Equity before restatement	189,209	168,046
Changes in Other assets	4,184	3,420
Tax effect	-1,046	-855
Equity after restatement	**192,347**	**170,611**

Impact on net result of retrospective application of new accounting standards	
In thousands of euros	**2012**
Net result attributable to KAS BANK shareholders before restatement	15,546
Impact on staff expenses - Pension and other staff-related benefit costs	-1,886
Tax effect	471
Net result after restatement	**14,131**
Basic earnings per share before restatement	1.06
Basic earnings per share after restatement	0.97
Diluted earnings per share before restatement	1.06
Diluted earnings per share after restatement	0.96

Impact on other comprehenisve income of retrospective application of new accounting standards	
In thousands of euros	**2012**
Total comprehensive income before restatement	28,111
Remeasurements of the net defined benefit asset/liability	764
Tax effect	-191
Other comprehensive after restatement	**28,684**

- IFRS 13: Fair Value Measurement: this new standard provides a single framework for measuring fair value and required disclosures regarding fair value measurement. IFRS 13 defines fair value on the basis of an ‘exit price’ notion. The impact of IFRS 13 on the consolidated financial position and income statement of KAS BANK is non-significant.

In addition to the above mentioned changes, a number of non-significant adjustments have been applied in preparing these financial statements:

- Amendments to IFRS 1: Government loans;
- Amendments to IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities;
- Annual improvements to IFRSs (2009-2011 cycle);
- Amendments to IAS 1: Presentation of Items of Other Comprehensive Income;
- IFRIC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine.

The relevant comparative figures have been restated where necessary.

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 2018. The standard is not endorsed by the European Union. The expected impact of IFRS 9 will be significant.

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:

- IAS 27: Separate Financial Statements, effective as of 2014;
- IAS 28: Investments in Associates and Joint Ventures, effective as of 2014;
- IFRS 10: Consolidated Financial Statements, effective as of 2014;
- IFRS 11: Joint Arrangements, effective as of 2014;
- IFRS 12: Disclosures of Interest in Other Entities, effective as of 2014;
- IFRS 14: Regulatory Deferral Accounts, effective as of 2016;
- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions, effective as July 2014;
- Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities, effective as of 2014;
- Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets, effective as of 2014;
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting, effective as of 2014;
- Amendments to IFRS 10, IFRS 11 and IFRS 12: Transition Guidance, effective as of 2014;
- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities, effective as of 2014;
- Annual improvements to IFRSs (2010-2012 cycle), effective as of July 2014;
- Annual improvements to IFRSs (2011-2013 cycle), effective as of July 2014;
- IFRIC Interpretation 21: Levies, effective as of 2014.

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 36 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 classified as assets when their fair value is positive and as liabilities when their fair value is negative. If applicable counterparty credit risk (Credit Valuation Adjustment, CVA) and own credit risk (Debit Valuation Adjustment, DVA) are included in the determination of the fair value. 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 operations
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 operations are contractual agreements whereby KAS BANK and other parties have an economic activity which is subject to joint control. Both associates and joint operations 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 and liabilities held-for-sale
Non-current assets and liabilities 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 significant (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.

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

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

Defined benefit plan
The pension obligations of defined benefit plans are determined individually. Defined benefit plan pension commitments are calculated using estimates of the rights vested in employees in exchange for their services in the reporting period and previous periods. 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 & Depositary Services B.V. ('KAS Trust') – a consolidated subsidiary of KAS BANK – provides trust and fiduciary services that result in the holding or investing of assets on behalf of clients. Assets held in a fiduciary capacity are not recognised in the balance sheet of KAS BANK, as they are not the assets of the bank.

Assets under custody

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

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

In thousands of euros	2013	2012
Financial investments available-for-sale	25,993	36,295
Derivative financial instruments	7,360	10,107
Financial assets designated at fair value	686	4,265
Due from banks and loans	8,977	11,648
Reverse repurchase agreements	679	1,548
Financial investments held-to-maturity	125	88
Total	**43,820**	**63,951**

The amount of interest income relating to financial investments available-for-sale includes EUR 0.3 million (2012: EUR 0.5 million) of interest income on impaired assets.

2. Interest expense

In thousands of euros	2013	2012
Derivative financial instruments	19,806	25,590
Due to banks and customers	2,770	13,782
Other	91	19
Total	**22,667**	**39,391**

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 'Treasury' in the table below.

In thousands of euros	2013	2012
Asset Servicing	29,158	30,033
Transaction Servicing	23,888	23,314
Treasury	14,264	16,361
Total	**67,310**	**69,708**

4. Net trading income

In thousands of euros	2013	2012
Foreign exchange transaction results	9,727	10,384
Designated at fair value	1	987
Derivative financial instruments	685	-352
Total	**10,413**	**11,019**

5. Result from financial transactions

In thousands of euros	2013	2012
Fair value movement of impaired available-for-sale assets	595	4,615
Sale of financial investments available-for-sale	10,842	193
Dividends	55	43
Total	**11,492**	**4,851**

6. Share of result of associates and joint operations

The presented results relate to the share of the profit or loss of Neonet and Secpoint. The purchase (below book value) of a stake in Neonet contributed EUR 1.2 million to the presented result.

7. Other income

In thousands of euros	2013	2012
Revenues from staffing	406	683
Revenues from rent of office space	250	249
Sale of office building	866	-
Other	1,353	6,623
Total	**2,875**	**7,555**

8. Personnel expenses

In thousands of euros	2013	2012
Salaries	45,011	44,503
Social security costs	6,213	6,379
Temporary staff	4,160	3,994
Pension charges relating to defined benefit plans	-1,018	3,119
Pension charges relating to defined contribution plans	361	336
Share-based payments	122	341
Reorganisation costs	2,954	-
Addition/(reversals) of provision for reorganisations	4,708	-
Other	5,488	5,606
Total	**67,999**	**64,278**

The presented amount of pension charges relating to defined benefit plans in 2013 includes a gain of EUR 5.3 million relating to a plan amendment of the Dutch pension plan.

Number of employees	2013	2012
Average number of employees at fulltime equivalent basis (including temporary staff)		
Netherlands	681	695
Germany	36	36
United Kingdom	19	18
Total	**736**	**749**

9. General and administrative expenses

In thousands of euros	2013	2012
Housing	4,078	3,542
Information technology	16,465	16,072
Other	8,602	8,840
Total	**29,145**	**28,454**

10. Depreciation and amortisation

In thousands of euros	2013	2012
Land and buildings held for own use	385	642
Other property and equipment	2,020	2,632
Intangible assets	2,461	3,179
Total	**4,866**	**6,453**

11. Impairment losses (recovery)

In thousands of euros	2013	2012
Due from banks and loans	-1,794	-2,680
Financial investments available-for-sale	-2,000	-946
Property and equipment	496	-
Intangible assets	3,132	2,975
Total	**-166**	**-651**

12. Tax expense

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

In thousands of euros	2013	2012
Tax expense		
Current tax expense for the year	3,181	3,883
Non-deductible items	-	858
Adjustments relating to prior years	-	-152
	3,181	4,589
Deferred tax		
Temporary differences and reversals	-3,131	397
Total	**50**	**4,986**

Reconciliation with effective tax rate	2013	%	2012	%
Result before tax	12,350		19,159	
Tax expense at statutory tax rate	3,088	25.0	4,790	25.0
Differences in rates	-664	-5.4	-584	-3.0
Non-deductible items	-2,374	-19.2	74	0.4
Basic tax expense for the year	50	0.4	4,280	22.3
Non-deductible items	-	-	858	4.5
Adjustments relating to prior-year assessments	-	-	-152	-0.8
Tax expense at effective tax rate	**50**	**0.4**	**4,986**	**26.0**

The tax expense of 2013 includes an amount of EUR 4 million relating to tax compensation as part of the reduction of the KAG activities in Germany.

