KAS BANK N.V.
Annual Report 2015

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Silviculturist, microbiologist and conservationist

The Custodian Principles

KAS BANK
COMMITTED SINCE 1806

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Consolidated, in millions of euros	2015	2014	2013	2012	2011
Own funds					
Equity attributable to KAS BANK shareholders	209.5	194.2	213.1	192.3	170.6
Total assets	4,103.0	4,422.7	3,789.7	5,205.7	5,347.9
Operating income	121.2	124.2	116.2	117.7	115.3
Expenses	100.6	91.4	103.8	98.5	101.8
Result before tax	20.6	32.8	12.4	19.2	13.5
Net result attributable to KAS BANK shareholders	**15.3**	**24.3**	**12.3**	**14.1**	**8.9**
Figures per share of EUR 1.00 nominal value (in euros)					
Net asset value after proposed dividend	13.90	12.88	14.21	12.86	11.53
Basic earnings per share	1.04	1.65	0.84	0.97	0.61
Dividend	0.64	0.64	0.64	0.64	0.50
Share price, high	13.13	10.96	10.00	8.90	12.25
Share price, low	8.87	8.98	7.65	6.80	7.72
Share price at 31 December	10.75	9.91	9.75	7.56	8.55
Ratios					
Net return on average shareholders' equity (%)	7.6	11.8	6.3	7.9	5.0
Efficiency ratio[1]	84	72	88	83	85
Capital ratio (at 31 December)	24	22	29	23	26
Assets under Administration (in billions of euros)					
Assets under Custody	278	277	228	211	196
Assets related to Investment accounting	142	138	98	92	80
Assets related to AIFMD	44	36	4	-	-
Total Assets under Administration	**464**	**451**	**330**	**303**	**276**

[1]*Excluding impairments, resolution levy and contribution to resolution funds*

Dear stakeholder,

KAS BANK successfully adapted to changing financial markets in 2015, resulting in some positive developments. Our investment in quality, product launches, as well as our corporate culture and staff development all contributed to a year of satisfactory results. We are particularly pleased with new product partnerships that now strengthen our independent position as a pure player. Markets now favour agency roles, and our approach has proven successful for KAS BANK – it reinforces our neutral position as a trusted partner for our clients.

We are now able to use this positive momentum to grow our customer and product base. While some new regulations provide us with product opportunities, others have proven to be more challenging. We are therefore grateful to our customers for the loyalty and patience they have demonstrated throughout this time of change.

We have made good progress in the redesign of our administration processes. As we were doing this, we also adopted the new, transparent FTK reporting rules for pension funds and successfully launched a newly designed DC-pension product.

We made similar redesigns – combined with innovation – throughout our portfolio in 2015, moving beyond administration to more traditional areas such as such as tax reclaims, order execution, currency overlay and clearing services.

Of course, throughout these activities we continued to deliver fast, high-quality services to the domestic and European broker community.

Amsterdam, 29 February 2016

Sikko van Katwijk

Chairman Managing Board KAS BANK N.V.

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

Our strategy and services are based on clear principles about the role and tasks of custodians in the financial world. Integrity, transparency and independence are important values for our bank, as are risk aversion and a low-risk profile. Our independent, neutral market position eliminates conflicts of interest with our clients' core activities. This client focus means that we are constantly developing customer- and market-oriented solutions as we work with you to create lasting added value for the improvement and development of your organisation and its activities.

KAS BANK is listed on the NYSE Euronext Amsterdam stock exchange. Our core markets are the Netherlands, the United Kingdom and Germany. We serve our clients to act in more than 90 markets across the globe, with 700 employees at your service to provide the very best support.

History

The history of KAS BANK began in 1806. That year, Messrs Borski, Voombergh and Bondt established a cashier's institute in a house on the Keizersgracht called the Associatie Cassa, the forerunner of KAS BANK. They held cash for traders and offered credit on the basis of their funds. Many cashier companies collapsed during that time, as high leverage caused them to offer more credit than they had in collateral. The Associatie Cassa was an exception. From the beginning, the founders held to the agreement that they would never lend out more than they had in cash. This principle has not changed. To this day, KAS BANK follows this risk-averse strategy. Because of it, we have achieved a unique position in the market – we are a specialist in securities known for our low-risk profile. That's how we've done it for 210 years.

We can draw parallels between the crisis of confidence at the beginning of the nineteenth century and today's financial world. Once again, people are looking for trustworthiness and consistency in the financial market. Our business model answers that need. KAS BANK has not changed its values or its strategy. Even during times when 'big' seemed beautiful, we held fast to our course. Protection and assurance have been, and continue to be, our focus, and in recent years we have been recognised and appreciated for this.

Experts in management

While the principles of our depository function have remained the same, our current implementation is very different than it was 200 years ago. As custodians, we no longer have large vaults with cash or physical securities. These days, we increasingly safeguard electronic data and provide administrative services. Our core business is the administration of investments and the settlement of securities transactions. However, we are also currently developing additional services in the areas of monitoring, analysis and reports.

Pension and insurance organisations, investment funds, family offices, charitable institutions and private banks are increasingly under pressure to provide more transparency. This is especially true when it comes to demonstrating how their decisions are translated into transactions and investment changes, and at what costs. Investment managers buy and sell shares and currencies on a daily basis, resulting in continuous legal and economic changes to their investment portfolios. Our in-depth knowledge – based on specialised analysis and carefully stored and protected in our administration – helps us analyse portfolio performance as we compare it with industry norms, report to regulators, and advise our clients about efficient and transparent management.

Insight into the performance of investment activities is crucial to our clients. Our expertise in domestic markets and our understanding of developments in this sector allow us to advise these clients on tactics, strategy, risk and liquidity management, and more. As the capture of investment results becomes increasingly difficult, institutional investors will be focusing even more on their investment performance. Our services as a trusted partner in these areas will therefore increase in the coming years.

Independent analysis and advice

As a custodian, the interests of our clients are paramount. Therefore, we do not deal in securities ourselves, which gives us the objectivity we need when it comes to our clients' results. Our clients make investment decisions themselves or through others. We have no conflict of interest as we calculate values and costs, and provide advice regarding transparency requirements and duty of care. This has always been part of our business model and we stand by it, especially in this current climate. With increasing pressure for accountability, we are convinced that our clients benefit from having an independent, specialised party on board. KAS BANK fulfils this role with clarity and integrity, just as we did in the past…when we were literal safe-keepers.

Regulatory requirements for financial organisations will continue to grow. These regulations are often imposed internationally, but interpreted and applied differently across individual countries. KAS BANK market specialities include the Netherlands, the United Kingdom and Germany. We adapt regulations to local circumstances and support our clients to make sure they meet them. Our knowledge also helps to create the reports they need – reports to financial regulators, for example, must meet different criteria than ones for international regulators worldwide. We foresee an increase in demand of for these services in the coming years as well.

Execution of strategy requires focus on our own performance
Our board is actively working to improve KAS BANK's financial performance. Our investment programme has been running for a number of years. We are currently developing new services and generating new revenue. We have also launched a number of initiatives to manage costs more efficiently. At KAS BANK, we believe that every client should experience efficiency, speed and high quality. Therefore, we started a 'KAS BANK to the next level' programme in 2015 designed to improve basic processes. To do this, we analysed all of our processes in terms of efficiency and made changes where necessary. We are also further professionalising our custody, clearing and settlement processes. In addition, we are preparing to take on administration, analyses and report creation on a larger scale and for bigger clients.

We continuously look for the best solutions as we provide services to our clients. Sometimes partner with market participants who can add value through their unique proposition. Examples of partnering include our Global Fund Services solution for the execution and safekeeping of non-listed investment funds, and our agency currency overlay proposition with a network of counterparties. Other times, we develop our own distinguishing capabilities. We anticipate that demand in both of these areas will rise due to increased regulatory pressure and through increased investor focus.

Value creation

We want to create value for all of our stakeholders. The value chain depicted below depicts our role and impact in a wider context. This value creation model has been created in line with the requirements of the Integrated Reporting framework (www.integratedreporting.org) framework. Three aspects are central to this model: input, the business model, and the outputs/outcomes generated.

Based on the dynamics of our business (the markets we serve and the products and services we offer), key inputs consist firstly of financial capital, provided in the form of financial assets by our clients. We operate in a highly complex industry dependent on employee-specific expertise, making human capital a second key input. This in turn leads to the third key input: intellectual capital in the form of a specific knowledge base created from over 600 specialists. Lastly, our front-and back office processes and systems require a fourth input: IT infrastructure. These four inputs are a precondition for our 'pure play' business model, as we focus on three core activities resulting in a unique profile in the banking and financial sector.

The outputs in the value creation model are a representation of our targets, which we steer with relevant KPIs. These outputs ultimately contribute to higher level impact. While our contribution is financially oriented, our role and impact within the capital market indirectly affects societally significant topics: ensuring sufficient pensions and supporting discussions with institutional investors about issues such as Responsible Investment and Business Principles.

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Input

Financial
Assets from:
- Pension funds
- Insurance companies
- Private banks
- Investment funds
- Asset managers
- Charities & family offices

> € 460 billion in Assets under Administration

Human
600 in-house specialists

Clients:
>600 in NL
>30 in UK
>30 in DE

Intellectual
- Specific knowledge of securities
- Knowledge of local regulations & requirements
- Product development

IT
- State of the art software
- Solid financial infrastructure

Business Model

Services offered
- Custody
- Investment accounting
- Information services
- Risk management
- Reports to regulators

The Custodian Principles

Output

Ratios	Target	2015	2014
• Leverage income vs cost*	≥3%	2%	6%
• Efficiency ratio*	70-77%	82%	84%
• Return on equity*	10 yr. Interest +5-8%	8%	6%
• Growth in EPS*	> 8%	18%	44%
• Dividend pay-out	60-80%	62%	39%
• Average capital ratio	≥16%	20%	24%

* based on result from operations

Results
- Net result € 15.3 million
- Equity € 210 million
- Client Satisfaction Score: 7.5

Added value
- Compliance (EMIR, Solvency II, FATCA, nFTK)
- Independent monitoring of investment managers
- Real time management information

Ratings
- Fitch: A-
- Standard & Poor's: Short term A-2, Long term BBB +

Impact

- Optimising client performance
- Delivering insight and control
- Safeguarding assets of future generations
- Minimising market complexity
- Contributing to sustainable development
- Enabling trade

Stakeholders: Clients - Shareholders - Employees - Regulators/Governments - Financial markets - Suppliers

Attendance at General Meetings of Shareholders in 2015

We held our annual General Meeting of Shareholders on 22 April 2015, during which attendees with voting rights represented 93.2% of the issued capital. Shareholders and depositary receipt holders in attendance represented 43.9% of the voting capital. The 'Stichting Administratiekantoor Aandelen KAS BANK' (the KAS BANK Registrar's Office) acted on behalf of holders of depositary receipts who did not attend the meeting in person, representing 56.1% of the voting shares. All depositary receipt holders attending the meeting were automatically authorised to vote by the KAS BANK Registrar's Office. Virtually all resolutions at the meeting were adopted unanimously, and voting results were published on our company website immediately after the meeting.

Listing

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

Dividend

As discussed during the General Meeting of Shareholders, our dividend policy target is to distribute 60-80% of the net result, where profit permits and unless prevented by exceptional circumstances. In January of 2015, the European Central Bank (ECB) recommended that credit institutions satisfying the applicable capital requirements should distribute their net profits in dividends in a conservative manner. This will enable them to continue to fulfil all requirements, even in deteriorating economic and financial conditions.

It is proposed that a dividend of EUR 0.64 per ordinary share be declared for 2015. An interim dividend of EUR 0.33 per ordinary share has already been distributed. The final dividend will be EUR 0.31, paid out in cash. This dividend is in accordance with the ECB's recommendations.

3% holdings

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

- NN Groep N.V., 5.41%
- All Capital Holding B.V., 5.27%
- C.A.C.M. Oomen, 5.21%
- KAS BANK N.V., 5.14%
- HECO S.A., 5.01%
- APG Asset Management N.V., 4.99%
- Wellington Management Group LLP, 4.94%
- Dimensional Fund Advisor LP, 3.00%

Share price

During 2015, the price of KAS BANK shares rose by approximately 8.5%, from EUR 9.91 (at year-end 2014) to EUR 10.75 (at year-end 2015). The basic earnings per KAS BANK share in 2015 were EUR 1.04 (2014: EUR 1.65). The figures per KAS BANK ordinary share can be found in the 'Five years in figures' summary.

Financial calendar

2016

25 February 2016	Announcement of 2015 figures
	Analysts' meeting
9 March 2016	Publication of the 2015 annual report
	Notice convening the Annual General Meeting of Shareholders
23 March 2016	Registration date for the Annual General Meeting of Shareholders
20 April 2016	Publication of Q1-2016 figures
	Annual General Meeting of Shareholders
22 April 2016	Ex-dividend quotation of KAS BANK N.V. depositary receipts
25 April 2016	Record date for determination of dividend entitlement
28 April 2016	2015 final dividend payable
25 August 2016	Publication of 2016 interim figures
	Analysts' meeting
26 August 2016	Ex-dividend quotation of KAS BANK N.V. depositary receipts
29 August 2016	Record date for determination of dividend entitlement
1 September 2016	2016 interim dividend payable
27 October 2016	Publication of Q3-2016 figures

2017

2 March 2017	Announcement of 2016 figures
	Analysts' meeting
15 March 2017	Publication of the 2016 annual report
	Notice convening the Annual General Meeting of Shareholders
29 March 2017	Registration date for the Annual General Meeting of Shareholders
26 April 2017	Publication of Q1-2017 figures
	Annual General Meeting of Shareholders
28 April 2017	Ex-dividend quotation of KAS BANK N.V. depositary receipts
2 May 2017	Record date for determination of dividend entitlement
4 May 2017	2016 final dividend payable
8 September 2017	Publication of 2017 interim figures
	Analysts' meeting
11 September 2017	Ex-dividend quotation of KAS BANK N.V. depositary receipts
12 September 2017	Record date for determination of dividend entitlement
15 September 2017	2017 interim dividend payable
19 October 2017	Publication of Q3-2017 figures

Materiality analysis

KAS BANK aims to the continuous improvement of the organisation. Therefore, we need to identify and understand the most important issues for our stakeholders and how these relate to the actions and decisions that we take. To get this understanding, we start to formalise materiality assessments to find out what the key priorities for our stakeholders are and their potential impact on KAS BANK.

As of 2015, KAS BANK aims to align reporting with the fourth version of the Global Reporting Initiative (GRI) guidelines (G4). KAS BANK performed a materiality analysis in 2015, in line with GRI G4 requirements, the results of which determined the most important content addressed in this annual report. Our ambition is to be fully G4-compliant in the next reporting cycle. In a broader sense, we are constantly striving to improve the quality and transparency of our reporting. As such, we participated in the Dutch Transparency Benchmark, obtaining 30th place in the Banks & Insurance Companies group in 2015.