13. Earnings per share

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

In thousands of euros, unless otherwise stated	2013	2012
Net result attributable to KAS BANK shareholders	12,273	14,131
Issued capital	15,699	15,699
Treasury shares	-1,020	-1,100
Weighted average number of ordinary shares outstanding	14,679	14,599
Effect of stock options and share plans	100	69
Weighted average number of ordinary shares outstanding (diluted)	14,779	14,668
Basic earnings per share (in euros)	0.84	0.97
Diluted earnings per share (in euros)	0.83	0.96

ASSETS

14. Cash and balances with central banks

This balance sheet item includes cash on hand and demand deposits with central banks. The mandatory reserve deposit with the Dutch central bank is also included within cash and balances with central banks.

15. Due from banks

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

In thousands of euros	2013	2012
Due on demand	235,151	1,385,349
Not due on demand (maturity less than one year)	43,247	73,398
Balance as at 31 December	**278,398**	**1,458,747**

16. 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.

In thousands of euros	2013	2012
Current accounts and granted credits	539,267	1,351,033
Mortgage loans	6,171	6,736
Balance as at 31 December	**545,438**	**1,357,769**

In 2013 KAS BANK effectuated offsetting of deposits and entrusted funds for a number of clients. As a result the presented amount of 'Loans' decreased with approximately EUR 0.5 billion. The comparative figures of 2012 do not reflect the changed procedure. An amount of EUR 21.9 million (2012: EUR 23.6 million) relates to a provision for doubtful debt and is included within the total balance of loans.

17. (Reverse) repurchase agreements

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

18. 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.

In thousands of euros	31 December 2013	31 December 2012
Assets	149,855	258,137
Liabilities	-186,517	-318,658
Total	**-36,662**	**-60,521**

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

As at 31 December 2012 ***In thousands of euros***	**Notional amount**	**Fair value assets**	**Fair value liabilities**
Derivatives held for trading			
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 rate 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
Derivatives used as fair value hedges			
Interest rate contracts	625,427	2,787	54,767
Derivatives held on behalf of clients			
Exchange traded derivatives	-	154,926	154,926
Total	**10,298,632**	**258,137**	**318,658**

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.

19. Financial assets and liabilities designated for fair value

In thousands of euros	**31 December 2013**	**31 December 2012**
Financial assets designated at fair value	97,822	50,384
Financial liabilities designated at fair value	-50,450	-52,512
Total	**47,372**	**-2,128**

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

In thousands of euros	**2013**	**2012**
Carrying amount as at 1 January	-2,128	181,871
Purchases	47,550	50,000
Sales	-	-188,133
Redemptions	-	-50,000
Movements in fair value	1,950	4,134
Balance as at 31 December	**47,372**	**-2,128**

20. Financial instruments available-for-sale

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

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

2012 *In thousands of euros*	Debt instruments	Equity instruments	Total
Balance 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
Balance as at 31 December	**1,005,327**	**6,320**	**1,011,647**

At 31 December 2013, EUR 590 million (2012: EUR 454 million) of the financial investments available-for-sale is pledged as collateral. As at 31 December 2013, EUR 592 million (2012: EUR 679 million) of the debt instruments is included as a hedged item in a fair value hedge relation. There is no sovereign GIIPS[1] exposure in the financial investments available-for-sale portfolio at 31 December 2013. The exposure on corporate GIIPS debt instruments (only issued by financial institutions) is limited and collateralised.

21. Financial investments held-to-maturity

In thousands of euros	2013	2012
Carrying amount as at 1 January	10,645	-
Purchases	-	10,557
Redemptions	-	-
Amortisation	-275	88
Balance as at 31 December	**10,370**	**10,645**

22. Investments in associates and joint operations

The investments in associates and joint operations relate to a 50% participation in Secpoint N.V. and a 20% participation in Neonet AB.

Secpoint – previouisly named as European Securities Processing Agent N.V. – is incorporated under Dutch law and registered in Amsterdam, the Netherlands. KAS BANK N.V. and Deutsche WertpapierService Bank AG both own 50% of the issued capital of the company. The company is a joint operation whereby the management and the financial and operating policies of the economic activity are subject to joint control. The operational activities focus on security processing services.

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

[1] Greece, Italy, Ireland, Portugal and Spain.

23. Other assets

In thousands of euros	2013	2012
Receivables	9,622	10,165
Accrued income and prepaid expenses	25,807	16,392
Defined benefit pension asset (Note 31)	40,143	10,053
Balance as at 31 December	**75,572**	**36,610**

The prepaid expenses include an amount of EUR 4 million which relates to a period of more than one year.

24. Property and equipment

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

2012 *In thousands of euros*	Land and buildings	Computer equipment	Fixtures and fittings	Technical installations	Total
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 the 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**
Balance as at 31 December	**19,987**	**1,581**	**463**	**2,183**	**24,214**

The value of the land and buildings, based on the cost-price method, is EUR 14.2 million (2012: EUR 14.5 million).

25. Goodwill and intangible assets

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

2012 *In thousands of euros*	Goodwill	Purchased software	Internally developed software[1]	Other intangible assets	Total
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**
Balance as at 31 December	**-**	**1,148**	**4,046**	**3,316**	**8,510**

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). At the end of 2012, the carrying amount of the goodwill (EUR 2.8 million) was fully written down.

Other intangible assets

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

26. Deferred tax assets and liabilities

In thousands of euros	31 December 2013	31 December 2012
Deferred tax assets	5,321	2,542
Deferred tax liabilities	-13,611	-9,465
Net	**-8,290**	**-6,923**

In thousands of euros	1 January 2013	Income statement	Equity	Changes in group composition	31 December 2013
Defined benefit obligations	-2,512	-1,717	-5,810	-	-10,039
Financial investments available-for-sale	-965	-	-691	-	-1,656
Buildings held for own use (including non-current assets held-for-sale)	-3,791	-	5	2,439	-1,347
Other property and equipment	1,339	-162	-	-413	764
Internally developend software	-1,147	578	-	-	-569
Intangible assets	-1,036	1,036	-	-	-
Tax loss carryforwards[1]	1,214	3,355	-	-28	4,541
Other	-25	41	-	-	16
Total	**-6,923**	**3,131**	**-6,496**	**1,998**	**-8,290**

In thousands of euros	1 January 2012	Income statement	Equity	Changes in group composition	31 December 2012
Defined benefit obligations	-3,213	-1,279	1,980	-	-2,512
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**	**1,241**	**-**	**-6,923**

1) In 2013 the capitalized amount of tax loss carryforwards was fully written down as a result of the expected divestment of the German KAS Investment Servicing activities.

27. Non-current assets held-for-sale

In December 2013, KAS BANK OG Spuistraat B.V. was sold and is therefore no longer recognised as non-current assets held-for-sale.

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

In thousands of euros	2013	2012
Land and buildings	-	10,581
Technical installations	-	537
Balance as at 31 December	**-**	**11,118**

EQUITY AND LIABILITIES

28. Due to banks

In thousands of euros	2013	2012
Due on demand	171,694	252,158
Not due on demand (maturity less than one year)	11,123	8,643
Balance as at 31 December	**182,817**	**260,801**

29. Due to customers

In thousands of euros	2013	2012
Saving deposits	52,639	393,101
Time deposits	154,176	236,795
Other deposits	2,727,528	3,661,912
Balance as at 31 December	**2,934,343**	**4,291,808**

In 2013 KAS BANK effectuated offsetting of deposits and entrusted funds for a number of clients. As a result the presented amount of 'Due to customers' decreased with approximately EUR 0.5 billion. As a result the presented amount of 'Due to customers' decreased with approximately EUR 0.5 billion. The comparative figures of 2012 do not reflect the changed procedure.

30. Other liabilities

In thousands of euros	2013	2012
Accrued expenses and deferred income	31,600	20,522
Long-term employee benefits	1,348	1,159
Reorganisation provision	4,708	-
Other liabilities	10,859	3,963
Balance as at 31 December	**48,515**	**25,644**

The cumulative preferred stock of KAS BANK is classified as 'Other liabilities'. At 31 December 2013 KAS BANK has issued 25 (2012: 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.

An additional reorganisation charge is recognised in 2013, which is aimed at structural improvement of the operating result from 2014. Implementation of the reorganisation plan is expected in the first quarter on 2014.

Changes in reorganisation provision *In thousands of euros*	2013
Balance as at 1 January	-
Additions	4,708
Balance as at 31 December	**4,708**

31. Retirement benefit plan

KAS BANK sponsors pension schemes in the Netherlands, Germany and the United Kingdom. The scheme of the Managing Board is based on a defined contribution plan. The schemes of the Dutch and UK employees are based on defined benefit plans. The Dutch defined benefit plan is carried out by the company pension fund Stichting Pensioenfonds van de KAS BANK.
In 2013 KAS BANK amended the Dutch defined benefit plan. The amendments concern amongst others a modification from a plan partly based on final-pay and partly based on career average-pay to a plan fully based on career-average. Furthermore indexation during the accrual is conditionally and based on the funding ratio. Separately of the amendments the sponsor will contribute a non-recurring payment of EUR 7 million to the pension fund. Furthermore a curtailment has been accounted for due to the reorganisation which is announced in 2013. The effect of this curtailment is recognised as a Past Service Cost per 31 December 2013.

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.

In thousands of euros	2013	2012
Fair value of plan assets	222,355	219,318
Present value of benefit obligation	-182,212	-209,265
Total assets/liabilities as at 31 December	**40,143**	**10,053**
Movements in the fair value of plan assets:		
Balance as at 1 January	219,318	187,635
Expected return on plan assets	7,392	9,605
Employer contributions	5,839	6,154
Employee contributions	1,182	1,224
Benefits paid and disbursement costs	-5,295	-5,345
Actuarial gains and losses	-6,081	20,045
Balance plan assets as at 31 December	**222,355**	**219,318**
Movements in the present value of the benefit obligation:		
Balance as at 1 January	-209,265	-171,358
Current service cost	-4,608	-3,380
Past service cost	5,859	-
Interest cost	-7,021	-8,676
Benefits paid and disbursement costs	4,795	4,872
Employee contributions	-1,182	-1,224
Effect of Changes in Economic Assumptions	22,098	-22,714
Effect of Changes in Demographic Assumptions	873	91
Effect of Experience Adjustments	6,239	-6,876
Balance of benefit obligation as at 31 December	**-182,212**	**-209,265**
Breakdown of pension expenses:		
Current service cost	-4,608	-3,380
Past service cost	5,859	-
Interest cost	-7,021	-8,676
Additional charges	-500	-473
Expected return on plan assets	7,392	9,605
Net benefit expense	**1,122**	**-2,924**

Actuarial gains and losses are recognised in other comprehensive income. The pension asset is recognised in 'Other assets' (note 23).

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

In thousands of euros	2013		2012	
Shares	68,644	31%	50,714	23%
Bonds	151,148	68%	152,668	70%
Derivative financial instruments	800	0%	8,429	4%
Cash	1,762	1%	7,507	3%
Total	**222,355**	**100%**	**219,318**	**100%**

The actual return on plan assets in 2013 amounted to EUR 1.3 million positive (2012: EUR 29.7 million positive).

Actuarial assumptions ***In percentages***	**2013**	**2012**
Discount rate	3.90%	3.30%
Increases in wages	1.50%	1.20%

The table below shows a quantitative sensitivity analysis for significant actuarial assumptions as at 31 December 2013.

Asumptions	**Discount rate**		**General wage inflation**		**Price inflation**	
Sensitivity level ***In thousands of euros***	***0.25% increase***	***0.25% decrease***	***0.25% increase***	***0.25% decrease***	***0.25% increase***	***0.25% decrease***
Impact on the net defined benefit obligation	-8,438	9,052	518	-503	-145	141

The Projected Unit Credit Method prorated was used for the valuation, the determination of the accrued benefits and for the service cost.

For 2014 the expected contribution of the employer to the plan amounts EUR 14.6 million (expected contribution 2013: EUR 6.3 million). The average duration of the defined benefit plan obligation ultimo 2013 is 19.6 years (2012: 20.8 years).

32. Issued capital

Number of shares	**2013**	**2012**
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 Administratie-kantoor Aandelen KAS BANK. Stichting Administratiekantoor Aandelen KAS BANK has issued stock certificates for them with a nominal value of EUR 1.00 each.

33. Treasury shares

Number of shares	**2013**	**2012**
Opening balance at 1 January at average of EUR 22.71 (2012: EUR 22.61)	1,099,582	1,120,127
Granted as share-based payments	79,779	20,545
Closing balance at 31 December at EUR 23.15 (2012: EUR 22.71)	**1,019,803**	**1,099,582**

34. Revaluation reserve

In thousands of euros	Land and building reserve	Available-for-sale reserve	Total
At 1 January 2012	**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**
Unrealised results (net of tax)	-	-7,268	-7,268
Release due to sales and redemptions	-	7,666	7,666
Impairment (loss) / recovery	-	-	-
Reclassified to other reserves	-7,302	-	-7,302
Reclassified to current tax assets	-	16	16
At 31 December 2013	**4,065**	**5,181**	**9,246**

35. Other reserves (including profit for the year)

In thousands of euros	2013	2012
Balance as at 1 January	**163,865**	**163,987**
Final dividend previous year	-4,526	-2,478
Share-based payments	122	341
Actuarial results (net of tax)	17,347	-7,051
Transferred from revaluation reserves	7,302	96
Result for the period	12,273	14,131
Interim dividend	-4,818	-4,811
Treasury shares	-1,362	-350
Other movements	-19	-
Balance as at 31 December	**190,184**	**163,865**

A cash interim dividend of EUR 4.8 million (2012: EUR 4.8 million) was distributed to the shareholders in 2013.