Identification of relevant topics

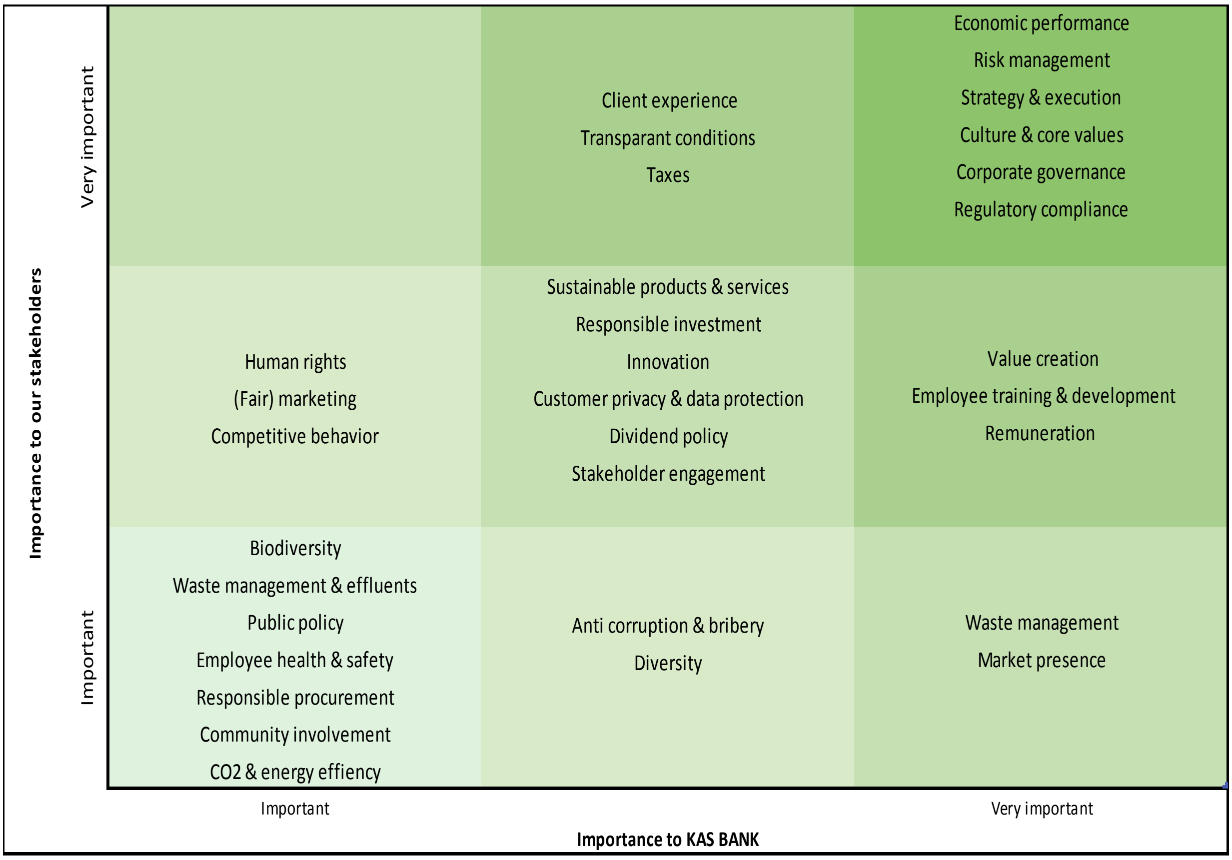
As a starting point, we created a long list of topics based on guidelines from the (GRI) G4, the Sustainability Accounting Standards Board, Principles for Responsible Investment, ISO 26000, and peer reporting. We then selected the most relevant topics from this list based on the level to which they were addressed by the guidelines above, standards, peer reports, and KAS BANK's own annual reports. All topics with a score of 5 or higher were selected. KAS BANK then added five additional topics deemed relevant, resulting in a list of 31 topics.

Prioritisation of relevant topics

Once this was done, we ran an internal workshop to rank the 31 topics based on their importance to KAS BANK. Desktop analysis of various documents and strategic sources then helped us prioritise the topics most relevant to our external stakeholders. KAS BANK's key stakeholders are our clients, shareholders and employees, and also rating agencies, regulators, suppliers/partners and the relevant financial infrastructure.

The results are depicted in the matrix below (KAS BANK prioritisation on the horizontal axis; external stakeholder prioritisation on the vertical axis). The topics in the top right corners are the most important. We also selected 'Responsible investment', although prioritised as 'medium' level, as a material topic. This is a key issue for KAS BANK and increasingly important to investment companies. Because of their importance, we report on each of these material topics throughout this annual report. The thirteen most material topics are:

- Economic performance
- Risk management
- Strategy & execution
- Culture & core values
- Corporate governance
- Regulatory compliance
- Remuneration
- Taxes
- Client experience
- Transparent conditions
- Employee training & development
- Value creation
- Responsible investment



Why are the material topics important to our stakeholders?

Stakeholders believe KAS BANK's economic performance is very important. Both internal and external stakeholders considered this as a priority. KAS BANK's governance and risk management framework and procedures are designed to maintain financial stability for our clients, shareholders and other stakeholders. Through our effective risk management we are able to create the right balance between mitigating the potential impact of unexpected events and creating value for our clients. Compliance with laws and regulations is fundamental, for example customer due diligence (know your client).

Through our core values (committed, connected and competent) and the custodian principles we emphasize the importance of integrity, transparency and independence – in addition to risk-aversion – in all of our services and policies. KAS BANK's services are mainly based on transparency. Our administrative services are the basis for value-added services that are primarily focused on transparent information on risks, benchmarking, costs and other key information on the client's investments. Therefore, being transparent and open about our services, financial and non-financial performance and other topics is helping us to be the trusted partner of all our stakeholders.

Remuneration should be in accordance with market standards and should be fair and well-balanced to retain and recruit highly qualified staff. This is important to virtually all stakeholders, not only employees. Training and development opportunities and skills management programmes support employees and are of great value in creating a performance culture.

Feedback

KAS BANK welcomes feedback from the readers and other interested stakeholders at info@kasbank.com.

This section contains information relating to the most important factors from a variety of areas that affect KAS BANK's approach and performance, partly determined through our 2015 materiality analysis.

Focus on our clients

At KAS BANK, we invest strongly in knowledge and services for our clients – over 90 of our people work daily to optimise customer services. Our customer approach focuses on the following segments: pension funds, insurance companies, investment funds, wealth managers and banks and brokers. Our organisation is fully equipped to best serve these groups, and our client management department consists of four segments that each concentrate on their own market area. For example, personnel from 'pension funds' work exclusively on developments in that branch, using their in-depth knowledge of the rules and regulations in that specific segment to deal with the challenges and demands of our clients.

Every KAS BANK client therefore has contact with specialists who deal exclusively with their kinds of problems. We know their world, and we speak their language. We do this on three levels: our business development managers monitor industry developments and act as strategic partners; our client managers provide direct, day-to-day services; and our service managers ensure the efficient handling of operational matters.

Asking what the client needs
KAS BANK closely monitors and evaluates every client contact to keep up with their specific needs and demands. We use systematic surveys to ask clients whether their problems have been resolved properly and quickly, and we use this data to improve our services. At all times, we look for the underlying issues and actively inform our clients about what is going on.

In 2015, we upgraded our continuous feedback monitoring system, which provides clients with fast query responses. In addition to our helpdesk's regular surveys, our clients also receive a Client Service Review at least once every year, dealing with the overall quality of the client relationship. Our clients currently rate this approach to handling queries and actively communicating new developments at an average of 8 out of 10. Our goal is to improve that score even more.

Access to personal information
KAS BANK is committed to personal contact, and we now enhance this approach through support in the form of apps and web tools. We carefully developed these tools based on our in-depth knowledge of laws and regulations in the Dutch market, and they provide our clients with access to their own data as well as insight into their own performance. Coverage, risks, investment costs and possible violations of investment policy can all be shown and explained quickly and clearly.

Informing and questioning
When it comes to client sessions, we have two main goals: to inform and advise on matters which are important to them and to ask questions about their wishes to discover where we can offer the best support. We talk with them structurally about the development of new tools and services. We regularly hold interactive client sessions in which we sit down and speak to each other. We use these opportunities to provide information about the most important new developments and challenges that we believe will govern our client's agenda in the near future. One of the most important factors that we focused on in 2015 was the European Market Infrastructure Regulation (EMIR), which contained new regulations for reporting derivatives.

Regulatory developments

The financial sector is under pressure due to social developments and new laws and regulations. Our clients are therefore experiencing increasing pressure of their own when it comes to accountability. Because of our in-house expertise and our trust-based client relationships, we can play an important role in supporting our clients as they meet these new requirements. As demands for process and cost transparency also increase, our clients now need deeper insight into these areas to better steer them. KAS BANK saw a sharp increase in demand for this kind of specialist knowledge in 2015, and we will continue to offer support in the form of analyses, benchmarking and advice.

Continuous regulatory environment change is the norm for banks and brokers, and infrastructural developments now follow each other in rapid succession. To help facilitate effective responses to change for our clients, KAS BANK is currently developing activities such as the efficient design of our clearing and settlement services. In 2015, we successfully completed the first wave of our Target2Securities implementation.

Partnership

As we develop these new kinds of services, KAS BANK is increasingly becoming an external administrator. Clients now outsource work and processing to us, creating a different dynamic than that of a traditional bank-customer relationship. From our side, this means fostering a real partnership with them, remaining open, honest and transparent about what we do and how we do it. This sense of partnership has permeated deeply throughout our entire organisation – we all realise that we are working for our clients, not for ourselves.

Aiming high

As a service provider, we are very critical of our own work. We set the bar high and strive for continuous improvement, and we've had some success. We know that clients value our knowledge and expertise: new customer feedback tells us this, as does the loyalty of clients who have been with us for decades. We are proud of this, and we will continue to deepen our knowledge and apply it for the benefit of our clients.

Culture & core values

In 2015, we paid a lot of attention, both internally and externally, to our core values and custodian principles. In a series of short films for KAS BANK, experts from the fields of science and culture talked about their own interpretations of 'preservation, protection and development' – the core of KAS BANK's services. KAS BANK is committed to emphasising the importance of integrity, transparency and independence – in addition to risk-aversion – in all of its services and policies.

We also ran an internal programme in 2015, actively engaging our personnel to think about what our custodian principles meant for their day-to-day work. Sessions with senior management and walk-in sessions with all colleagues helped us select and group behavioural priorities. This process resulted in the formulation of three central values as a guideline for behaviour: committed, connected, and competent. These values were then translated into concrete statements of behavioural intention.

Committed means that: 'We are aware of our role in society and we think about the long term interests of our clients. We take ownership of our own tasks as well as our common goals. We act with the awareness that our behaviour determines our longevity as custodians.'

Connected means that: 'We bring parties together around social issues. As a networking bank, we develop sustainable relationships based on trust. We adhere to a strong mutual commitment and we dedicate ourselves to being open, so that we may deepen our understanding of others and be better able to help.'

Competent means that: 'We distinguish ourselves as custodians through the quality of everyone's work, and we are proud of it. We listen to the community and continue to develop ourselves both in terms of our profession and in terms of market knowledge. We offer qualitative and innovative solutions to meet our clients' demands.'

Lasting awareness

The thought and discussion that went into the formulating of these core values was not a one-off project. It was a starting point for lasting awareness. All employees were asked individually about their own role and points of improvement for the organisation. This survey produced a great deal of useful information as our employees gave concrete meaning to behavioural intentions, and discussed them with one another. The three central values are now alive within our organisation.

The most important outcome is a new awareness. Every person working for KAS BANK realises how important it is to operate from core values and to give and receive feedback. Every three or four months, we further engage employees through a 'pulse-meeting' – a short questionnaire related to current events within the organisation. In this way, we can see very quickly whether we are focusing on the right things. In 2016, we will continue along these lines, making our central values explicit in our training programmes and during the introduction of new employees.

Employee training & development

KAS BANK offers its employees a challenging work environment with an emphasis on developing individual knowledge and experience competencies. We're a relatively small organisation with a wide range of products. Early on, therefore, our employees often encounter a variety of work aspects within the wider context of their profession. At KAS BANK, everyone learns 'on the job'. However, KAS BANK also invests in training for the 'hard skills' that people need to do their work, as well as for behaviour and core values. In 2015, we increased our training budget with a focus on coaching and feedback. How do our employees carry out core values? What behaviours support them? We look at issues such as these through frameworks and guidelines laid out during training.

Performance cycles

KAS BANK uses a structured performance cycle to closely follow the performance and ambition of all individual employees. Based on 360 degree feedback, we periodically discuss which development opportunities people have and what kind of support KAS BANK can offer. In 2016, we will bring these even closer to our core values, and giving feedback will take on even more importance in the future. This will ensure that the core values operate within our organisation.

Responsible investing

An increasing number of institutional investors now integrate sustainability considerations into their investment policies. In part, this is driven by regulatory developments (for example, investing in companies involved in cluster munition production is not allowed in the Netherlands). We are pleased to say that Environmental, Social and Governance (ESG) integration within investment policies ties in with KAS BANK's strategy and position. In 2016, the Dutch Central Bank will examine how pension funds comply with the provisions of the Pension Act for transparency and sustainability.

In 2009, KAS BANK signed the United Nations Principles for Responsible Investment (UN PRI). The UN PRI are part of our internal policy on investment decisions and take into consideration aspects including emissions and energy, human rights, labour conditions, corruption and bribery. We consider our investments from a long-term stakeholder and shareholder value perspective, and we do not hold shares in companies that do not comply with the UN Global Compact Principles. KAS BANK's investment portfolio consists overwhelmingly of asset-backed and government-issued paper. We have considered setting up an internal Responsible Investment policy, but due to the nature of investments and their low risk-profile, no specific ESG criteria will be a driver for change regarding our present investment policies.

As a service provider, our sustainability impact is most significant within the scope of our clients in the wider investment and securities industry. Our asset servicing products and services actively support pension funds and other institutional investors to fulfil their administrative and social responsibilities. KAS BANK itself does not act as an active asset manager or investment manager for clients, nor do we provide investment advice. Instead, our role as custodian is to assist them in shaping and adjusting their Responsible Investment policy and ESG criteria as they manage their portfolios. Therefore, we offer products that help institutional investors to ensure that their ESG requirements are effectively implemented by asset managers.

For example, our Sustainability Risk Screening (SRS) monitor forms a key part of our core services to pension funds and insurance companies, enabling trustees and investment professionals to implement their Responsible Investment policy. Trustees provide their Responsible Investment policies and an exclusion list of sectors not to be invested in. KAS BANK then verifies the client's asset manager's compliance with the ESG policy and exclusion list on a Tier 1 level, by screening the investment portfolio and identifying equities that fall outside the set ESG criteria. This is also possible for a 'funds of funds' investment strategy, in which ESG risk is harder to identify, and can be filtered out with the ESG tool. Currently, the service is used by a small share of clients, but the aim is to increase this number gradually.

Aside from providing management information with regard to specific sectors or companies to be excluded, the SRS tool also aims to help clients to focus on 'best-in-class' investments. These include companies that are frontrunners in ESG performance. The third purpose of the SRS is to drive Responsible Investment through engagement, by facilitating dialogue between clients and companies, or by helping clients to make use of proxy voting rights.

KAS BANK also offers a Pension Monitor App, which provides pension scheme managers, trustees and sponsors with essential management information and an overview of the key performance metrics of the pension fund. Compliance with ESG criteria can be included as a KPI, resulting in an alert if investments are made in an area such as weapon manufacture ring or supply, etc.

Results/economic performance 2015

In millions of euros	2015	2014	change	%
Operating income	115.5	104.2	11.3	11%
Operating expenses	-94.8	-87.2	-7.6	9%
Tax expense	-5.3	-4.0	-1.3	32%
Net result from operations	**15.4**	**13.0**	**2.4**	**18%**
Impairments losses (recovery)	2.7	-1.4	4.1	
Resolution levy and contribution to resolution funds	-0.9	-1.1	0.2	
Result of sale Lehman claim	5.6	0.0	5.6	
Received compensation dwpbank	0.0	20.0	-20.0	
Expenses related to announced investment plan	-7.5	-1.7	-5.8	
Tax expense	0.0	-4.5	4.5	
Net result - other	**-0.1**	**11.3**	**-11.4**	
Net result for the period	**15.3**	**24.3**	**-9.0**	**-37%**

KAS BANK realised a net result of EUR 15.3 million (2014: EUR 24.3 million) for 2015 and a return on equity of 7.6% (2014: 11.8%). Net result from operations increased with 18% to EUR 15.4 million (2014: EUR 13.0 million). New clients, higher volumes and new products resulted in a 11% increase of operating income to EUR 115.5 million (2014: EUR 104.2 million). The operating expenses increased with 9% to EUR 94.8 million (2014: EUR 87.2 million), mainly due to higher pension costs (relating to low interest rates). The efficiency ratio, based on operating income and operating expenses, amounted to 82.1% (2014: 83.7%).

Other items

The items below are excluded in result from operations.

In 2015, the other item was the sale of a claim relating to Lehman (EUR 5.6 million), this amount is classified as interest income. In 2014, the other item was also the compensation of EUR 20 million received from dwpbank, classified as other income.