36. Fair value of financial assets and financial liabilities

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

31 December 2012 *In thousands of euros*	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**

Reclassifications from level 2

In 2013 we have obtained unadjusted quoted prices in an active and liquid market for some instruments formerly classified as level 2. As a consequence we transferred assets with a fair value of EUR 21.4 million from level 2 to level 1.

Reconciliation of fair value at level 3

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

In thousands of euros	Financial investments available-for-sale
Position as at 1 January 2013	1,661
Reclassification to Level 3	1,069
Result on reclassification	-1
Total income and charges	
· Impairments	-
· Fair value movement recognised in the income statement	-762
Level 3 assets as at 31 December 2013	**1,967**

We have reclassified one holding from amortised cost to a fair value Level 3 measurement. Based on our analysis of the assets and liabilities, our holding represents a fair value of EUR 1.1 million.

37. 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 small and medium enterprises (SME) clients are included in the Dutch deposit guarantee scheme [*depositogarantiestelsel*].

Other

There are several signed agreements with dwpbank with respect to the outsourcing of securities processing in 2015. Both parties are currently determining the (financial) impact of the outsourcing arrangements.

38. 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.

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

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

In thousands of euros	2013	2012
Within one year	3,338	3,758
After one year but within five years	7,709	7,310
After five years	172	326
Balance as at 31 December	**11,220**	**11,394**

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 (2012: EUR 8.4 million) relating to these contracts is included in the income statement as 'General and administrative expenses'.

40. Risk management

The purpose of risk management at KAS BANK is to ensure that the actual risk profile of the institution remains within the boundaries set by its low risk tolerance, as defined by the Managing Board. The Managing Board re-confirmed the low risk appetite of KAS BANK in 2013, as affirmed by the Supervisory Board.

Top and Emerging risks 2013

The persisting low interest rate poses a real challenge to financial Institutions. The decision of the European Central Bank to cut its key rate from 0.5% to 0.25%, increased the downward pressure on the profitability of European financial institutions. The quantitative easing in the United States also shows the need of keeping interest rates low, in order to stimulate economic growth.
For financial institutions the tightening of rules and regulations is ever increasing. Basel III is one of the global initiatives that have the objective to refine the future landscape of finance. The regulations set by the European Central Bank and the European commission limit financial institutions in their day to day business.
KAS BANK invests resources in order to adequately react to alterations made to current regulations.
For internationally active firms the dependence on the availability of their ICT network remains a constant weakness. Essentially all processes of a bank depend on this infrastructure, making it essential in the day to day business. Banks must be aware of the risk of such a dependence on an infrastructure, and should have the appropriate risk mitigating tools in place. KAS BANK has a dedicated IT risk management function, which manages and monitors the IT risks. Furthermore KAS BANK's strategy to create synergy by working with partners, such as dwp bank, to service clients and invest in new services is forcing KAS BANK to manage the IT development timely and efficiently.
The unstable financial environment is increasing the risk of financial and non-financial counterparties not being able to pay their contractual or other agreed obligations. The introduction of an organization like the central counterparty reduces the credit risk by taking over the risk of the counterparty. KAS BANK also improved its credit risk managing tools, and monitors its counterparties closely. The process of accepting clients, and setting credit risk limits for counterparties has been dynamic in 2013.

Public known risk events

During 2013 several publically known risk events impacted the stability of financial and non-financial companies in the Netherlands. The S&P rating downgrade of the Netherlands on the 29th of November was the result of weaker prospects for economic growth than previously anticipated. For now the rating action by S&P has not been followed by the other global rating agencies. The Dutch minister of finance, Jeroen Dijsselbloem, has stated that he doesn´t expect it to have any significant effect for the interest rates the Netherlands has to pay on its debt. Unanticipated sovereign downgrades could have effect on the cost of debt and equity funding of firms situated in the country the downgrade concerns.

Main developments during 2013 of KAS BANK's risk management

- 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 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 efforts to continuously improve the credit risk management process were continued. Updating of advance conditions [*bevoorschottingsvoorwaarden*] based on market developments was automated. The acceptance procedure for new clients was updated based on lessons learned Improvements were made to the setting of haircuts. Counterparty monitoring was increased both based on market factors (where applicable) and soft factors;
- In 2013 a project was started which will result in 2014 in a more effective, flexible and improved risk mitigating systems to monitor (credit) risk exposure from clients.
- The market risk in the positions of the bank remained within the Value-at-Risk (VaR) limit of EUR 5 million, with one exception due to temporary volatility. 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. 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;
- In 2013, 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;
- As in the previous years, the remuneration policy and the Individual Performance Contracts of employees were checked for consistency with the low risk appetite of KAS BANK, as was the new remuneration proposal for the Managing Board, with the risk and compliance functions closely involved in the discussions on remuneration. No perverse incentives were found;
- In the area of IT risk management, a formal IT Risk Management Framework was aligned with the overall Risk Management Framework. The approach to RSAs in the ICT area was even on the operational level aligned with the ORM approach to RSAs. Key Risk Indicators are monitored by means of a dashboard.
- Business Continuity Management manual is continuously updated to recent developments, such as the sale of KAS BANK’s head office at the Spuistraat. 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.

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.

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 2013.

The relative importance of the different prudential risk categories for KAS BANK for 2013 is as follows (internal estimates for 2013):

- 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 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. Since 2013 the Chief Risk Officer is a member 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 Head of Risk Management 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 Head of Risk Management, 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 Head of Risk Management 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 Head of Risk Management.

Risk management function

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.

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.

41. 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.

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

Offsetting financial assets and financial liabilities as at 31 December 2012 ***In thousands of euros***	**Gross amounts**	**Amounts that are set off**	**Net amounts in the balance sheet**	**Related amounts not set of in balance sheet**	**Net amounts**
Financial assets					
Due from banks	1,458,747	-	**1,458,747**	365,163	1,093,584
Loans	1,357,769	-	**1,357,769**	1,256,305	101,464
Reverse repurchase agreement	582,149	-	**582,149**	582,149	-
Derivative financial instruments	258,137	-	**258,137**	258,137	-
	3,656,802	**-**	**3,656,802**	**2,461,754**	**1,195,048**
Equity and liabilities					
Due to banks	260,801	-	**260,801**	365,163	-104,362
Due to customers	4,291,808	-	**4,291,808**	1,256,305	3,035,503
Repurchase agreement	46,050	-	**46,050**	46,050	-
Derivative financial instruments	318,658	-	**318,658**	284,622	34,036
	4,917,317	**-**	**4,917,317**	**1,952,140**	**2,965,177**

Collateral pledged and received includes both cash and non-cash positions.