The expenses related to the announced investments (out of the received compensation from dwpbank) to improve the operations and to strengthen the strategic approach (2015: EUR -7.5 million; 2014: EUR -1.7 million) were classified as personnel expenses (2015: EUR 3.9 million; 2014: EUR 0.1 million) and as general and administrative expenses (2015: EUR 3.6 million; 2014: EUR 1.6 million). These expenses related to amongst others external employees supporting projects to increase competitiveness and investments in various programs on culture, continuous improvement (LEAN), risk and compliance resulting in higher consultancy costs.

In 2015, the result was positively impacted by reversal of impairments and additional impairments on credit facilities of in total EUR 2.7 million. In 2014, negative impairments on credit facilities (EUR 0.3 million) and on a minority interest in a European broker (EUR 1.1 million) reduced the result. In 2015, a charge of EUR 0.9 million was incurred for the contribution to the National Resolution Fund and to the ex-ante financing of the deposit guarantee scheme. In 2014, the result had been reduced by EUR 1.1 million due to the resolution levy in connection with the nationalisation of SNS Reaal.

In the operating income and operating expenses below the items mentioned as 'net result – other' are excluded.

Operating income

Breakdown of operating income

Operating income in millions of euros	2015	2014	change	%
Net interest result	23.3	25.4	-2.1	-8%
Net commission result	72.2	65.3	6.9	11%
Result on investments	19.0	12.2	6.8	55%
Share of result of associates and joint ventures	-	-0.5	0.5	-100%
Other income	1.0	1.8	-0.8	-43%
Total operating income	**115.5**	**104.2**	**11.3**	**11%**

Interest

Breakdown of net interest result

In millions of euros	2015	2014	change	%
Loans and deposits	10.1	7.7	2.4	31%
Bonds and non-trading derivatives (hedge)	13.2	17.7	-4.5	-26%
Total net interest result	**23.3**	**25.4**	**-2.1**	**-8%**

Net interest result decreased by 8% to EUR 23.3 million (2014: EUR 25.4 million). Interest on loans and deposits increased with 31% to EUR 10.1 million (2014: EUR 7.7 million).

The interest result on KAS BANK's investment portfolio decreased with 26% to EUR 13.2 million (2014: EUR 17.7 million), mainly due to lower interest results on the investment portfolio (EUR -2.7 million) and on reverse repurchase transactions (EUR -1.4 million) following decreased interest rates.

Commission

Breakdown of net commission result

In millions of euros	2015	2014	change	%
Asset Servicing	35.2	30.8	4.4	14%
Transaction Servicing	23.5	23.0	0.5	2%
Treasury	13.5	11.5	2.0	17%
Total net commission result	**72.2**	**65.3**	**6.9**	**11%**

Net commission result increased by 11% to EUR 72.2 million (2014: EUR 65.3 million), all aspects of our services contributed to this increase.

Asset Servicing commission result (Custody, Administration and Depositary Services) increased by 14% to EUR 35.2 million (2014: EUR 30.8 million). Client wins and higher asset values resulted in an increase of Assets under Administration by 3% to EUR 464 billion at year-end 2015 (year-end 2014: EUR 451 billion). Due to successful growth in product range, KAS BANK has managed to grow Asset Servicing commission income. The regulatory reporting line consists of services related to Alternative Investment Fund Managers Directive (AIFMD), European Market Infrastructure Regulation (EMIR), look through and Financial Assessment Framework (Financieel Toetsingskader).

Despite difficult market conditions, Transaction Servicing commission result increased with 2% to EUR 23.5 million (2014: EUR 23.0 million), showing a strong traditional business base.

Treasury commission result increased by 17% to EUR 13.5 million (2014: EUR 11.5 million). Higher client activity resulted in higher commission from securities lending, order execution and collateral management.

Result on investments

Breakdown of result on investments

In millions of euros	2015	2014	change	%
Trading - foreign exchange transactions	13.0	9.4	3.5	38%
Trading - securities and derivatives	3.1	-0.1	3.2	
Investments - investment portfolio	2.9	2.9	0.0	
Total result on investments	**19.0**	**12.2**	**6.8**	**55%**

Within our ambition to offer more advisory services, the first positive results have been realised in 2015. The main part of the result on investments consisted of client-driven foreign exchange transactions. These results showed an increase of 38% to EUR 13.0 million in 2015 in comparison with 2014 (EUR 9.4 million). New clients and higher volatility of foreign currencies contributed to this increase. The trading results on securities and derivatives consisted of duration overlay services (Institutional Risk Management) to clients and interest driven instruments, which mitigate the interest risk of part of KAS BANK's investment portfolio.

The result on investments of the investment portfolio consisted mainly of reallocation of the investment portfolio (2015: EUR 3.5 million; 2014: EUR 2.7 million) and value increases for two previously impaired bonds (2015: EUR -0.6 million; 2014: EUR 0.2 million).

The revaluation reserve for the investment portfolio increased in 2015 by EUR 1.9 million to EUR 12.6 million (December 2014: EUR 10.7 million) as a result of lower market interest rates and decreasing credit spreads. In comparison to June 2015 (EUR 18.5 million), the revaluation reserve decreased with EUR 5.9 million, mainly due to a widening between the interest rates of the mortgages and the hedge instruments in the second half of 2015.

Result of associates and joint ventures

The result of associates and joint ventures increased with EUR 0.5 million to nil (2014: EUR 0.5 million negative). KAS BANK's associates have been fully impaired as per December 2014. In 2015, KAS BANK had no joint ventures.

Other income

Other income decreased by EUR 0.8 million to EUR 1.0 million (2014: EUR 1.8 million).

Operating expenses

Breakdown of operating expenses

In millions of euros	2015	2014	change	%
Personnel expenses	65.3	57.4	7.9	14%
General and administrative expenses - IT	15.9	15.1	0.8	6%
General and administrative expenses - other	10.1	10.7	-0.6	-6%
Depreciation and amortisation	3.5	4.0	-0.5	-13%
Total operating expenses	**94.8**	**87.2**	**7.6**	**9%**

Personnel expenses

Personnel expenses increased by 14% to EUR 65.3 million (2014: EUR 57.4 million). This increase is mainly due to higher pension costs (2014: EUR 3.9 million and in 2015: EUR 8.4 million) and a higher number of external employees. KAS BANK's cost reduction program resulted in a decrease of the average number of FTEs by about 5% to 647 FTEs (average 2014: 682 FTEs). This decrease resulted in a decrease of salaries and social security costs with a similar percentage.

General and administrative expenses, including depreciation and amortisation

The general and administrative expenses and depreciation and amortisation decreased with 1% to EUR 29.5 million (2014: EUR 29.8 million). The increase of data requests to provide KAS BANK's services to clients resulted in an increase of the IT expenses with EUR 0.8 million. The decrease in the other expenses and the depreciation and amortisation is the result of a focus on cost efficiency.

Tax expenses

The effective tax rate of 25.7% (2014: 25.9%) is just above the nominal tax rate of 25%. In 2014, the resolution levy related to the nationalisation of SNS Reaal (EUR 1.1 million) and the impairment of a minority interest in a European broker (EUR 1.1 million) were both not tax deductible.

Quality of the investment portfolio

The table below shows the investments available for sale and investments designated at fair value according to credit rating (Standard & Poor's).

In millions of euros	31 December 2015	Percentage of bond portfolio	31 December 2014	Percentage of bond portfolio
AAA - AA-	339	58%	827	85%
A+ - A-	146	25%	62	6%
BBB+ - BBB-	54	9%	11	1%
BB+ - BB-	46	7%	74	7%
< BB-	4	1%	14	1%
Total bonds	**589**	**100%**	**988**	**100%**
Mortgage fund	225		213	
Shares	2		2	
Total	**816**		**1,203**	

Since mid-2014 KAS BANK invests in a high quality mortgage fund without credit rating. This mortgage fund consists mainly (at least 75%) of new mortgages guaranteed by the Dutch government (NHG hypotheken) and therefore has the character of an investment with a high credit rating.

Solvency (capital ratios)

The high capital ratios emphasize the low risk appetite of KAS BANK. The capital ratio, the qualifying capital as a percentage of risk-weighted assets, came to 24% (year-end 2014: 22%). KAS BANK has only common equity tier 1 capital. The qualifying capital increased mainly due to the revaluation of KAS BANK's own building, totalling to EUR 184.3 million (2014: EUR 178.8 million). The average capital ratio for 2015 amounted to 20% (for 2014: 24%).

The capital ratio is being implemented in phases during 2014 up to and including 2018. From 2019 onwards reports must be submitted entirely on the basis of the Capital Requirement Regulation (also called 'fully loaded' or 'fully phased in'). Assuming an entire transition to the Capital Requirement Regulation, at year-end 2015 the risk-weighted value would amount to EUR 782.6 million and the capital to EUR 190.7 million, resulting in a capital ratio of 24%.

Fitch has published a Rating Action Commentary for KAS BANK. The long-term issuer default rating is A-. The outlook is stable. Rating agency Standard & Poor's has reaffirmed the short-term rating A-2 and the long-term rating BBB + of the bank. The outlook remains 'negative'. The outlook 'negative' may be adjusted to 'stable' over time as the strategic repositioning of the bank delivers the expected benefits.

In millions of euros	31 December 2015 Carrying amount	31 December 2015 Risk-weighted value	31 December 2014 Carrying amount	31 December 2014 Risk-weighted value
Due from banks	418.0	82.4	661.6	148.5
Loans	561.3	31.1	558.8	28.6
Reverse repurchase agreements	1,091.0	0.5	1,477.0	0.1
Derivative financial instruments	325.5	45.0	338.8	45.9
Financial assets designated at fair value	56.7	-	169.5	-
Financial investments available-for-sale	759.8	254.8	1,033.1	236.2
Other assets	890.7	98.6	184.0	69.3
	4,103.0	**512.4**	**4,422.7**	**528.6**
Off-balance sheet exposure	34.8	271.9	48.2	286.7
Total of the risk-weighted items		**784.3**		**815.2**

Capital and ratios	Capital	Ratio	Capital	Ratio
Common equity tier 1	184.3	24%	178.8	22%
Capital ratio	**184.3**	**24%**	**178.8**	**22%**

Liquidity

The table below shows the cash flows (undiscounted) for the financial assets based on the contractual maturity date (excluding shares):

Maturity calendar as at 31 December 2015 *In percentages*	On demand	< = 3 months	< = 1 year	< = 5 year	> 5 year	Total
Banks, loans and other financial assets	59%	29%	10%	0%	2%	100%
Financial investments available-for-sale	0%	2%	14%	21%	63%	100%
Total financial assets	**47%**	**23%**	**11%**	**4%**	**15%**	**100%**

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

The high level of liquidity is shown by the fact that, as at the end of 2015, 78% of financial assets had a maximum maturity of three months (at the end of 2014: 65%).

As of October 2015 a new liquidity ratio, the liquidity coverage ratio, has been initiated for KAS BANK. Under the Capital Requirement Regulation, financial institutions are required to hold an amount of high quality liquid assets equal to or greater than their outflow over a 30 day period (having at least 100% coverage).

In millions of euros	*31 December 2015*
High quality liquid assets	1,935
Net cash outflow < 30 days	1,353
Liquidity coverage ratio	143%

Regulatory compliance

The financial world finds itself in a turbulent era. Since 2008, many new laws and regulations have emerged as a necessary response to a very complex and (too) risky environment. We help our clients stay abreast of these changes. For example, we use our network to provide access to essential market infrastructures, we support our clients in the comprehensive and complex reporting to regulators, and we create reports providing a clear understanding of risk-development for supervisors.

In 2015, we increased our investment in the analysis of all relevant laws and regulations. We did this for compliance purposes. But it also enabled us to identify and then structure new product opportunities. This approach led to the development of a successful reportage product in 2015 arising from the mandatory EMIR (European Market Infrastructure Regulation). Furthermore we extend our cost transparency service, which is designed as a cost benchmark for pension funds allowing them to compare levels of cost within a group of peers.

KAS BANK is and remains very active in relevant external bodies, fulfilling the role of specialist and an 'informed and knowledgeable partner'. After all, it is important that our clients meet all relevant legal frameworks. Aside from an increased focus on laws and regulations, we also place a great deal of importance on the identification of relevant trends. These trends include 'Big Data' and its associated privacy concerns, as well as new technology such as 'Data in the Cloud'. They all have our attention.

The process of 'monitoring future trends and regulations' requires constant vigilance. Aside from putting resources into our people and tools, we will continue to invest in increasing the awareness of all of our stakeholders within the bank.

Naturally, our bank licence (our 'licence to operate'), is an overlying argument in all cases. In 2015, KAS BANK invested in the improvement of procedures relating to client due diligence, the Anti-Money Laundering and Anti-Terrorist Financing Act and the Sanctions Act. Furthermore the Capital Requirements Directive IV extended with 2015 refinements. These Directive and the refinements implemented European regulation on capital, liquidity and other aspects such as remuneration.

The Dutch government introduced the Banker’s Oath, a set of principles that reconfirms the industry’s commitment to ethical behaviour. Oath taking has been a requirement already for Members of the Managing and Supervisory Boards since 1 January 2013. As of 1 April 2015, the Banker’s Oath is applicable to all internal and external employees working in the Netherlands who have a contract of employment with KAS BANK. Before 1 April 2016, all employees have to take the Oath. This initiative will be a significant tool in creating the new culture wanted in the banking industry. A form of disciplinary scheme will be introduced to ensure that taking the oath is not without meaning. Bank employees will, therefore, be accountable to society as a whole. Also a revised version of the Banking Code applies as of 2015. The Banking Code concentrates on strengthening corporate governance within the banks, improving risk management, auditing, and limiting remuneration policy.

In accordance with the Act Management en Supervision (*Wet Bestuur en Toezicht*) KAS BANK has the ambition to extend the number of female Managing Board members to the advised level of 30% or more. To realise this objective KAS BANK works to hire female (senior) managers with the capabilities to become a future member of the Managing Board. Although we acknowledge the advantages of diversity, due to the specialised character of KAS BANK, we focus on quality and not on diversity as such.

As of 7 February 2015, KAS BANK has to comply with a new Dutch law: the Dutch law on Remuneration policies of Financial Undertakings (*Wet beloningsbeleid financiële ondernemingen*). This new law introduces, among other things, caps on variable remuneration applicable to all employees. KAS BANK already complies with this cap and has taken all necessary measures to implement these requirements in the remuneration policy (see also chapter Remuneration on page 34).

Taxes

KAS BANK acts in accordance with applicable laws at all times and we are guided by relevant international standards. For years, we have had an agreement in place with the Dutch tax authorities on horizontal supervision. This agreement, which is based on transparency and mutual trust, ensures that the Dutch tax authorities receive current and up-to-date information about KAS BANK's tax strategy and tax controls. Based on this information, the Dutch tax authorities adjust the form and intensity of their supervision, and restrict their activities solely to those required to validate horizontal monitoring. This results in more efficient and effective processes, as well as clarity at early stages for both the tax authorities and KAS BANK.

We pay our fair share of taxes in the countries in which KAS BANK has a local presence. To address this objective, KAS BANK has increased transparency by providing country-by-country reporting. We aim to report an appropriate portion of taxable income for subsidiaries or branches in which value is created within the normal course of the business. Any transfer pricing is always based on the arm's-length principle. KAS BANK pays tax at statutory tax rates in the countries in which we operate as a financial services provider. KAS BANK publishes an effective underlying tax rate, which is currently 25% (2014: 25%) and equal to statutory tax rates.

Products offered by KAS BANK that have potential tax advantages for clients are only acceptable if these products fully meet the regulations in force, are transparent, and do not contravene the intended purpose of these regulations.

Personal notes of the Managing Board

S. (Sikko) A.J. van Katwijk (1963), chairman

First appointed	July 2009
Appointed as chairman	December 2015
Current term of office expires	December 2019

M. (Mark) R. Stoffels (1972), Chief Financial and Risk Officer (CFRO)

First appointed	February 2016
Current term of office expires	February 2020

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

First appointed	September 2014
Current term of office expires	September 2018

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

To the stakeholders of KAS BANK,

We hereby present the annual report and financial statements for the 2015 financial year, as prepared by the Managing Board. The Supervisory Board has discussed the 2015 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 2015 financial statements be adopted;
- The 2015 dividend be set at EUR 0.64 per ordinary share. An interim dividend of EUR 0.33 per ordinary share already having been distributed in 2015, the final dividend for 2015, 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 2015;
- The members of the Supervisory Board be discharged of liability for their supervision in 2015.

This report is intended to inform you of the working methods and activities of the Supervisory Board and its committees in 2015, the ways in which we have supervised the bank's policy and general course of affairs, and the remuneration policy for Managing Board members.

Meetings of the Supervisory Board

Number of meetings

The Supervisory Board met nine times with the Managing Board in 2015. Six of these meetings were held in accordance with the adopted meeting schedule. Three extra meetings were held regarding the strategic review and as a response to the resignation of two Managing Board members. In June, the Board held a full day strategy session with the Managing Board.

Every meeting of the Supervisory Board starts with a short discussion without the presence of the Managing Board. Once a year, the Supervisory Board meets without the Managing Board to discuss its own functioning, Managing Board functioning, the cooperation between the Boards, and the functioning of its members. Once a year, there is also a meeting between the Supervisory Board, the internal auditor and the external auditor. Attendance at these meetings was close to 100%. Supervisory Board members participated four times in the Workers Council's consultative meeting – twice to discuss the general affairs of the company and twice to discuss the proposed appointments and composition of the Managing Board.

Priority areas for 2015

At the start of the year, the Supervisory Board adopted a number of priorities for 2015: an improvement in the company’s results, a strengthening of the internal organisation, and the execution of the focus strategy.

Improvement of the results

The Supervisory Board notes that a focus on our core client groups and the continuous upgrading of our service offerings are important reasons for market parties to work with KAS BANK. As a result of the focus on sustainable growth and efficiency improvements, productivity and operating income have been improved and the efficiency ratio is moving towards the long-term external objectives. To that end, the bank’s organisational structure was sharpened and implemented during the course of 2015. A cost reduction programme implemented in 2014 was continued in 2015. The board wishes to express its appreciation to employees and management for the effective and careful way this programme was executed, and expresses its confidence in the organisation.

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

Risk tolerance

The Supervisory Board regularly discusses KAS BANK's risk tolerance policy with the Managing Board and Risk Management. The Supervisory Board reconfirmed the low risk appetite for 2015, noting that the bank's risk profile arises from its core activities and that a low risk tolerance is inherently connected with its services. Other important reasons for low risk tolerance include the ability to protect the bank's reputation, safeguard the continuity of the bank (even under stress) and guarantee the interests of all bank stakeholders. The majority of these stakeholders (clients, shareholders, employees, regulators and other participants in the financial infrastructure) enter into a long-term relationship with KAS BANK. The low risk appetite therefore has a clear signalling function in the market.

Capital structure

The capital structure and liquidity position of KAS BANK are sound. This is important given the need of a strong capital position as a stand-alone bank combined with the desire to be an attractive yield stock for its shareholders.

Clients and operations

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

Strengthening our internal organisation

A new chairman and a new CFRO of the Managing Board

2015 saw significant changes to the Managing Board. The Supervisory Board appointed Sikko van Katwijk as the new Chairman as of 17 December 2015. Sikko van Katwijk was already a member of the Managing Board and CCO of the company as of July 2009. The Supervisory Board also proposed Mark Stoffels as a new Board member and Chief Financial & Risk Officer (CFRO) of the bank. Mark Stoffels was formally appointed as of 29 January 2016 after notification to the Extraordinary General Meeting of Shareholders. Mark Stoffels has worked at KAS BANK for 17 years and was a member of the Management Committee as Managing Director of Finance & Control.

Sikko van Katwijk succeeded Albert Röell, former Chairman of the Managing Board, who decided to leave the company as of 1 November 2015 to accept a role as Chairman of the Managing Board of KPMG. The Supervisory Board is grateful to Albert Röell for more than 10 years of tireless efforts for KAS BANK. Under his leadership, the bank underwent an important transformation, placing it in its current leading position, poised for growth in the institutional market.

Mark Stoffels succeeded former CFRO Kris Wulteputte, who left the company at the end of July 2015 to join State Street Bank GmbH in Munich, Germany. The Supervisory Board owes Kris Wulteputte a great debt of gratitude for his active contribution to the professional growth and development of the bank.

The Supervisory Board decided to reduce the Managing Board from four to three members. As of 29 January 2016 the Managing Board consists of Sikko van Katwijk (Chairman), Jaap Witteveen (Chief Operating Officer (COO)) and Mark Stoffels (CFRO). Jaap Witteveen was appointed in August 2014 as COO. The three members operate as a collegial board.

The Appointments and Remuneration Committee prepared the search, selection and appointment procedures regarding the two new Managing Board members. A recruitment agency was involved in the search and selection of candidates for the CFRO position. In collaboration with this agency, the Committee prepared the job profile, selected a longlist with external and internal candidates and held interviews. No recruitment agency was involved for the Chairman’s position – the Supervisory Board reviewed various succession scenarios and possibilities. Sikko van Katwijk has extensive and relevant managerial and banking experience and is able to lead important decision-making processes while properly balancing all relevant alternatives, risks and interests concerned. His appointment could be announced by the time the former chairman resigned. The appointment of the Chairman of the Managing Board from the company’s own ranks and in such a timely manner is a signal of stability and a demonstration of our ‘in control’ approach to the market, employees and all other stakeholders.

The Supervisory Board is pleased that, after the announcement of resignation from the former Chairman, the remaining Board Members expressed their commitment towards KAS BANK and its new strategic goals.

KAS BANK 2 the Next Level

Our internal control structure has been strengthened through the implementation of ‘KAS BANK 2 the Next Level’. This programme aims to improve internal control structures, strengthen the three lines of defence model and to enhance our (risk) culture. The programme consists of different projects, including processes and risk identification, conduct, culture and core values, ongoing due diligence, and governance, risk and compliance. A great deal of attention was paid to improve our risk framework and standardise all important processes. The governance, risk and compliance project also realised a new commission structure for the Managing Board and a better implementation of the three lines of defence. The conduct and culture programme is further explained below. The Board has also devoted special attention to upgrading ongoing due diligence and the compliance organisation.

The programme has been approved by the Supervisory Board and special working groups are following its progress.

Conduct and culture

In 2015, progress was made regarding our conduct and culture improvement programme. This comprehensive culture change programme was set up with a great deal of attention to internal communications, transparent decision-making, core values and reinforcing active feedback mechanisms. The Supervisory Board supports this programme and will closely monitor its progress.

DNB has made conduct and culture at financial institutions one of its supervisory priorities. In response to this, the Supervisory Board and the Managing Board have taken measures to improve cooperation between the two Boards in the effort to track follow-up actions concretely and measurably. Better information flow to the Supervisory Board, transparent communication, an increased number of informal meetings between the Boards, and discussions with employees are all good examples of improving this cooperation. The new Managing Board will be paying special attention to the ‘Tone at the Top’ by frequently visiting all departments of the bank to inform them about important developments. Both Boards put the interests of a strong culture and transparent communication first in this regard.

Strategy

In 2015, we cooperated with global management-consulting firm to review and clarify our strategy. In the years to come we will be focusing on growth in our core institutional markets in the Netherlands, the United Kingdom and Germany. Aside from traditional custodial services, we will also be strategically developing our investment administration and advisory services. The previously-mentioned 'KAS BANK 2 The Next Level' change programme is also intended to support the success of the bank's new strategy.

The Supervisory Board is closely tied to the implementation of the new strategy, with points of particular interest that include 'KAS BANK 2 The Next Level', investment in top talent in the new strategic areas, and cost reductions. These issues are important as we properly execute this strategy. They will help lead to an increase in value for shareholders while benefitting other stakeholders as well. The Supervisory Board supports the Executive Board's view to seek out, where necessary, partnerships that contribute to the bank's growth strategy.

KAS BANK can compete with big foreign players because, as a Dutch niche player, it is well positioned to serve Dutch parties within the established core segments. The core segments in which KAS BANK is best able to distinguish itself and add value are: pension funds, insurance companies, investment funds and wealth management.

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

We are now operating within an ever more demanding political and regulatory environment with increasingly critical supervisors. The bank therefore puts client interests first because we are convinced that this creates sustainable shareholder value. The Supervisory Board emphatically takes the interests of all stakeholders into account in its considerations. Of course, we also take employee interests into account – we are aware that the execution of an ambitious strategy and ongoing costs reduction programmes can create a challenging environment for staff.

Corporate governance code and the Banking Code

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

Dialogue with the Workers Council

The Supervisory Board seeks active and open dialogue with the Workers Council, and our members attend the regulatory meetings of the Managing Board and the Workers Council. In addition to these meetings, ad-hoc bilateral contacts also occur between Workers Council and Supervisory Board representatives to discuss issues such as the change in composition of the Managing Board.

Regulations on Sound Remuneration Policy

The Regulations on Sound Remuneration Policy (*Regeling beheerst beloningsbeleid Wft 2014*) focus on managing the risks inherent in variable remuneration, and apply to the whole banking sector. KAS BANK's remuneration policy – and the Managing Board's remuneration policy – have been adjusted and carried out in line with these regulations, and approved by the Supervisory Board.

The latest remuneration policy for the Managing Board was adopted by the General Meeting of Shareholders in 2014, reducing the maximum variable remuneration attainable by members of the Managing Board from 100% to 20% of the base salary, without an adjustment in base salary.

In 2015, the number of employees designated as Identified Staff was increased as a result of adjustment in legislation. For this staff category, whose professional activities have a material impact on the risk profile of the bank, the remuneration policy must comply with specific requirements. This includes variable remuneration and the assessment of targets for improper incentives. The Supervisory Board was involved in this process.

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

Cooperation with management

In 2015, the Supervisory Board was increasingly involved in the company's business, especially with regard to the bank's strategy review and the 'KAS BANK 2 The Next Level' programme. The Supervisory Board was in regular contact with The Dutch Central Bank in order to discuss strategic, governance and business issues. We also increased our contact with senior management through internal and external meetings, and the Chairman of the Supervisory Board was involved in informing senior management about the departure of the former Chairman of the Managing Board. The Supervisory Board will continue to structurally interact with the bank's senior management through formal and informal one-on-one talks and group meetings. Members of the Board also discussed the outcome of the employee survey with a delegation of employees.

The Chairmen of the Supervisory Board and Managing Board regularly have contact outside of formal meetings. Contact between the other Supervisory Board members and Managing Board members has 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. In order to support the Board with its increased tasks and responsibilities, the Supervisory Board has decided to appoint Michiel Janssen as its full time secretary.

Composition and working method of the Supervisory Board

Profile

The Supervisory Board has formulated a membership profile that defines its size and composition. This profile is posted on our company's website. A properly constituted Supervisory Board should encompass knowledge of – or experience and familiarity with – IT/operations, administrative organisation, national and international banking, securities and derivatives, social policy, national and international business, the workings of institutional investors and financial institutions and the (European) securities industry.

Adequate Supervisory Board profile and composition is an ongoing point of interest for the Board. In order to ensure that the required expertise and skills are adequately covered, we now use a suitability matrix prepared for each area of expertise. This matrix provides an analysis of experience, competence and knowledge for each Board member, and is treated as a living document that we periodically review. If there is a Board vacancy, we take the suitability matrix in account as we draw up an individual job profile.

Composition

The Supervisory Board consists of six members: see page 32 and 33 of the annual report for the members' personal notes. All members of the Supervisory Board are independent according to the Dutch corporate governance code. Former members of the Managing Board may not serve on the Supervisory Board.

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

The members of the Supervisory Board retire by rotation. In 2015 no Supervisory Board members were due to retire by rotation.

According to the rotation schedule, Jean Frijns will retire in 2016 and Robert Van der Meer will retire in 2017. Neither will be available for reappointment. In connection with the vacancies that will arise, the Supervisory Board has measured job profiles and applied the suitability matrix of Board members against tasks and responsibilities. We have concluded that we can reduce our membership from six to five Board members. Therefore, only one of the vacancies will be filled. We are looking for a candidate with knowledge and expertise in IT as well as in the operational side of the business. Once a suitable candidate is found, he or she will be nominated for the appointment in 2016 or 2017.

The full rotation schedule can be found on our company's website.

The size and composition of the Supervisory Board, as well as the combined education, experience, competence and diversity in terms of gender, expertise, nationality, age and background, is designed to best fit KAS BANK’s profile and strategy. Our goal is to find the best fit – in combination with qualifying candidate availability – that results in a Supervisory Board in which at least two members are female. The Supervisory Board is happy that this objective has been realised.

Working method

During our meetings and in all our other contacts, the Supervisory Board focuses fully on its supervisory and advisory tasks. The allocation of duties and the working method of the Supervisory Board are set down in regulations which can be found on the company's website. The Supervisory Board has formed three committees: the Risk Management Supervision Committee, the Audit Committee and the Appointments and Remuneration Committee. The task of these committees is to prepare for decision-making by the Supervisory Board.

Committees formed by the Supervisory Board

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

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. This includes credit risks, liquidity risks, market and balance-sheet risks, operational risks and business continuity management (BCM). The Risk Management Supervision Committee consists of Supervisory Board members Robert van der Meer (chairman), Pauline Bieringa, Peter Borgdorff and Petri Hofsté.

The Risk Management Supervision Committee met five times in 2015. The committee devoted a great deal of attention to management's own assessment of the major risks, and the translation of the low risk appetite into concrete risk limits and/or measures to mitigate operational, IT and outsourcing risks. The Risk Management Supervision Committee also strengthened its supervisory activities by using better aligned risk reports based on the revised integrated risk management framework. Examples of topics discussed include the risk appetite, amended legislation and regulations, information security, internal liquidity adequacy assessment process (ILAAP), internal capital adequacy assessment process (ICAAP) and stress testing. Operational, compliance and IT risks were also high on the agenda of the Supervisory Board.

Audit Committee

The Audit Committee exercises supervision over the Managing Board in relation to aspects of internal risk management and control systems within the company from a financial, compliance, administrative and technical perspective. Its supervising priorities are the quality and integrity of – and decisions made in relation to – the financial information provision, the role and functioning of the Compliance department, the role and functioning of Internal Audit and the relationship with the external auditor (especially its independence). The Audit Committee consists of Supervisory Board members Petri Hofsté (chairperson), Jean Frijns, Ron Icke and Robert Van der Meer.

The Audit Committee met five times in 2015. All meetings were attended by all committee members and the external auditor. Important, annually recurring agenda items included annual and interim financial reporting, including the development of the (operational) result, capital and liquidity and the attached audit reports. The committee also discussed key audit matters such as the valuation of financial instruments, hedge accounting and the retirement benefit plan. The Committee evaluated the management's judgement, estimates and valuations made in connection with these matters. The committee also devoted a great deal of attention to the development of the Compliance function and policies. Boosted by the ongoing increase in laws and regulations, the quality and quantity of the compliance function had to be increased. The Committee also discussed the introduction of integrated reporting with respect to KAS BANK's annual report.

Other main topics included developments in new legislations and regulations, the advisory report on the quality of internal control and compliance by Internal Audit (management letter) and the operational loss analysis. The Committee members also discussed developments regarding the changed pension scheme and the effects on the balance sheet and ratios. The Committee approved the updated Internal Audit's mandate and Internal Audit's audit plan for 2016.

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. It also conducts preliminary work in connection with appointments and reappointments to the Managing Board and Supervisory Board. The Appointments and Remuneration Committee 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 Ron Icke (chairman), Pauline Bieringa and Peter Borgdorff.

The Appointments and Remuneration Committee met four times in 2015. Preliminary work was undertaken to fulfil the two Managing Board vacancies in 2015, paying considerable attention to diversity, the job profile and candidate suitability. The committee was in contact with an executive recruitment firm and prepared a longlist of candidates for the CFRO position.

The Chairman of the Committee discussed the terms of the resignation with the former Chairman. It also prepared assignment agreements for Managing Board members, assessed individual Managing Board member performance, and adopted variable remuneration for Managing Board members. It discussed upcoming vacancies in the Supervisory Board for 2016 and 2017 and prepared the required job profiles. The committee also tested the remuneration policy for the bank and for Identified Staff – as well as the way the policy is implemented – against the Regulations on Sound Remuneration Policy (*Regeling beheerst beloningsbeleid Wft 2014*). Different HR developments, including the topic of conduct and culture, variable remuneration and the implementation of the Management Committee were discussed. The Head of HR has a standing invitation for the meetings of this Committee.