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

In thousands of euros	2013	2012
Banks	7,930,765	5,787,323
Other parties	237,075	634,972
Receivables in respect of securities lending	**8,167,840**	**6,422,295**
Securities	8,895,554	6,836,298
Cash	333,902	24,862
Collateral received	**9,229,456**	**6,861,160**
Banks	52,827	23,250
Other parties	7,536,466	5,258,392
Liabilities in respect of securities lending	**7,589,293**	**5,281,642**
Borrowers' repledged securities	7,097,558	4,696,018
Reverse repurchase agreements	310,030	427,209
Financial investments available-for-sale	589,677	453,601
Collateral on behalf of lenders	**7,997,265**	**5,576,828**

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.

In thousands of euros	Financial assets designated at fair value	Financial investments available-for-sale	Financial investments held-to-maturity	Total
2013				
Government / government-guaranteed	97,822	321,790	10,370	**429,982**
Other Aaa t/m Aa3	-	433,141	-	**433,141**
Total Aaa t/ Aa3	97,822	754,931	10,370	**863,123**
A1 - A3	-	58,831	-	**58,831**
Baa1 - Baa3	-	115,865	-	**115,865**
Ba1 - Ba3	-	58,783	-	**58,783**
Shares	-	2,129	-	**2,129**
Total	**97,822**	**990,539**	**10,370**	**1,098,731**

In thousands of euros	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	-	91,744	-	**91,744**
Ba1 - Ba3	-	12,612	-	**12,612**
Shares	-	6,320	-	**6,320**
Total	**50,384**	**1,011,647**	**10,645**	**1,072,676**

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

In thousands of euros	Central government	Financial Institutions	Institutional Investors	Other	Total
Concentration by segment 2013					
Cash and balances with central banks	200,519	-	-	-	**200,519**
Due from banks and loans	-	157,900	625,579	40,357	**823,836**
Reverse repurchase agreements	-	1,403,677	-	-	**1,403,677**
Derivative financial instruments (assets)	-	137,310	9,622	2,923	**149,855**
Financial assets designated at fair value	47,294	50,528	-	-	**97,822**
Financial investments available-for-sale	225,996	764,543	-	-	**990,539**
Financial investments held-to-maturity	10,370	-	-	-	**10,370**
	484,179	**2,513,958**	**635,201**	**43,280**	**3,676,618**
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**

In thousands of euros	The Netherlands	Rest of European Union	Other	Total
Concentration by region 2013				
Cash and balances with central banks	200,512	7	-	**200,519**
Due to banks and loans	437,099	262,073	124,664	**823,836**
Reverse repurchase agreements	-	1,403,677	-	**1,403,677**
Derivative financial instruments (assets)	57,932	91,246	677	**149,855**
Financial assets designated at fair value	47,294	50,528	-	**97,822**
Financial investments available-for-sale	546,460	428,387	15,692	**990,539**
Financial investment held-to-maturity	-	10,370	-	**10,370**
	1,289,297	**2,246,288**	**141,033**	**3,676,618**
Concentration by region 2012				
Cash and balances with central banks	385,004	-	-	**385,004**
Due from 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 investments held-to-maturity	-	10,645	-	**10,645**
	2,865,039	**1,914,831**	**334,612**	**5,114,482**

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 16.0% (2012: 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.

	31 December 2013		***31 December 2012***	
In thousands of euros	**Carrying amount**	**Risk-weighted amount**	**Carrying amount**	**Risk-weighted amount**
Due from banks	278,398	54,301	1,458,747	221,539
Loans	545,438	71,848	1,357,769	38,997
Reverse repurchase agreements	1,403,677	32	582,149	94
Derivative financial instruments	149,855	33,409	258,137	29,339
Financial assets designated at fair value	97,822	-	50,384	-
Financial investments available-for-sale	990,539	185,356	1,011,647	147,987
Financial investments held-to-maturity	10,370	-	10,645	-
Other assets	313,648	72,173	476,212	68,943
	3,789,747	417,119	5,205,690	506,899
Off-balance sheet exposure	53,467	297,996	37,502	260,305
Total of the risk-weighted items		**715,115**		**767,204**

Capital and ratios based on Basel II	***31 December 2013***		***31 December 2012***	
In thousands of euros	**Capital**	**Ratio**	**Capital**	**Ratio**
Tier 1	199,608	28%	168,304	22%
Tier 2	4,065		11,367	
Total BIS	**203,673**	**29%**	**179,671**	**23%**

42. 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

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 is maintained 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 2014.

In 2013, KAS BANK published an ISAE 3402 Type 2 report over the period January 2013 to October 2013 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

Continuity is an aspect on which KAS BANK gives a lot of attention. Due to the fact that KAS BANK has sold one of the office buildings (Spuistraat) a lot of effort has been put into the office recovery situation. Therefore we rented a small office outside Amsterdam for some working places that cannot work from home. This office is also used for the Crisis team, the Communication team, the ICT support and Treasury. Besides the regular ICT recovery tests, the test of the correct working of our remote access facility (working from an internet environment like the home pc) has also been performed a few times this year. These tests were successful.

Like every year all necessary aspects of our BCM implementation, like the Business Impact Analyses (BIA) and availability analyses on system and application level, were maintained.

Sector-wide crisis management focuses on the Financial Core Infrastructure of the Netherlands (*Financiële Kerninfrastructuur* or *FKI*) 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 (DNB) gives guidance to the Crisis management of the FKI. KAS BANK participated in the successful market wide exercise held in November 2012 and as a result of this test a few aspects of the establishment of the crisis management of the FKI were changed.

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.

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).

In 2013 KAS BANK further strengthened the Internal Control Framework and the management of its IT risks (including lessons learned from incidents).

Managing Information Security

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

Managing Security
Since 2012 KAS BANK has a dedicated Coordinator Information Security (CISO) function in place to coordinate KAS BANK's security related activities. The CISO is responsible for formulating the Information Security Policy and monitor its implementation. In August 2013 the Information Security Policy is updated and a governance structure is defined to translate this policy into a hierarchical set of architecture principals and guidelines. By visualizing interdependencies this hierarchy simplifies maintenance and eliminates the need for isolated policy documents. Monitoring is achieved through the Risk Management Framework; a set of control measures on the performance whereof which reports are drafted on a monthly basis.

DNB Information Security Framework
In 2013 the internal control framework is brought in line with the DNB Information Security Framework.
The execution of an Information Security Project, headed by one of the board members, helped assuring that our internal control framework is meeting the maturity levels that DNB requires. In 2014 further implementation and execution of the controls required by the DNB Framework will be the responsibility of the line management. Actions are started to ensure that all controls will be executed on the required maturity level.