Permanent education

In 2015, the Supervisory Board and the Managing Board followed a programme of permanent education, focusing on conduct and culture, the relationship between the two Boards, mergers and acquisitions, strategic review, IT and process improvement. These subjects were discussed in depth through a combination of internal and external specialists. The Supervisory Board used an internal session to discuss its own performance, competencies and conduct, raising areas for improvement such as the execution of the employer's role and the composition of Board committees. Senior management regularly gives presentations during, and in connection with, the various meetings of the Supervisory Board and its sub-committees.

Self-evaluation by the Supervisory Board

The Supervisory Board evaluates its own performance annually. At the end of 2014 and at the beginning of 2015, this self-evaluation was conducted with the help of an outside consultant. The conclusions were evaluated and discussed again at the end of the year. The main conclusions of the self-evaluation 2015 were:

Information provision to the Supervisory Board must carefully distinguish between main and side issues. Background information, newsletters, and so on shall be provided in a dynamic way to interested Board members.

Aside from an advisory and supervisory duty, the Supervisory Board's responsibilities as the employer of the Management Board shall be further developed. In this respect, the Board is in charge of determining the size, composition and structure of the Management Board, appointing and dismissing members, determining the terms and conditions of their employment and reviewing the performance and assessment of the Managing Board as a whole as well as individually.

Amsterdam, 29 February 2016

The Supervisory Board

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

Personal notes members of the Supervisory Board

Situation as of 29 February 2016

Supervisory Board

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

The members of the Supervisory Board are Dutch nationals.

P.J.C. Borgdorff, Chairman

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

J.M.G. Frijns, Vice-Chairman

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

Ms. P.J.E. Bieringa

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

Ms. P.H.M. Hofsté

Current principal position	None
Previous principal position	Chief Financial and Risk Officer of APG Groep N.V.; Division Director Banking Supervision of the Dutch Central Bank; Deputy Chief Financial Officer of ABN AMRO Group N.V.; Partner at KPMG Netherlands
Other positions	Member of the Supervisory Board of BNG Bank N.V.; Member of the Supervisory Board of Achmea B.V.; Chair of the Supervisory Board of Achmea Bank; Member of the Supervisory Board of Achmea Investment Management; Member of the Supervisory Board of Fugro N.V.; Member of the Board and Chair of the Audit Committee of the Nyenrode Foundation
First appointed	2014
Current term of office expires	2018

R. Icke

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

R.A.H. van der Meer

Current principal position	General Manager of P&C B.V.; Deputy Member of the Enterprise Section of the Amsterdam Court of Appeal
Previous principal position	Emeritus Professor of Finance at Groningen University; Member of the Managing Board of Fortis Amev; Member of the Managing Board of Aegon
Other positions	Deputy Chairman of the Supervisory Board of Klépierre Nederland B.V.; Deputy Chairman of the Supervisory Board of European Asset Trust N.V.; Chairman of the Supervisory Board of Conyhold B.V.
First appointed	2005
Current term of office expires	2017

General

This chapter sets out the remuneration policy for the Managing Board, the senior management and the other employees.

Remuneration policy

The primary objective of the remuneration policy is to enable KAS BANK to retain and recruit qualified and expert staff and highly qualified employees. This remuneration policy forms an integral part of KAS BANK strategy and low risk profile and maintains a sustainable balance between short-term and long-term value creation, taking into account the interest of all the stakeholders. The remuneration policy is aimed at helping to create good results for the benefit of the company – in line with its objectives in terms of returns and risk, customer satisfaction, Operational Excellence and Innovation, it also helps to develop and maintain the competencies necessary to achieve good results. Finally, the remuneration policy aims to demonstrate commitment to increasing the results of the company.

Managing Board

The Supervisory Board assesses the total remuneration of the Managing Board every two years, compared to developments in the market. The remuneration package for Senior Management consists of the following components:

- Annual base salary;
- Annual variable remuneration (with deferred pay-out, if applicable);
- Contribution to the pension scheme;
- Other entitlements.

Performance is measured during a one-year performance period by means of individual and company financial and non-financial performance indicators.

In accordance with the Dutch Banking Code, the remuneration of the Managing Board is below the median of the peer group and provides for a balanced mix between fixed and variable remuneration.

Senior Management

A variety of factors are taken into account when determining the remuneration of KAS BANK's senior management. These factors include the complexity of functions, the scope of responsibilities, and the alignment of risks and rewards. KAS BANK takes all of these factors into account, as well as the standards applied within similar financial institutions. The remuneration package for Senior Management consists of the following components:

- Annual base salary;
- Annual variable remuneration (with deferred pay-out, if applicable);
- Contribution to the pension scheme;
- Other entitlements.

Performance is measured during a one-year performance period by means of individual and company financial and non-financial performance indicators.

Other employees

KAS BANK's collective labour agreement governs the remuneration packages for all other employees who are not Managing Board members or Senior Managers. Also other employees could have an individual labour agreement. In that case a variety of factors are taken into account when determining their remuneration. A typical remuneration package for other employees consists of the following components:

- Annual base salary;
- Annual variable remuneration (with deferred pay-out, if applicable);

- Contribution to the pension scheme;
- Other entitlements.

Performance is measured during a one-year performance period by means of individual and company financial and non-financial performance indicators.

Details on Identified Staff

KAS BANK continues to adhere to all relevant remuneration restrictions. The rules apply not only to the Managing Board, but also to those staff whose professional activities could have a material impact on the bank's risk profile. Within KAS BANK the group of Identified Staff consists of:

- Members of the Managing Board;
- Senior Management;
- Other employees – staff responsible for independent control functions;
- Other employees – operational management within the business lines, who directly report to Senior Management.

Legal and regulatory developments in 2015

KAS BANK has implemented the specific requirements under the Dutch regulation on Sound Remuneration Policies pursuant to the Financial Supervision Act 2014 (*Regeling beheerst beloningsbeleid Wft 2014*) in its remuneration policies. As of 7 February 2015, KAS BANK has to comply with a new Dutch law: the Dutch law on Remuneration policies of Financial Undertakings (*Wet beloningsbeleid financiële ondernemingen*). This new law introduces, among other things, caps on variable remuneration applicable to all employees. KAS BANK already complies with this cap and has taken all necessary measures to implement these requirements in the remuneration policy. Furthermore, new legislation has become effective as of 1 January 2015, pursuant to which pension premiums on salaries in excess of EUR 100,000 are no longer exempt or deductible from (wage) tax.

Remuneration policy for the Managing Board

The current remuneration policy for the Managing Board was adopted by the General Meeting of Shareholders on 23 April 2014. According to the Managing Board remuneration policy, remuneration of the Managing Board consists of base salary, variable remuneration (capped at 20% of base salary), pension arrangements and some other arrangements (a leasing scheme and a mortgage scheme).

The Supervisory Board assesses the total remuneration of the Managing Board every two years compared to developments in the market. In principle, the remuneration package is assessed by a remuneration expert once every four years. The benchmark is broadly based and consists of the two reference groups listed below. The reference groups are based on similar positions within and outside of the financial sector. They are:

- A financial/specific reference group consisting largely of companies in the financial sector, including the international context and reference group of (parts of) European financial institutions, which are comparable to KAS BANK in terms of services provided and/or size;
- A cross-industry reference group, consisting of companies included in the AScX Index at the time of the determination of the remuneration policy.

The reference groups have been classified into two parts in order to assess conformity with comparable positions within and outside of the financial sector in accordance with the Banking Code.

The Supervisory Board annually determines the variable remuneration for the Managing Board based on advice given by the Supervisory Board Remuneration Committee.

In accordance with the Dutch Banking Code, the remuneration of the Managing Board is slightly below the median of the peer group and provides for a balanced mix between fixed and variable remuneration.

Variable remuneration – increased focus on non-financial performance
In 2014, KAS BANK simplified the system of variable remuneration by merging the short- and long-term variable remuneration and only formulating three performance criteria. The performance criteria are linked to three targets. The weighting of the three elements is the same:

- Achieving the budget: this target is determined annually on the basis of two quantitative criteria: return on equity and an efficiency ratio. Both of these criteria are given equal weight.
- Strategic progress: this target is determined annually on the basis of a number of quantitative and qualitative criteria. These are related to the sustainable development of the market position and progress in the area of risk management, administrative organization, customer satisfaction, etc.
- Operational progress: this target is also determined annually on the basis of a number of quantitative and qualitative criteria. These are related to the operational development and progress in the area of employee satisfaction, ISAE 3402, reports of regulators, etc.

Depending on the degree of achievement of the performance criteria, the Supervisory Board sets the variable remuneration:

- Achieving less than 67.7% of the performance criteria: no variable remuneration
- Achieving the performance criteria in full (100%): variable remuneration is 16% of the base salary
- Surpassing the performance criteria (133.3%): variable remuneration is a maximum of 20% of the base salary.

Payment will be made on a sliding scale.

The total variable remuneration will be fully paid in shares. The Managing Board may sell shares granted in order to comply with tax obligations with respect to these shares. The first vesting will be 60% of the granted shares. Thereafter, a three-year pro rata deferral period applies.

Pension scheme
The pension scheme for the Managing Board is based on a defined contribution system. The scheme is in line with the market based on the scale of defined contribution tax offset. The contribution is determined on the basis of net contributions, taking into account cost and contribution mark-up. Costs and contribution mark-ups are paid by the company. The scale of the defined contribution tax offset remains applicable to the Managing Board.

The members of the Executive Board receive compensation as a result of new legislation, pursuant to which pension premiums on salaries in excess of EUR 100,000 are no longer exempt or deductible from (wage) tax.

Tenure
Members of the Managing Board have a commission contract. The commission contract for members of the Managing Board provides for an appointment for a period of four years and allows reappointment by the General Meeting of Shareholders. In the case of an involuntary exit, members of the Managing Board are eligible to a severance payment limited to one year of base salary.

A change-of-control clause was agreed with the Managing Board, 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.

Malus and clawback

The Supervisory Board has discretionary power to lower (malus) any variable compensation to a suitable amount if, in its opinion, payment of the compensation would be unacceptable under the principle of reasonableness and fairness. The Supervisory Board has the authority to impose clawback to variable remuneration allocated to a member of the Managing Board if it has occurred without legal basis. This can include variable remuneration based on inaccurate data, achieving underlying objectives or other circumstances on which the variable remuneration depends.

2015 Remuneration Managing Board

The Managing Board remuneration is in accordance with the remuneration policy. Note 46 of the Financial Statements 2015 shows the figures related to the remuneration of the Managing Board.

Base salary

Changes to the Managing Board in 2015 caused the Supervisory Board to make adjustments to the base annual salary of the chairman and members of the Managing Board. More specifically, and given the collegial board structure of the company, the Supervisory Board decided to reduce the difference in salary between the chairman of the Managing Board and individual members. The Supervisory Board reduced the chairman’s base salary by approximately 10%, and increased the base salary for an individual member by approximately 14%. The base annual salary for the new chairman Sikko van Katwijk is now EUR 350,000, and EUR 325,000 for Managing Board members. Before his appointment as chairman of the Managing Board, Sikko van Katwijk’s (and Jaap Witteveen’s) base annual salary amounted to EUR 285,000. The former chairman’s base annual salary amounted to EUR 390,000.

To achieve a representative view in relation to current market levels, the adjusted base salary for Managing Board members was related to and measured against a selection of two market reference groups. These groups were carefully selected and analysed by an external specialist on board remuneration according to three criteria: revenue, number of employees and market cap. This resulted in a representative reference group of fifteen companies. The new base salary remains within the remuneration policy as approved by the General Meeting of Shareholders and the total remuneration is below the median level for the reference group.

Variable remuneration

Remuneration has three objectives relating to the annual budget, and the achievement of strategic and operational targets. For 'at target' performance, the variable remuneration for Managing Board members is 16% of the base salary under the approved remuneration policy. The maximum short-term variable remuneration is 20% of the base salary, which applies if 133% of the 'at target' performance is achieved. The variable remuneration is zero if less than 67.7% of the set targets have been achieved. As for the quantitative criteria (annual budget), the Managing Board achieved 95.1% of the targets. The qualitative criteria for 2015 focused principally on strategic and operational targets, and on these objectives the Managing Board achieved 75% of the targets. Quantitative targets counted for one third and qualitative targets for two thirds. As a result of this, more than 50% of the variable remuneration is based on non-financial performance criteria.
The variable remuneration for 2015 was determined by the Supervisory Board on the basis of performance against these three criteria, at 15.5% of the base salary of the members of the Managing Board. This equates to a grant of 4,010 shares to Sikko van Katwijk, 3,954 shares to Jaap Witteveen, 5,287 shares to Albert Röell. As a result of his departure during the term of his contract agreement with KAS BANK, Kris Wulteputte was awarded no shares.

Of these granted shares, 60% is directly vested. A three-year pro rata deferral period applies to the remaining 40%. The vested shares must be retained for a further two years.

For long-term variable remuneration during the 2013-2015 period, a number of 'at target' shares were conditionally granted to the Managing Board at the beginning of the period. The numbers were based on the percentage of 25% of the base salary in line with the remuneration policy for the Managing Board. The vesting depends on the performance against three equally weighted benchmarks: Total Shareholder Return (TSR), relative performance to the AScX, and TSR performance relative to the Stoxx Europe 600 Banks Index.
The long-term variable remuneration for the period 2013-2015 was determined by the Supervisory Board on the basis of performance against these three criteria, at 133% of the number of shares conditionally granted at the beginning of 2013 assuming 'at target' performance. This equates to a grant of 10,720 shares to Sikko van Katwijk, 14,670 shares to Albert Röell and 2,680 shares to Rolf Kooijman (former member of the Managing Committee). As a result of his departure during the term of his contract agreement with KAS BANK, Kris Wulteputte was awarded no shares. Of these granted shares, 60% is directly vested. A three-year pro rata deferral period applies to the remaining 40%. The vested shares must be retained for a further two years.

In 2015 there was no clawback applied to vested variable remuneration from any of the Managing Board members. The Supervisory Board decided that there was no reason to apply a collective or individual malus with respect to the variable remuneration 2015 or to the vesting of previous tranches of deferred variable compensation.

Remuneration policy for Identified Staff (excluding Managing Board)

The salary for Identified Staff is based on the collective labour agreement or is agreed in advance on an individual basis, compared to similar positions in other organizations and within KAS BANK. Surveys are periodically conducted by remuneration experts in which KAS BANK functions are compared with similar positions in other banks. All salary proposals for senior managers are prepared by Human Resources (both during recruitment and the annual pay round) and are approved by the Managing Board.

Variable remuneration for Identified Staff is aligned with the targets of the Managing Board and based on achieving individual and company targets. More than 50% of the variable remuneration is based on non-financial performance criteria and cannot exceed 20% of the annual base salary. The remuneration is paid half in shares and half in cash, in cases in which the individual variable remuneration for identified staff exceeds an amount of a monthly base salary or EUR 10,000. If the variable remuneration does not exceed both criteria the amount will be fully paid in cash at once. The first vesting will be 60% of the granted shares and the granted cash. Thereafter, a three-year pro rata deferral period applies. After the vesting period, a retention period of one year applies. The identified staff may sell shares vested in order to comply with tax obligations with respect to these shares. Variable remuneration may be reclaimed if it has been paid on the basis of incorrect information regarding the achievements or the circumstances on which the remuneration depends.

In light of applicable legislation, remuneration related to control functions (Risk Management, Compliance, Finance) are structured such that they provide a reduced emphasis on variable remuneration. It is mostly fixed and based on the achievement of the objectives linked to their functions, independent of the results of the business units they oversee. The remuneration of the control functions is such that they are not exposed to stimuli that may lead to conflicts of interest with their independent advisory role.

Clawback and malus

The Managing Board has discretionary power to lower any variable compensation to a suitable amount if, in its opinion, payment of the compensation would be unacceptable under the principle of reasonableness and fairness. This can include variable remuneration based on inaccurate data, achieving underlying objectives or other circumstances on which the variable remuneration depends.

The malus assessment is conducted by Human Resources, Risk Management and Compliance and any outcome is subject to approval of the Managing Board. During this malus assessment, it is determined whether any new information is available which should lower the variable remuneration:

- Evidence of misconduct or serious error by the staff member (e.g. breach of code of conduct or other internal rules, especially concerning risks);
- KAS BANK subsequently suffers a significant downturn in its financial performance (specific indicators are to be used);
- KAS BANK and/or the business unit in which the staff member works suffers a significant failure of risk management.

2015 remuneration for Identified Staff (excluding Managing Board) and other employees

In 2015, there were 41 KAS BANK employees classified as Identified Staff. These employees received in total a base salary of EUR 4.3 million and a variable remuneration of EUR 0.3 million in 2015, of which 29% was paid in shares. The total variable remuneration for all employees (excluding the Managing Board) related to the year 2015 amounts to EUR 2.3 million. In 2015, no employees received a remuneration of EUR 1 million or more.

The Managing Board decided that on the basis of the reassessment as performed by Human Resources, Risk Management and Compliance there was no reason to apply a collective or individual malus with respect to the variable remuneration 2015 or to the vesting of previous tranches of deferred variable compensation.

General

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

Below, you will find a summary of recent developments in the field of corporate governance affecting our 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 management, and supervision of management and the powers vested in the capital providers. This chapter is based on the Articles of Association formulated as of 19 May 2011.

Recent developments

Dutch corporate governance code

The Dutch corporate governance code was updated by the Corporate Governance Code Monitoring Committee in December 2008. The updated code came into operation on 1 January 2009. As of 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.

We have published a report on our website about the way in which we apply the corporate governance code, indicating compliance (or explaining why we don't comply) for each best-practice provision. KAS BANK will be applying all of the best-practice provisions except one. This concerns best-practice III.5.10/14 (KAS BANK has a combined Appointments and Remuneration Committee). The Supervisory Board has appointed an Appointments and Remuneration Committee, which is a combination of the remuneration committee and the selection and appointment committee referred to in the code. For a small cap company such as KAS BANK, little value is added by appointing two separate committees. The duties referred to in this best-practice provision are performed by the Appointments and Remuneration Committee, consisting of three members. The duties and responsibilities of the Appointments and Remuneration Committee are discussed in the 'Report of the Supervisory Board'. The report *(Toepassing door KAS BANK van de Nederlandse corporate governance code*/KAS BANK's application of the Dutch corporate governance code) can be found at www.kasbank.com/investorrelations/corporategovernance.

Following the publication of the monitoring report in January 2015, supporting parties (VNO-NCW, VEUO, Eumedion, VEB, FNV, CNV and Euronext) submitted proposals to update the Monitoring Committee Corporate Governance Code. The commission published a consultation document in early 2016 with concrete proposals for revision.

Banking Code

The Banking Code came into operation on 1 January 2010 and applies to all banks in the Netherlands. A revised version applies as of 2015. The Banking Code concentrates on strengthening corporate governance within the banks, improving risk management, auditing, and limiting remuneration policy. As such, it is a form of self-regulation and can be seen as an assumption of responsibility by the Dutch banks following the financial crisis. The Banking Code can be found on the Netherlands Bankers' Association website (www.nvb.nl).

We have published a report on our website about the way in which we apply the Banking Code, indicating our compliance for all principles. The report *(Toepassing door KAS BANK van de Code Banken*/KAS BANK's application of the Banking Code) can be found at www.kasbank.com/investorrelations/corporategovernance.

The following paragraphs describe the way in which we apply – and the extent to which we comply – with the Corporate Governance Code and the Banking Code.

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

Risk management

The Supervisory Board discussed the bank's approach and goals for risk management, as well as the steps required to maintain an effective risk management organisation. These steps were generally tightened up. We also launched a specific project – KAS BANK 2 the Next Level – to improve internal control structures, strengthen the three lines of our defence model and enhance our risk culture.

The bank's risk tolerance was discussed with the Supervisory Board and received the Board's endorsement. Our remuneration policy was again adopted and tested against the Regulations on Sound Remuneration Policy *(Regeling beheerst beloningsbeleid Wft 2014*).

KAS BANK has a product approval process in place, and our internal audit function regularly audits Banking Code compliance.

Remuneration policy

Prompted by the introduction of the Regulations on Sound Remuneration Policy and other considerations, a new remuneration policy for the bank has been maintained according to specific underlying principles. The policy should be carefully constructed, restrained and durable. It should be in line with the bank's strategy and risk tolerance. It should reflect our long-term interests and the relevant international context. And it should have public support.

The execution of the remuneration policy for the bank was discussed with the Supervisory Board and satisfies the requirements of the Banking Code.

The Managing Board's remuneration has been changed and considerably lowered in line with legislation (variable remuneration at a maximum of 20% of base salary). The variable remuneration will be carried out in accordance with the Regulations on Sound Remuneration Policy.

During 2015, a larger number of employees were designated as 'Identified Staff' due to new regulations. The Managing Board is also considered identified staff. Specific requirements concerning variable remuneration apply to these employees.

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

Permanent education

In 2015, an intensive permanent education programme was organised for the Supervisory Board and the Managing Board. This programme focuses on conduct and culture between the two Boards, as well as mergers and acquisitions, strategic review, IT and process improvement. These subjects were discussed in depth with both internal and external specialists.

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

We have scheduled a permanent education programme for 2016, the subject of which is still to be determined.

New members appointed to the Supervisory Board go through an introduction programme, with presentations by senior management. Members of the Supervisory Board also visit various departments within the bank.

Self-evaluation by the Supervisory Board

The Supervisory Board annually evaluates its own performance and that of the committees. At the end of 2014 and the beginning of 2015, we conducted this self-evaluation with the help of an outside consultant. At the end of the year, we again discussed and evaluated our findings. The main conclusions of the self-evaluation can be found in the Report of the Supervisory Board.

The Supervisory Board also used an internal session to discuss its own performance, competencies and conduct. This session raised items for improvement, including the execution of the employer's role and the composition of the Board committees.

The self-evaluation also focused on the Supervisory Board membership profile, upcoming vacancies in the board in 2016 and 2017, and the relationship between the Supervisory Board and Managing Board.

Self-evaluation by the Managing Board

In 2015, 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 great deal of attention to conduct and culture at KAS BANK. Actions to improve conduct and culture were taken regarding issues such as decision-making, internal communication and internal culture. For example, the interests of all involved stakeholders are now explicitly identified and weighed during important decision-making processes.

Banker's oath, Moral and Ethical Declaration

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

Client focus

In 2014, KAS BANK decided to bring more focus to client groups, and we enhanced this approach during 2015. We also further developed our client feedback process (Client Service Review). Again, almost the entire client base was involved in this exercise. The purpose of the reviews is to eliminate risks and irregularities, enhance the standard of service and improve client satisfaction. The average rating from our focus clients remained stable, as did the percentage of clients willing to recommend us.

Corporate social responsibility

Sustainable business and corporate social responsibility are important priorities for KAS BANK. Our sustainable policy relies on five pillars: good governance, putting the client's interest first, good employment practices, social commitment and environmental awareness. Our corporate social responsibility policy is posted on our website.

KAS BANK promotes good governance for clients through independent reports on risks, benchmarking, costs and other key information about their investments. We also offer asset servicing products and services to pension funds to help their boards fulfil their administrative and social responsibilities.

KAS BANK endorses the UN Principles for Responsible Investment. We support our clients in implementing their policy for socially responsible investments via a Sustainable Risk Screening service.

KAS BANK periodically investigates measures to reduce total CO2 emissions.

Outline of our 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. Procedures 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.

Managing Board members are appointed and may be dismissed by the Supervisory Board. The Supervisory Board is required to notify the General Meeting of Shareholders of a proposal to appoint a Managing Board member. 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 proposals to dismiss a Managing Board member. Certain management decisions are subject to the prior approval of the Supervisory Board or the General Meeting of Shareholders.

All newly-appointed Managing Board members must swear the banker's oath immediately after their appointment. The Managing Board has been authorised by the General Meeting of Shareholders to issue shares up to a maximum of 10% of the company's issued share capital. This includes 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 connected to a merger or acquisition, subject to the approval of the Supervisory Board. The Managing Board has also been authorised by the General Meeting of Shareholders to repurchase the company's own shares, subject to the approval of the Supervisory Board. The General Meeting of Shareholders is invited each year to renew these authorisations with respect to the number of shares specified therein, each for a period of 18 months.

KAS BANK strive to avoid any kind of conflict of interest between the company and Managing Board members. Prior approval from the Supervisory Board is required for transactions involving conflicts of interest with Managing Board members who are of material significance for the company and/or the relevant Managing Board members. If any conflict of interest arises between the company and Managing Board members, we apply best-practice provisions from the Code (II.3.2–II.3.4). No conflicts of interest arose between the company and Managing Board members during the year under review.

Supervisory Board

KAS BANK's Supervisory Board 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 absence of the Managing Board (or if the Managing Board members are unable to act), the Supervisory Board is charged with the temporary management of the company. In the performance of their duties, Supervisory Board members are guided by the interests of the company and the enterprises associated therewith, weighing the relevant interests of the stakeholders. Procedures are defined in the company's Articles of Association and the Supervisory Board's by-laws. The Supervisory Board has also formulated a membership profile, which defines the Board's ideal size and composition. The Supervisory Board is composed such that the members are able to operate independently of – and adopt a critical stance with respect to – one another, the Managing Board and any partial interests. An intensive permanent education programme is organised for the Supervisory Board with the goal of maintaining member expertise at the required standard, and improving their expertise and knowledge where necessary. An intensive introduction programme is organised for new members, who swear the banker's oath immediately after their appointment. Supervisory Board by-laws and profiles are presented on page 32 and 33 of this annual report.

Members of the Supervisory Board are appointed by the General Meeting of Shareholders upon 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 Supervisory Board members whose portfolio includes social policy.

KAS BANK strive to avoid any kind of conflict of interest between the company and Supervisory Board members. Prior approval from the Supervisory Board is required for transactions involving conflicts of interest with Supervisory Board members who are of material significance for the company and/or the relevant members of the Supervisory Board. If any conflict of interest arises between the company and Supervisory Board members, we apply best-practice provisions from the Code (III.6.1-III.6.4). No conflicts of interest arose between the company and Supervisory Board members 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 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 shareholder participation in decision-making at the General Meeting. We actively invite as many shareholders and depositary receipt holders as possible to attend, and we minimise voting rights restrictions. 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. This approach is in keeping with a general elimination of the principle that shareholders may have meeting voting rights, while depositary receipt holders may only address the meeting. 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;
- Authorising the Managing Board to issue and repurchase shares;
- Resolving to amend the company's Articles of Association, undertake a legal merger or demerger, or wind up the company (on the joint proposal of the Managing Board and Supervisory Board). The company's Articles of Association impose no restriction on the transfer of ordinary shares or depositary receipts for shares issued with the cooperation of the company or the exchange of depositary receipts for ordinary shares in the company.

Remuneration policy

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

Capital structure

Our company's share capital consists of ordinary shares and cumulative preference shares. All shares are registered and no share certificates are issued. At year-end 2015, there were 15,699,017 KAS BANK ordinary shares in issue (unchanged from year-end 2014). In addition, 25 cumulative preference shares were issued to Stichting Preferente Aandelen KAS BANK. Most of the ordinary shares in the company's issued capital (approximately 99.3% at year-end 2015 are managed and administered by the 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 are attached to the shares or depositary receipts. No voting rights are attached to KAS BANK shares or depositary receipts held by the company itself.

The ordinary shares have been listed on the Official Market of the stock exchange of Euronext Amsterdam in the form of depository receipts for shares since 1986.

Financial reporting

The company's financial statements are audited by the external auditor appointed by the General Meeting of Shareholders. The financial statements are drawn up by the Managing Board and are presented, after the above-mentioned audit and a positive proposal from the Supervisory Board, to the General Meeting of Shareholders for adoption and to the Employees' Council for discussion. The Managing Board submits a written report on the course of affairs of the company and its management together with a presentation of the financial statements to the General Meeting of Shareholders. The meeting of the Supervisory Board in which the financial statements are discussed is attended by the external auditor.

At the Annual General Meeting of Shareholders, the Managing Board renders account to the capital providers for its management in the past financial year and the Supervisory Board renders account for its supervision.

The resolution at the General Meeting to approve the financial statements is followed by a resolution that, with respect to the financial statements and related matters dealt with by the General Meeting, the Managing Board should be discharged of liability for its management and the Supervisory Board should be discharged of liability for its supervision in the past financial year.

Amendment of the Articles of Association

Resolutions amending the company's Articles of Association must be jointly proposed by the Supervisory Board and the Managing Board. They must then be passed by a General Meeting of Shareholders during 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 must be convened not less than three and not more than five weeks after the first meeting. At this meeting, a resolution can be passed regardless of the represented share capital. The notice of the meeting will state 'Amendment of the Articles' as the business of the meeting and a copy of the proposed amendment will be laid open for inspection at the company's office and copies made available free of charge.

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

Stichting Administratiekantoor Aandelen KAS BANK (KAS BANK Registrar's Office) administers and manages almost all ordinary shares in KAS BANK's issued capital. With the cooperation of the company, it issues in exchange depositary receipts with limited exchangeability. The Registrar's Office itself exercises voting rights only with respect to 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. It preserves the balance of the meeting by preventing a chance majority of those entitled to exercise voting rights influencing the decision-making process during the Meeting of Shareholders.

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

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

The purpose of Stichting Preferente Aandelen KAS BANK ('Registrar's Office') is to protect the interests of the company, the enterprise associated therewith, and all stakeholders. This includes 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 Registrar's Office Executive Committee consists of three independent members: Mr. H. van Everdingen (chairman), Ms. B. Baarsma and Mr. D. Sickinghe. The Executive Committee members are appointed by the Executive Committee itself, in consultation with the Managing Board and Supervisory Board.

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

General

At KAS BANK, the purpose of risk management is to ensure that the actual risk profile of our institution remains within the boundaries set by its low risk tolerance as defined by the Managing Board. The Managing Board re-confirmed our low-risk appetite in 2015, as affirmed by the Supervisory Board.

KAS BANK's risk appetite

Risk Appetite refers to the amount and type of risk KAS BANK is able and willing to accept in pursuit of its business objectives. KAS BANK's risk appetite is directly linked to KAS BANK's strategy and is defined in the form of a combination of qualitative and quantitative risk tolerances (thresholds). These represent the downward variation in profit or value (per risk type) KAS BANK is willing to take to meet its commercial targets under normal as well as stressed market and macroeconomic conditions. A clear risk appetite ensures that limits and thresholds can be defined, implemented, and governed. Establishing clear and consistent risk limits, thresholds and definitions throughout the organization is an important step in implementing an effective risk management framework. Furthermore, it fosters a broader risk-return culture as it forces senior management to continuously evaluate its day to day activities and also promotes a healthy risk management culture, by pro-active monitoring and managing risks. Given the nature of KAS BANK's services, its stakeholders have the following expectations in regards to its activities and processes:

- Safekeeping of assets / Asset safety;
- Maintaining access to cash;
- Operational excellence;
- Business continuity;
- Insurance to transfer/mitigate risks.

Top and emerging risks in 2015

The banking industry and its environment are moving at an unprecedented pace. Changes are occurring in economic, geopolitical, environmental, societal and technological systems. The interconnectedness of these changes implies enhanced and systemic risks that will redefine the future landscape of finance and associated risk management issues.

In 2015, persistent low interest rates posed a challenge to financial institutions. The policy of the ECB to keep its key rate at 0.05%, and a negative level deposit facility continued the downward pressure on the profitability of European financial institutions. Quantitative easing also demonstrated the need to keep interest rates low to stimulate economic growth. KAS BANK's interest rate risk is partially mitigated due to contract structure and our wholesale client base.