Progress is made in assuring the business alignment of IT. For all applications that KAS BANK utilizes system owners have been appointed and application owners have defined their requirements concerning Confidentiality, Integrity and Availability (CIA-categories derived from the DNB/CobiT-Framework). In the architecture principles concerning data classification is define which measures corresponded with these scores.

Cyber Security
Cybercrime is recognized as an important non-financial risk, especially now distribution and communication channels are increasingly using the Internet. The speed and the ease with which the client can communicate with us and access has to its own funds and our services are only became greater. We are committed to provide convenient access to our services without compromising our safety standards. Monitoring and control is therefore tightened to withstand attacks and reduces the risk of loss.

43. Market risk

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

Managing market risk
KAS BANK's policy is designed to maintain a conservative approach to the exposure to market risks. The bank's Risk 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 ten working days. The Risk Management Committee has set a VaR limit of EUR 1.5 million for the limited trading book positions. These positions include FX inventory, mainly arising from client activity. The VaR of the FX positions is monitored on a weekly basis with a VaR limit of EUR 1 million.

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

Model Limitations

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

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

Market risk exposure

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

In millions of euros		31 December	Highest	Lowest	Average
VaR total	2013	4.9	5.5*	3.3	4.2
VaR total	2012	3.7	4.6	2.5	3.8
VaR trading	2013	0.7	1.0	0.6	0.8
VaR trading	2012	0.8	1.0	0.2	0.6

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

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

31 December 2012 *In thousands of euros*	Assets	Liabilities	Net	Derivative 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**	

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 48% (2012: 39% 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 11% (2012: 8% 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 5% decrease of equity (2012: 3% decrease), while a sudden decrease of 200 basis points in the market rate of interest probably results in an increase of 1% of equity (2012: 0.3% decrease).

Market risk management improvements in 2013

- The FX section of the trading portfolio is more closely monitored with a separate VaR limit;
- The RMBS portfolio is subject to a severe stress scenario, in which no major losses were detected;
- All stress scenarios in the monthly VaR reports as well as in the ICAAP process are updated to new market information.

44. 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.

In 2013 KAS BANK has submitted its Internal Liquidity Adequacy Assessment Process (ILAAP) report to the Nederlandsche Bank, which covers further liquidity measures in further detail. All stress events have been reviewed and updated where necessary to reflect current market conditions.

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 management 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 2013

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

Maturity calendar as at 31 December 2012 *In thousands of euros*	**Direct**	**<= 3 months**	**<= 1 year**	**<= 5 year**	**> 5 year**	**Non-maturity**	**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	88,365	17,000	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	822,118	124,355	754,397	140,599	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**	**138,001**	**104,872**	**671,440**	**137,015**	**6,320**	**114,632**

45. 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 and has sworn a bankeers oath. 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 enables 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 staffmembers 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 2013

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 2013 there was a focus on the governance of the compliance function, i.e. the execution of certain compliance activities such as anti money laundering and sanctions monitoring.

On the customer due diligence side, a full review of the client basis has taken place and was finished in 2013. In 2013, KAS BANK participated in a sector-wide assessment, i.e. on culture and behaviour.

In our opinion, 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. KAS BANK has, together with other medium sized banks in the securities industry, successfully initiated a regulatory platform for their compliance officers.

The board of KAS BANK has decided to further strengthen the compliance function per 1 January 2014 by appointing Cor Jan Dasselaar as compliance officer, who was previously employed by the AFM as well as by several international financial institutions.

46. 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

2013 *In millions of euros*	Financial institutions	Institutional investors	Treasury	Other	Total
Interest income and expenses[1]	6.1	8.7	6.4	-	21.2
Commission income and expense:					
- Asset Servicing	6.2	23.0	-	-	29.2
- Transaction Servicing	12.1	11.8	-	-	23.9
- Treasury	3.6	7.0	3.6	-	14.2
Result on financial transactions and trading income	1.1	6.6	11.1	-	18.8
Other income	-	-	-	6.9	6.9
Total income	29.1	57.1	21.1	6.9	114.2
Operating expenses (direct)	-21.4	-30.9	-1.2	-	-53.5
Contribution	7.7	26.2	19.9	6.9	60.7
Operating expenses (indirect)				-48.3	-48.3
Result for the period before tax					**12.4**

2012 *In millions of euros*	Financial institutions	Institutional investors	Treasury	Other	Total
Interest income and expenses[1]	6.8	12.6	5.2	-	24.6
Commission income and expense:					
- Asset Servicing	6.9	23.1	-	-	30.0
- Transaction Servicing	12.2	11.1	-	-	23.3
- Treasury	2.8	8.8	4.8	-	16.4
Result on financial transactions and trading income	1.3	6.9	7.7	-	15.9
Other income	-	-	-	7.5	7.5
Total income	30.0	62.5	17.7	7.5	117.7
Operating expenses (direct)	-20.5	-29.5	-1.1	-	-51.1
Contribution	9.5	33.0	16.6	7.5	66.6
Operating expenses (indirect)				-47.5	-47.5
Result for the period before tax					**19.1**

[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 *In millions of euros*	2013	2012
Country of residence KAS BANK		
Netherlands	99.2	102.6
Other Europe	15.0	15.1
Total	**114.2**	**117.7**

Geographical segmentation of the property and equipment and intangible assets *In millions of euros*	2013	2012
Country of residence KAS BANK		
Netherlands	29.1	39.8
Other Europe	-	4.0
Total	**29.1**	**43.8**

Concentration of income

The 25 largest clients of KAS BANK account for 32% (2012: 39%) of the total revenue. None of these clients (2012: none) account for more than 10% of the total revenue.

47. 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. As from 2012 KAS BANK did not grant options or shares to non-identified staff.

	Shares Identified staff		Options Other staff
Grant date	March 2013	March 2012	March 2011
Fair value at grant date (in euros)	6.16	6.11	2.93
Share price at grant date (in euros)	9.01	8.56	11.82
Exercise price (in euros)	N/A	N/A	11.82
Life	4 years	4 years	5 years
Vesting period	1-4 years	1-4 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. The 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 are:

	Shares				
Grant date	April 2013	January 2013	April 2012	January 2012	January 2011
Fair value at grant date (in euros)	5.32	4.71	6.83	6.12	9.78
Share price at grant date (in euros)	8.84	7.56	8.38	8.55	11.99
Life	5 years	4 years	5 years	4 years	5 years
Vesting period	3 years	1-4 years	3 years	1-4 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:

In thousands of euros	2013	2012
Option payments Managing Board	-	116
Option payments former Managing Board members	-	28
Share payments Managing Board	16	28
Share payments former Managing Board members	9	-18
Option payments Other staff	97	187
Total	**122**	**341**

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

In thousands of euros	2013	2012
Share payments Managing Board	252	240
Share payments former Managing Board members	42	-
Share payments Identified staff	53	65
Total	**347**	**305**

Outstanding options

The following table presents the outstanding options as per 31 December 2013.