The potential impact of changing and accumulating rules and regulations is a constant focal point for financial institutions. It calls for an active dialogue with regulators and market participants. CRD IV (Basel III), the Bank Resolution and Recovery Directive (BRRD), the Single Supervisory Mechanism (SSM), EMIR and AIFMD are all examples of global or European initiatives for strengthening banks and reforming the industry. The accelerating changes and new regulations set by the ECB and the European Commission may also limit financial institutions in their day-to-day business. KAS BANK continuously monitors all of these regulatory changes and reacts accordingly. Impact can be expected when it comes to financial and non-financial aspects.

For a financial institution, IT network quality is crucial for day-to-day business. Virtually all of a bank's processes depend on the robustness and reliability of the infrastructure. Banks must therefore be aware of the risks related to infrastructure dependence, and should have the appropriate risk mitigating tools in place. KAS BANK has a dedicated IT risk management function that manages IT risks and external changes due to upcoming technology, such as 'Block Chain'. KAS BANK's strategy to create synergy by working with partners to service clients and invest in new services also demands that we manage IT developments timely and efficiently.

In the current environment, the risk of a financial or non-financial counterparty not being able to meet its contractual or other agreed obligations remains a focal point. The introduction of organisations such as CCPs reduces credit risk by taking over the risk of the counterparty. However, this development requires a close monitoring of counterparties and continuous improvement of the credit risk monitoring process. KAS BANK has a strict and dynamic process of accepting clients and setting credit risk limits for counterparties.

Top risks	Description	Mitigants
Macroeconomic and geopolitical risks and developments		
Low interest (ECB policy)	Downward pressure on profitability due to low interest rates and negative deposit facility.	Partly mitigated by our contract structure, which facilitates negative interest to be charged wholesale client base and cost efficiency.
Market Volatility	Volatility in currency rates, stock prices and oil prices all have an effect on investment portfolios and the business model.	Continuously assess the impact of market events and actively manage and monitor exposure.
Geopolitical tensions	Geopolitical and economical tensions such as a possible Grexit and terrorism have all had an effect on financial markets.	Continuously assess the impact of market events and actively manage and monitor exposure.
Macro-prudential, regulatory and legal risks to our business model		
Regulatory developments (CRD IV, BRRD, SSM, EMIR and AIFMD)	New regulations may limit financials in their day-to-day business.	Continuously monitor and react to alterations made to the regulations.
Risks and Developments related to our business operations, governance and internal control systems		
Increasing dependence on IT infrastructure	An increased dependence on IT infrastructure comes with risks.	Work with partners to manage IT developments timely and efficiently. Dedicated IT risk managers.

Main developments	KAS BANK's response / actions
Counterparty development	The introduction of organisations such as Central Counterparties (CCPs) change the risks related to our business.
Increased scrutiny in the investment portfolio and 'search for yield'	Increased attention to quality and diversification of collateral and investments.
Revision of the risks within the risk appetite	Revision of the Integrated Risk Framework.
Strengthening of the Risk Appetite Process and risk awareness	Perform risk self-assessments and strengthen the Risk Appetite Process and operational excellence.
Enhanced recording of operational losses data and Governance Risk Compliance tooling	Enhanced recording of losses data and tools allow better monitoring and reporting.
Risk Committee structure better aligned with the new organisational structure	Committee structure was updated to better align with the new organisational structure and best practices, resulting in specialised committees with mandates on a tactical level.
Risk awareness training was given	Special attention was paid to culture and conduct, including risk awareness courses, to improve the structure and control of the organisation leading to strengthening of governance.

Publically known risk events

New risks emerge continually. During 2015, several publicly known risk events impacted the stability of financial and non-financial companies in the Netherlands. KAS BANK keeps a close watch on these market events and continuously assesses their impact on our portfolios, business model and conduct.

In 2015, the most prominent events were related to foreign exchange markets (EUR/CHF) and the follow-up on restructuring of Southern European and Austrian financial institutions. Other events included developments in Greece and the impact on the EU, and geopolitical tension with associated terrorism. We kept a close watch on these events and our counterparties, and took adequate actions when and where needed. This included limit adjustments, advancements, haircuts and/or collateral eligibility. Geopolitical tension did not give rise to additional actions.

We also continued our increased scrutiny of sovereign and banking exposures in the investment portfolio, not permitting direct sovereign exposure to the GIIPS countries. We strictly enforced our credit policy (collateralised only), paying special attention to the quality and diversification of collateral. We performed scenario analyses and simulations with respect to undesirable events within sovereign, economic and financial intermediary contexts. Additional internal stress tests were continued.

Main risk management developments during 2015

Governance and remuneration

In 2015, we revised our Integrated Risk Management Framework (IRMF). The IRMF lays the foundation for managing KAS BANK's risks within our risk appetite. The principles and requirements set out in the framework apply to all organisational entities, levels and activities, and concern all risk categories.

We strengthened our Risk Appetite Process as part of the IRMF, and translated our low risk appetite into limits and policies for the prudential risk classes. In the areas of operational risk management and governance, we held risk self-assessments resulting in an acknowledgement of the previous year's improvements, as well as recommendations and new improvements.

We evaluated and updated our Risk Committee structure to better align with the new organisational structure and best practices, resulting in specialised committees with mandates on tactical and operational levels.

We strengthened efforts to improve internal controls and risk awareness, including governance documents and a stricter application of the three lines of defence model (risk ownership) to improve the structure and control of our organisation.

We paid special attention to culture and conduct, including risk awareness courses for all employees.

We followed-up on thematic, sector-wide investigations by DNB and/or in the context of the European Single Supervisory Mechanism (SSM), such as those in the areas of credit risk, strategy/business model risk and liquidity risk. This follow-up has resulted in a strengthening of our control framework.

As in previous years, we checked our remuneration policy and individual employee performance contracts for consistency with our low risk appetite. We also checked the new remuneration proposal for the Managing Board, with risk and compliance functions closely involved in the discussions. No unusual incentives were found.

Updated versions of Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) and the Recovery Plan in the context of the Pillar 2 Supervisory Review & Evaluation Process (SREP) were produced for discussion internally and with the regulator.

We took steps toward a GRC-tool and the recording of operational loss data for better monitoring and reporting.

Financial risk

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

KAS BANK's credit risk is in line with our low risk profile. In principle, no credit is granted without sufficient collateral of good quality (credit on securities), and client credit positions are strictly limited. A dynamic system of advance conditions and haircuts is in place, partly based on market developments. Counterparty monitoring is based on market factors (where applicable) and soft factors.

Market risk in the positions of the bank remained within the Value-at-Risk (VaR) limit of EUR 5 million, stress testing limits and scenario analysis limits. This reflects the very limited trading position of the bank. KAS BANK also has a strict market risk policy resulting in a set of controls and checks performed before entering into a position.

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 stress limit breaches and a duration of the equity in the order of one year. Currency risk is very limited (e.g. with very low sensitivity to EUR/USD).

Liquidity buffers were maintained well above internally set levels, and no direct effect on the liquidity buffer could be observed due to charging negative interest rates. The liquidity surplus is considered sufficient – within KAS BANK's low risk appetite – to cover day-to-day events. The Basel III Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) were monitored according to the most recent insights in the Asset & Liability Committee (ALCO). We are continuously refining the tools we use to manage these new ratios.

Non-financial risk (including operational, IT and Business Continuity Risk)

KAS BANK's key principle for operational risk management is being 'In-control'.

We focused on operational excellence attained by activities in areas such as an improved risk self-assessment process and the use of risk coordinators for all processes, resulting in fewer claims and increased efficiency.

We strengthened efforts in accountability and risk ownership in the first line. These will lead to improvements in strengthening governance.

From a compliance perspective, we strengthened our second and third line of defence in their specific areas of responsibility. We updated our integral integrity analysis and implemented a revised compliance monitoring programme.

In 2015, risk self-assessment continued to play a central role in operational risk management at KAS BANK. These risk self-assessments were prepared and challenged by the operational risk management team. We improved process effectiveness in this area by redefining the role and risk awareness of risk coordinators.

In the area of IT risk management, we paid special attention to cyber security. Reacting to continued threats from hackers and other cybercrimes, we performed hacker tests and strengthened response plans to cybercrime. These areas remained high on our internal agenda.

We were closely involved in monitoring the restructuring and reorganisation of KAS BANK, and the operational risk team critically investigated our continuing level of operational service.

We continuously adapted the Business Continuity Management process to recent developments, once again holding successful disaster and recovery tests.

Risk profile management

KAS BANK's low risk tolerance is annually restated by the Managing Board and reconfirmed by the Supervisory Board. We consider this profile to be in the best interest of our stakeholders, and it therefore applies throughout all of our domestic and international legal entities. In fact, it is a key aspect of how we safeguard, transfer and finance the assets of our clients. Our shareholder value is protected and our employees are committed, as regulators and other parties in the Dutch and global financial infrastructure to which KAS BANK belongs aim for stability.

Managing our risk profile includes compliance with all relevant regulatory requirements (e.g. Dutch and international law, 'Wet op het financieel toezicht' (Wft), 'Code Banken', CRR/CRD, etc.) We strive to reference and use all relevant and common best practices (e.g. Basel committee, ISO, COBIT and ITIL).

We monitor and manage low risk tolerance on three complementary levels:

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

The risks associated with our business model and mix are managed through the involvement of Risk Management as we assess new ventures, products, and projects. This is facilitated by the operation of the Project Portfolio Management Committee.

Risk governance structure

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

The operational and commercial departments are the first line of defense (risk owners). 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, and Legal departments, as well as Finance and various committees. The risk management function and the compliance function have special responsibility for risk analysis, policy preparation and the coordination of efforts to control the bank's risks. It also bears the responsibility for monitoring the first line risk owners, with a remit that generally extends across the entire bank. The Managing Board is responsible for formulating risk policy with regard to the objectives. This policy is used as the basis for setting a series of limits and guidelines for managing market, liquidity, credit, operational and compliance risks throughout the bank.

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

We have established a variety of 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. Some of the more important commissions are:

- The Enterprise Risk Management Committee (ERMC), which 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 Board members, the Managing Director Compliance and the Managing Director Risk form the permanent members of the ERMC with standing invitations for the Head of Legal and the Managing Director Internal Audit. The committee is chaired by the CFRO. The members of operational divisions and staff departments complete the ERMC on invitation. The ERMC is a strategic committee, and meets every two months. The main providers of information to the ERMC are the Risk Management and Compliance departments, the Treasury Committee and other tactical committees.
- The Asset & Liability Committee (ALCO), which monitors KAS BANK's solvency and liquidity and advises the ERMC concerning market risk policy, ensures that agreed proposals are implemented and approves proposals for the purchase and sale of securities in the bank's portfolios. The ALCO is chaired by the CFRO and is further comprised of the Chairman of the Board, the MD Treasury, the MD Financial Control & Reporting and the MD Risk. The ALCO meets once a month.
- The Operational Risk Management Committee (ORMC), which is a tactical committee responsible for defining the operational risk and the ISAE 3402 programme. In addition, it is responsible for the architecture policy and the information security policy, and it monitors the quality standards for process documentation, follow-up audit reports, radar lists and relevant trends and regulations.

At a 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 a financial perspective, including operational and compliance risks.

Meetings of the Audit Committee are attended by a delegation made up of members from the Managing Board, the MD Financial Control & Reporting, the internal auditor and usually the external auditor. Meetings of the Risk Management Supervision Committee are attended by a delegation from the Managing Board and the MD Risk Management.

Risk management function

Risk Management is an integral part of our organisation, as demonstrated by its involvement as adviser for new developments and its day-to-day monitoring role. The organisation of the Risk Management department reflects the main categories of risk to which KAS BANK is exposed, as outlined above:

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

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

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

We updated our risk management policies in 2015. This update was based on recent regulatory developments and best practices developed in the aftermath of the financial and banking crisis, leading to publications from the Basel Committee, the European Banking Association and FSB.

Non-financial risk

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

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

KAS BANK’s operational risk function is based on the principles of the operational risk framework.

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

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

Risk self-assessment is an important instrument for identifying, quantifying and evaluating operational risks in the bank’s internal processes. It is also used to manage these risks by implementing adequate internal control measures. The preparation and execution of risk self-assessments involves collaboration between the risk coordinator for the relevant process and the operational risk manager. The risk coordinator plays an important role in the process, and is a key figure in the preparation of the risk self-assessment. They are also responsible for addressing the points raised by the self-assessment leading to measures that minimise risks. In 2015, we reviewed the risk coordinator role and professionalised the overall risk self-assessment process. This resulted in a continuation and expansion of risk self-assessments in 2015.

Scenario analysis
We examined a variety of stress testing scenarios to evaluate the hypothetical effects that operational risk has on capital. Exceptional but still plausible scenarios were selected and examined in liaison with the line management organisation and based on extrapolated losses and publicly known external events. We reassess the stress testing framework at least once every year and make required changes. The conclusion drawn from stress testing is that our capital position is sufficient to absorb expected losses, including operational risks under the various stress scenarios.

ISAE 3402
KAS BANK has published an ISAE (International Standard on Assurance Engagements) 3402 Type 2 report. This report was compiled to indicate the extent to which internal control measures have been effective in achieving process objectives. The report was audited by an external auditor. We took measures to improve internal control structurally, and we found that breaches in the effectiveness of internal control that were identified had no financial impact for our clients. PWC Advisory N.V. has verified the follow-up and reported on follow-up procedures in an update letter that was enclosed within the ISAE3402.

Key risk identification, monitoring and reporting
Our three internal lines of defence, 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. This reporting is made to KAS BANK's Enterprise Risk Management Committee, the Managing Board and/or the Audit Committee. The relevant committee assesses each risk and decides on action to be taken in the form of temporary and/or structural measures.

Internal Audit systematically evaluates the control, risk management and overall management processes, and reports its findings to the Enterprise Risk Management Committee, the Managing Board and the Audit Committee. The Operational risk manager and Internal Audit report to the ERMC on the follow-up of the chosen measures.

Operational risks are continuously monitored through Risk Management's Quality Dashboard. This dashboard is maintained during the year on behalf of the operational line management in the first line of defence and is addressed at the ERMC.

Best practices and awareness
Risk and compliance awareness is recognised as an important element in staff performance. We increased our ongoing attention to enhancing risk and quality awareness in 2015 through training and professional staff development.

Business Continuity Management
KAS BANK has a Business Continuity function for managing continuity risk. It is responsible for operational recovery and resolution plans, and the Business Continuity Manager has a reporting line to the Managing Director Risk Management and the ERMC. Continuity is of great importance in the context of financial services – it is essential for the operation of payment and securities systems that banks be able to continue their core operational activities at all times. Continuity is therefore not merely an internal business objective – our clients, regulators and applicable legislative bodies also require clear continuity management. BCM is therefore an integral part of KAS BANK's business model. The Managing Board, which holds ultimate responsibility for business continuity, has appointed a Risk Steering Committee to manage related issues as described in the KAS BANK Business Continuity Policy. We follow the best practice guidelines recommended by the Business Continuity Institute when implementing and fulfilling BCM.

We have appointed a Business Continuity Manager to ensure that up-to-date recovery plans are in place at all times. This manager also monitors and supports the testing and evaluation of these recovery plans. As we do every year, we maintained all necessary aspects of our BCM implementation (e.g. business impact analyses, the availability of these analyses on a system and application level). KAS BANK uses the BCM lifecycle to manage its business continuity.

Financial Core Infrastructure assessment framework

DNB developed an assessment framework for BCM for Financial Core Infrastructure institutions. The starting point of this framework is that organisations must demonstrably control their BCM. KAS BANK has adopted the framework and had it tested by external auditors. The quality of KAS BANK's BCM and crisis management proved to be at a sufficient maturity level, demonstrated by successful disaster and recovery tests.

We will continue to raise BCM to higher levels where possible to safeguard core activities and financial stability.

IT Risk

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

We continuously monitor and improve our IT processes and systems to minimise our exposure to risk. We also identify IT risks through qualitative and quantitative risk analyses as executed within risk self-assessments or IT audits.

Information Security Risk

General

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

Managing Security

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

DNB Information Security Framework

In 2013, the internal control framework was brought into line with the DNB Information Security Framework. Further implementation and execution of the controls as required by the DNB Framework are part of the responsibility of the line management. Actions are taken to ensure that all controls are executed in compliance with the required maturity level.