	Expiry date	Exercise price in euros	Outstanding as at 31/12/2012	Conditionally granted	Exercised	Expired	Outstanding as at 31/12/2013	Status
Managing Board								
A.A. Röell	March 2013	20.74	4,880			4,880	-	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
K.H.J. Wulteputte	March 2015	13.55	4,000				4,000	Vested
	March 2016	11.82	2,667				2,667	Vested
	March 2017	13.55	4,000				4,000	Vested
	March 2018	11.82	3,333				3,333	Vested
S.A.J. van Katwijk	January 2017	9.90	14,580				14,580	Vested
Former Managing Board members	March 2013	20.74	11,180			11,180	-	Vested
	March 2014	22.89	7,814			333	7,481	Vested
	January 2016	25.00	3,408				3,408	Vested
	January 2017	9.90	95,979				95,979	Vested
Other staff	March 2013	20.74	9,697			9,697	-	Vested
	March 2014	22.89	8,948				8,948	Vested
	March 2013	26.00	153,713			153,713	-	Vested
	March 2015	26.00	149,055			3,451	145,604	Vested
	March 2014	8.31	115,663		58,526	1,247	55,890	Vested
	March 2016	8.31	6,599		2,332		4,267	Vested
	March 2015	13.55	63,761			984	62,777	Vested
	March 2017	13.55	25,000			500	24,500	Vested
	March 2016	11.82	27,785				27,785	Vested
	March 2018	11.82	61,741			1,780	59,961	Not yet vested
Total			**839,508**	**-**	**60,858**	**187,765**	**590,885**	

Outstanding shares

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

	Grant date	Outstanding as at 31/12/2012	Conditionally granted	Unconditionally granted	Not granted	Outstanding as at 31/12/2013	Status
Managing Board							
A.A. Röell							
	January 2010	6,228			6,228	-	Vested
	January 2011	8,128				8,128	Not yet vested
	January 2012	4,511		1,504		3,007	Not yet vested
	April 2012	11,635				11,635	Not yet vested
	January 2013	-	12,153	7,292		4,861	Not yet vested
	April 2013	-	11,030			11,030	Not yet vested
K.H.J. Wulteputte *	January 2011	495				495	Not yet vested
	April 2012	3,543				3,543	Not yet vested
	January 2013	-	4,129	2,477		1,652	Not yet vested
	April 2013	-	6,045			6,045	Not yet vested
S.A.J. van Katwijk	January 2010	3,559			3,559	-	Vested
	January 2011	5,940				5,940	Not yet vested
	January 2012	1,397		466		931	Not yet vested
	April 2012	8,502				8,502	Not yet vested
	January 2013	-	8,881	5,329		3,552	Not yet vested
	April 2013	-	8,060			8,060	Not yet vested
Former Managing Board members	January 2010	6,762			6,762	-	Vested
	January 2011	7,425				7,425	Not yet vested
	January 2012	4,898		1,632		3,266	Not yet vested
	April 2012	4,960				4,960	Not yet vested
	January 2013	-	6,661	3,997		2,664	Not yet vested
	April 2013	-	2,015			2,015	Not yet vested
Senior Management	March 2012	3,034		1,011		2,023	Not yet vested
	March 2013	-	8,569	5,141		3,428	Not yet vested
Total		**81,016**	**67,543**	**28,849**	**16,549**	**103,161**	

* The shares granted in 2011, 2012 and the first three quarters of 2013 have been transferred from R.J. Kooijman to K.H.J. Wulteputte.

48. Related parties

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

49. 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	Options	Shares	Total remuneration
2013								
A.A. Röell	390	-	111	20	521	-	92	613
K.H.J. Wulteputte (as from 1 October 2013)	71	-	17	4	92	-	14	106
S.A.J. van Katwijk	285	-	70	45	400	-	67	467
R.J. Kooijman (until 1 October 2013)	214	-	59	20	292	-	67	359
Total	**960**	**-**	**257**	**89**	**1,305**	**-**	**240**	**1,545**
2012								
A.A. Röell	390	184	108	22	704	54	6	764
R.J. Kooijman	285	134	76	22	517	31	11	559
S.A.J. van Katwijk	285	134	67	46	532	31	11	574
Total	**960**	**452**	**251**	**90**	**1,753**	**116**	**28**	**1,897**

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 151,000 (2012: EUR 120,000) is charged to the company in 2013. This is a measure in which the Dutch tax authorities charge salaries exceeding EUR 150,000 with an additional 16% levy.

Depositary receipts

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

Number of shares	2013	2012
A.A. Röell	14,448	14,505
K.H.J. Wulteputte	566	-
S.A.J. van Katwijk	5,030	2,686

Loans

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

Clawback

In 2013 KAS BANK has not clawed back remuneration of the Managing Board.

50. Remuneration of the Supervisory Board

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

In thousands of euros	2013	2012
R. Smit	55	48
J.M.G. Frijns	46	41
R.A.H. van der Meer	46	48
R. Icke	46	45
P.J.E. Bieringa (as from 24 April 2013)	27	-
A.H. Lundqvist (until 24 April 2013)	14	40
R. Teerlink (until 30 September 2013)	28	32
Total	**262**	**254**

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

51. 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'.

In thousands of euros	2013	2012
Audit fees	235	445
Other audit assignments	222	161
Tax fees	80	143
Other non-audit assignments	104	433
Total	**641**	**1,182**

In thousands of euros	2013	2012
INCOME		
Interest income	43,810	63,946
Interest expense	22,667	39,553
Net interest result	21,143	24,393
Fee and commission income	76,555	77,802
Fee and commission expense	13,649	12,394
Net fee and commission result	62,906	65,408
Results of subsidiaries	-4,918	-2,821
Net trading income	10,412	11,020
Result from financial transactions	11,492	4,851
Share of result of associates and joint operations	951	-
Other income	2,254	6,829
Total operating income	**104,240**	**109,680**
OPERATING EXPENSES		
Personnel expenses	63,623	61,222
General and administrative expenses	29,081	28,846
Depreciation and amortisation	3,565	3,615
Impairment losses (recovery)	-3,741	-3,626
Total operating expenses	**92,528**	**90,057**
Operating result before tax	**11,712**	**19,623**
Tax expense	-560	5,492
Net result	**12,272**	**14,131**

In thousands of euros	31 December 2013	31 December 2012	1 January 2012
Assets			
Cash and balances with central banks	200,517	385,004	1,135,736
Due from banks	273,916	1,453,827	511,553
Loans	547,268	1,366,968	1,443,330
Reverse repurchase agreements	1,403,677	582,149	656,056
Derivative financial instruments	149,855	258,137	154,187
Financial assets designated at fair value	97,822	50,384	181,871
Financial investments available-for-sale	990,539	1,011,647	1,168,288
Financial investments held-to-maturity	10,370	10,645	-
Investments in associates and joint operations	1,894	25	-
Current tax assets	1,562	9,076	9,066
Other assets	66,078	32,498	36,927
Participating interest in group companies	86,478	124,835	127,450
Property and equipment	4,286	2,784	3,008
Goodwill and intangible assets	4,223	4,964	5,148
Deferred tax assets	5,315	1,382	913
Total assets	**3,843,800**	**5,294,325**	**5,433,533**
Equity and liabilities			
Due to banks	182,817	260,508	457,397
Due to customers	2,996,886	4,391,725	4,571,534
Repurchase agreements	159,180	46,050	-
Derivative financial instruments	186,517	318,658	212,484
Fiancial liabilities designated at fair value	50,450	52,512	-
Current tax liabilities	918	7,875	-
Other liabilities	41,688	20,048	17,258
Deferred tax liabilities	12,261	4,654	4,262
Total liabilities	**3,630,717**	**5,102,030**	**5,262,935**
Share capital	15,699	15,699	15,699
Share premium	21,569	21,569	21,569
Treasury shares	-23,612	-24,974	-25,324
Revaluation reserve	9,246	16,134	-5,332
Statutory reserve	2,276	4,045	3,451
Other reserves (including profit for the year)	187,905	159,822	160,535
Total equity attributable to KAS BANK shareholders	**213,083**	**192,295**	**170,598**
Total equity and liabilities	**3,843,800**	**5,294,325**	**5,433,533**
Contingent liabilities	36,420	23,032	26,703
Irrevocable facilities	17,047	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 ***In thousands of euros***	**2013**	**2012**
Position as at 1 January	124,835	127,450
Result for the year	-4,918	-2,821
Adjustment previous years	-	61
Actuarial result	-	-39
Cash contribution	4,838	184
Divestments	-38,279	-
Other	2	-
Position as at 31 December	**86,478**	**124,835**

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, 4 March 2014

KAS BANK Managing Board and Supervisory Board

The Managing Board:

A.A. Röell, chairman
K.H.J. Wulteputte, Chief Financial & Risk Officer
S.A.J. van Katwijk

The Supervisory Board:

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

Appropriation of result for 2013

Proposed appropriation of the result 2013

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 2013 result:

Appropriation of the result according to the consolidated income statement for 2013 ***In thousands of euros***	
Result for the period	12,273
Interim dividend	-4,818
Proposed final dividend	-4,551
Proposed addition to other reserves	**2,905**

In 2013, an interim dividend of EUR 4.8 million (EUR 0.33 per share) is paid.

Independent auditors' report

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

Report on the financial statements

We have audited the accompanying financial statements 2013 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 2013, 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 2013, 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 2013 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.

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 2013 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, 4 March 2014

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 2013 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 24 April 2013.

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

For the Annual General Meeting of Shareholders on 24 April 2013, the Registrar’s Office issued proxies to 57 depositary receipt holders and/or their proxies, compared with 44 the previous year.
The shareholders and depositary receipt holders in attendance represented 50.4% of the voting capital in the meeting. The Registrar's Office therefore represented 49.6% of the voting right.

The total number of ordinary shares in the issued capital of the company remained unchanged in 2013 at 15,699,017. As at year-end, the Registrar’s Office had 15,587,787 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 2013, 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 2013, it was Mrrs A. Baan and H. Scheffers turn to step down as member of the Executive Committee. It was with great sadness that we heard of the unexpected death of Mr Baan just before he was to step down as chairman of the Executive Committee. Mr Baan was an inspiring and devoted member of our Executive Committee for almost 12 years. The Executive members are deeply grateful for his contribution to the Registrar’s Office.

Mr Scheffers is available for reappointment for a period of four years until 2017. 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 Scheffers to sit on the Executive Committee, with effect from 1 July 2013 and to serve a term of office of four years. In 2014, there will be no retirements by rotation.

The Executive Committee advised the holders of depositary receipts for the company’s shares regarding the vacancy arising on the Executive Committee as a consequence of the death of Mr Baan 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 appointed Mr Nooitgedagt to sit on the Executive Committee, with effect from 1 July 2013 and to serve a term of office of four years. In 2014, there will be no retirements by rotation. In 2015, it will be the turn of Mr Zwarts to retire by rotation.

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

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

Amsterdam, 4 March 2014

The Executive Committee:

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

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 (two of the three existing members of KAS BANK's Managing Board, Mr. Röell and Mr. Van Katwijk, have been appointed indefinitely) and III.5.10/14 (KAS BANK has a combined Appointments and Remuneration Committee). With regard to best-practice provision II.1.1, incidentally, this will be applicable to new members of the Managing Board. The report ('Toepassing door KAS BANK van de Nederlandse corporate governance code'/'KAS BANK's application of the Dutch corporate governance code') can be found at www.kasbank.com/investorerelations/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/investorerelations/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 remuneration policy for the Managing Board was prepared to be proposed to the Annual General Meeting of Shareholders in 2014. A self-evaluation of the Supervisory Board and the Managing Board regarding their own performances were done without the assistance of an external expert. A permanent education program 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 organisation 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.
- A number of employees are designated as identified staff. Specific requirements concerning variable remuneration apply for the identified staff. The Managing Board is also considered identified staff.

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 2013, an intensive permanent education program was organised for the members of the Supervisory Board to further deepen the knowledge and understanding on new legislation and regulations concerning capital and liquidity and the consequences thereof.
- In 2014, a permanent education program is scheduled. The subject is further to be determined.
- 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 program 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. The outcome of this evaluation was discussed and a number of action points were identified.
- The self-evaluation for the year 2013 was done by the Supervisory Board itself. It was decided, for instance, to set up a program 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 2013, the Managing Board evaluated its own performance without the assistance of an external expert. The outcome of this evaluation was discussed and a number of action points were identified.
- The Managing Board 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 2013 compared to 2012. Work on this project proceeded with undiminished vigour in 2013.
- 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. Our corporate social responsibility policy was posted on our website.
- KAS BANK promotes good governance at its clients through independent reports on risks, benchmarking, costs and other key information on their investments. The asset servicing products and services that the bank offers to pension funds help the pension fund board to 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 CO_2 emission. Accommodating our employees in a single building from mid-2013 made 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 Workers Council is given an opportunity to state its position on a proposed resolution to appoint or dismiss a member of the company's Managing Board. The General Meeting of Shareholders is consulted by the Supervisory Board on a proposal to dismiss a member of the Managing Board. Certain management decisions are subject to the prior approval of the Supervisory Board or the General Meeting of Shareholders. The Managing Board has been authorised by the General Meeting of Shareholders to issue shares up to a maximum of 10% of the company's issued share capital, including the granting of rights to acquire shares, and an additional 10% of the company's issued share capital if the issue of this additional 10% is in connection with a merger or acquisition, subject to the approval of the Supervisory Board. The Managing Board has also been 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.

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

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

- approving decisions that involve a material change in the identity or character of KAS BANK or its operations;
- adopting the remuneration policy and approving the share and option scheme for the Managing Board;
- 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 (EUR 1.00). Each share and depositary receipt entitles the holder to cast one vote. No special controlling rights attach to the shares or depositary receipts. No voting rights attach to KAS BANK shares and depositary receipts held by the company itself.
The ordinary shares have been listed on the Official Market of the stock exchange of NYSE Euronext Amsterdam in the form of depository receipts for shares since 1986.

Financial reporting

The company's financial statements are 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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