We also made progress ensuring IT's business alignment. Designated system and application owners now define their requirements regarding Confidentiality, Integrity and Availability (CIA) for all KAS BANK applications. We evaluate the assigned CIA categories annually, and include maintenance of CIA scores as part of the change management process.

Cyber security

In line with the interests of our stakeholders and as a result of external developments, cybercrime is recognised as an important source of non-financial risk. KAS BANK operates within a network of institutions and companies, resulting in increasing dependence on new communication techniques and Internet developments. At the same time, our clients demand ever-increasing performance and ease of access in the way that they communicate with us, use our services and access their funds. Last year, disruptions of the Internet payment infrastructure in the Netherlands made dependency on these new techniques and their vulnerability apparent. Processes have now been implemented to detect such events as soon as possible and mitigate their impact should they occur.

KAS BANK is committed to providing convenient access to our services without compromising our safety standards. We have also tightened our monitoring and control activities to mitigate possible security breaches and reduce the risk of loss.

Compliance risk

KAS BANK's Compliance function supports the entity and its management in managing compliance risks (including integrity risks), embedding and improving compliance arrangements at all levels and throughout all structures. The function has the following objective: to promote compliance, assurance standards and management for external and internal legislation, regulations, best practices and codes of conduct that serve to control integrity risks while ensuring the integrity of management, the Supervisory Board and employees.

Together with Risk Management, the Compliance department forms the bank's second line of defence. The Managing Director Compliance reports to the CFRO, and can escalate to both the Chairman of the Managing Board and the Chairman of the Supervisory Board. The Managing Director Compliance is a member of the Enterprise Risk Management Committee.

We strengthened our compliance organization in 2015 by extending and restructuring the compliance function. This restructuring covered:

- Governance relating to issues such as compliance risk appetite, roles and responsibilities of the Managing Board, the Managing Director Compliance and the department;
- Policies, controls and infrastructure relating to issues such as compliance controls within business processes;
- People and Culture relating to issues such as stimulating compliance awareness, training employees and Compliance department staffing;
- Monitoring and reporting relating to issues such as executing the compliance monitoring programme.

We also performed our annual systematic integrity risk analysis in 2015. The outcome of this analysis resulted in improved detection systems regarding money laundering detection and transaction screening (terrorist financing).

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

Risk Management and control

The Managing Board relies on the risk management and control framework, and is supported by senior management. We also periodically perform risk and control self-assessments. Our internal risk management and control systems are based on a risk identification process, combined with an established set of detection, prevention and control measures. This provides reasonable assurance that our financial reporting does not contain errors of material importance and that the internal risk management and control systems regarding financial reporting risks worked properly in the year under review.

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

Responsibility statement

With respect to Article 5:25c, Section 2 (c) (1 and 2) of the Dutch Financial Supervision Act, the members of KAS BANK's Managing Board hereby confirm, to the best of their knowledge, that:

The annual financial statements provide a true and fair view of the assets, liabilities, financial position and profit or loss of KAS BANK and its consolidated group companies;
The annual report provides a true and fair view of the situation on the balance sheet date and developments during the financial year of KAS BANK and its consolidated group companies; and
The annual report describes the material risks that KAS BANK faces.

Amsterdam, 29 February 2016

The Managing Board

Sikko van Katwijk, chairman
Jaap Witteveen, Chief Operations Officer
Mark Stoffels, Chief Financial & Risk Officer (as of 1 February 2016)

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, in exchange issues exchangeable depositary receipts. The Registrar's Office itself exercises voting rights only with respect to 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 15 of its Administration Conditions.

The Executive Committee met twice in 2015 prior to the Annual General Meeting of Shareholders. Members regularly kept in touch by telephone and e-mail, and were in attendance at the Annual General Meeting of Shareholders on 22 April 2015.

The committee discussed the general state of the company's affairs, recent developments in the field of corporate governance, and the composition of the Executive Committee. It also discussed all topics on the agenda for the Annual General Meeting of Shareholders, as well as the specific resolutions tabled by the Managing Board and Supervisory Board. Following these discussions, the Executive Committee put various questions to the Managing Board, seeking further explanation on a number of points. The Registrar's Office decided to vote in favour of all the resolutions on the agenda based on this information, supported by a regard for the interests of depositary receipt holders, the company, its related enterprise and all stakeholders. The Executive Committee was informed about changes to the Managing Board in 2015. The Registrar's Office did not seek external advice.

For the Annual General Meeting of Shareholders on 22 April 2015, the Registrar's Office issued proxies to 79 depositary receipt holders and/or their proxies, compared with 64 the previous year.
Shareholders and depositary receipt holders in attendance represented 43.9% of the voting capital in the meeting. The Registrar's Office therefore represented 56.1% of the voting right.

On 29 January 2016, an Extraordinary General Meeting of Shareholders was held. This was an informative meeting without voting rights with regard to the announcement of the proposed appointment of Mark Stoffels as new member of the Managing Board.

The total number of ordinary shares in the issued capital of the company remained unchanged in 2015 at 15,699,017. At year-end, the Registrar's Office had 15,593,353 ordinary shares under administration, in exchange for which the same number of depositary receipts had been issued. Depositary receipts were issued for approximately 99.3% of the total issued share capital.

The actual administrative procedures are performed by the company. Registrar's Office expenses for 2015 amounted to approximately EUR 20,000. These expenses were 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 2015, it was the turn of Mr. Zwarts to retire by rotation. Mr. Zwarts, first appointed in 2005, did not offer himself for reappointment. The Executive Committee advised the holders of depositary receipts 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 announced that, if no nominations were received, it would appoint Mr. Jan van Rutte. Since no nominations were received, the Executive Committee appointed Mr. Van Rutte as its new member, effective as of 1 July 2015, for a four-year term of office. Mr. Van Rutte's previous principal position was vice-president of the Managing Board and CFO of ABN AMRO Group.

In 2016, there will be no retirement by rotation in the Executive Committee and in 2017 it will be the turn of Mrs Nooitgedagt and Scheffers 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 positions held by the members of the Registrar's Office Executive Committee is available for inspection at the company's office and on the Registrar's Office dedicated website (www.stichtingadministratiekantoor.kasbank.com).

Amsterdam, 29 February 2016

The Executive Committee:

J.J. Nooitgedagt, chairman (2017)
H. Scheffers (2017)
J.C.M. van Rutte (2019)

CONSOLIDATED

FINANCIAL STATEMENTS 2015

In thousands of euros	Note	2015	2014
INCOME			
Interest income	1	44,457	42,874
Interest expense	2	15,465	17,425
Net interest result		28,992	25,449
Commission income	3	87,348	80,107
Commission expense	3	15,169	14,784
Net commission result		72,179	65,323
Net trading income	4	16,070	9,321
Result from financial transactions	5	2,921	2,864
Share of result of associates and joint ventures	6	-	-527
Other income	7	1,009	21,760
Total operating income		**121,171**	**124,190**
EXPENSES			
Personnel expenses	8	69,183	57,455
General and administrative expenses	9	29,676	27,382
Depreciation and amortisation	10	3,507	4,048
Total operating expenses		**102,366**	**88,885**
Impairment losses (recovery)	11	-2,698	1,426
Resolution levy and contribution to resolution funds	12	943	1,127
Total expenses		**100,611**	**91,438**
Result before tax		20,560	32,752
Tax expense	13	5,275	8,475
Net result for the period		**15,285**	**24,277**
Attributable to:			
KAS BANK shareholders		15,268	24,260
Non-controlling interests		17	17
EARNINGS PER SHARE	14		
- basic (in euros)		1.04	1.65
- diluted (in euros)		1.02	1.64

The notes on pages 68 to 120 are an integral part of these consolidated financial statements.

In thousands of euros	2015	2014
Net result	**15,285**	**24,277**
Items that will be reclassified subsequently to profit or loss		
Gains and losses on financial investments available-for-sale	5,953	9,716
Gains and losses on financial investments available-for-sale recognised in the income statement	-3,424	-2,576
Items that will be reclassified subsequently to profit or loss before tax	**2,529**	**7,140**
Income tax relating to items that will be reclassified to profit or loss	-632	-1,631
Items that will be reclassified subsequently to profit or loss after tax	**1,897**	**5,509**
Items that will not be reclassified subsequently to profit or loss		
Revaluation on land and buildings	10,794	-15
Actuarial gains and losses on pensions	-820	-52,597
Items that will not be reclassified subsequently to profit or loss before tax	**9,974**	**-52,612**
Income tax relating to items that will be reclassified to profit or loss	-2,490	13,149
Items that will not be reclassified subsequently to profit or loss after tax	**7,484**	**-39,463**
Net total other comprehensive income	**9,381**	**-33,954**
Net total comprehensive income	**24,666**	**-9,677**
Attributable to:		
KAS BANK shareholders	24,649	-9,694
Non-controlling interests	17	17

The notes on pages 68 to 120 are an integral part of these consolidated financial statements.

In thousands of euros	Note	31 December 2015	31 December 2014
Assets			
Cash and balances with central banks	15	798,754	120,846
Due from banks	16	418,009	661,588
Loans	17	561,310	558,815
Reverse repurchase agreements	18	1,091,034	1,476,994
Derivative financial instruments	19	325,539	338,787
Financial assets designated at fair value	20	56,659	169,483
Financial investments available-for-sale	21	759,759	1,033,077
of which pledged as collateral		*315,060*	*519,131*
Investments in associates and joint ventures	23	-	-
Current tax assets		2,042	2,674
Other assets	24	46,263	26,754
Property and equipment	25	33,345	23,490
Intangible assets	26	2,736	3,031
Deferred tax assets	27	7,515	7,178
Total assets		**4,102,965**	**4,422,717**
Equity and liabilities			
Due to banks	28	270,121	338,155
Due to customers	29	3,180,146	3,241,777
Repurchase agreements	18	240	135,056
Derivative financial instruments	19	334,293	352,878
Financial liabilities designated at fair value	20	60,853	124,304
Current tax liabilities		1,947	-
Other liabilities	30	37,526	30,868
Deferred tax liabilities	27	8,325	5,344
Total liabilities		**3,893,451**	**4,228,382**
Issued capital	32	15,699	15,699
Treasury shares	33	-22,444	-22,740
Share premium		21,569	21,569
Revaluation reserve	34	24,733	14,740
Other reserves (including profit for the period)	35	169,957	164,969
Equity attributable to KAS BANK shareholders		209,514	194,237
Non-controlling interests		-	98
Total equity		**209,514**	**194,335**
Total equity and liabilities		**4,102,965**	**4,422,717**
Contingent liabilities	37	20,665	34,300
Irrevocable facilities	38	14,100	13,863

The notes on pages 68 to 120 are an integral part of these consolidated financial statements.

In thousands of euros	Issued capital	Treasury shares	Share premium	Revaluation reserve	Other reserves (incl. profit for the period)	Total attributable to share-holders	Non-controlling interests	Total equity
Balance as at 1 January 2014	**15,699**	**-23,612**	**21,569**	**9,246**	**190,184**	**213,086**	**81**	**213,167**
Comprehensive income	-	-	-	5,494	-15,188	**-9,694**	17	**-9,677**
Dividend 2013	-	-	-	-	-4,551	**-4,551**	-	**-4,551**
Interim dividend 2014	-	-	-	-	-4,844	**-4,844**	-	**-4,844**
Purchase/sale of treasury shares	-	872	-	-	-872	**-**	-	**-**
Share-based payments	-	-	-	-	125	**125**	-	**125**
Other movements	-	-	-	-	115	**115**	-	**115**
Balance as at 31 December 2014	**15,699**	**-22,740**	**21,569**	**14,740**	**164,969**	**194,237**	**98**	**194,335**
Comprehensive income	-	-	-	9,993	14,656	**24,649**	17	**24,666**
Dividend 2014	-	-	-	-	-4,565	**-4,565**	-	**-4,565**
Interim dividend 2015	-	-	-	-	-4,864	**-4,864**	-	**-4,864**
Purchase/sale of treasury shares	-	296	-	-	-296	**-**	-	**-**
Share-based payments	-	-	-	-	205	**205**	-	**205**
Other movements	-	-	-	-	-148	**-148**	-115	**-263**
Balance as at 31 December 2015	**15,699**	**-22,444**	**21,569**	**24,733**	**169,957**	**209,514**	**-**	**209,514**

The notes on pages 68 to 120 are an integral part of these consolidated financial statements.

In thousands of euros	Note	2015	2014
Cash flow from operating activities			
Net result		15,285	24,277
Adjustments for non cash items included in net result			
Share of result of associates and joint ventures	6	-	527
Depreciation and amortisation	11	3,507	4,048
Impairments	12	-2,698	1,426
Tax expense	13	5,275	8,475
Net pension expense	31	8,257	3,098
Unrealised gains / (losses)		2,705	-1,466
Changes in operating assets and liabilities			
Due from banks (not on demand) and due to banks	16, 28	-56,914	134,769
Loans	17	-2,495	-13,377
(Reverse) repurchase agreements	18	251,144	-97,441
Financial assets and liabilities designated at fair value	20	50,375	4,200
Derivative financial instruments	19	-5,337	-22,571
Due to customers	29	-61,631	307,434
Other movements		-28,948	24,758
Taxes		-6,061	-8,864
Employer's contribution to retirement benefits	31	-8,826	-15,803
Total cash flow from operating activities		**163,637**	**353,490**
Cash flow from investing activities			
Investments in financial investments available-for-sale	21	-230,570	-466,466
Divestments of financial investments available-for-sale		503,501	439,672
Divestments of financial investments held-to-maturity	22	-	10,000
Investments in subsidiaries		-	-125
Divestments of subsidiaries		123	-
Investments in associates and joint ventures	23	-326	-
Purchases of property and equipment	25	-1,113	-1,003
Purchases of intangible assets	26	-2,615	-2,087
Total net cash flow from investing activities		**269,001**	**-20,009**
Cash flow from financing activities			
Dividend paid		-9,429	-9,395
Total net cash flow from financing activities		**-9,429**	**-9,395**
Net cash flow		**423,209**	**324,086**
Cash and cash equivalents at 1 January		759,756	435,670
Net cash flow		423,209	324,086
Cash and cash equivalents at 31 December		**1,182,965**	**759,756**
Reconciliation of cash flow statement with balance sheet items			
Cash and balances with central banks	15	798,754	120,846
Due on demand from banks	16	384,211	638,910
Cash and cash equivalents at 31 December		**1,182,965**	**759,756**
Additional disclosure of operating cash flow			
Cash received as interest		44,496	42,900
Cash paid as interest		-15,067	-16,835
Cash received as dividends		67	55

The notes on pages 68 to 120 are an integral part of these consolidated financial statements.

Company information

KAS BANK N.V. is a public limited liability company, incorporated under Dutch law and registered in Amsterdam, the Netherlands (Registration Chambre of Commerce: 33001320). KAS BANK, founded in 1806, is listed on the stock exchange of NYSE Euronext Amsterdam.

KAS BANK's consolidated financial statements for the period ending 31 December 2015 include the parent company and all its subsidiaries, together referred to as 'KAS BANK'. An overview of the principal subsidiaries is included in these notes.

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

The annual financial statements have been drawn up by the Managing Board. The Supervisory Board advises and proposes that shareholders adopt the 2015 financial statements at the General Meeting of Shareholders on 20 April 2016.

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 (classified within the balance sheet as 'Property and equipment').
- Equity method is used for investments in associates and joint ventures.

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

Statement of compliance

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of KAS BANK and its subsidiaries for the year ended 31 December 2015. Subsidiaries are entities which are controlled by KAS BANK. Control of an entity exists if KAS BANK is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In general, control is presumed to exist where KAS BANK owns more than 50% of the voting power of an entity. Subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

As at 31 December 2015, 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
• KAS BANK OG NZVW B.V.	Amsterdam
• KAS Europe BVBA	Brussels
• KB Deutschland Holding GmbH (in liquidation as per 14 January 2015)	Wiesbaden
• KAS Investment Servicing GmbH (in liquidation as per 2 January 2015)	Frankfurt am Main
• KAS Securities Ltd	London

All interests in subsidiaries are 100%. The full list of subsidiaries has been filed with the Trade Register of the Amsterdam Chamber of Commerce.

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

Critical accounting estimates and judgements

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

- Level 2 and Level 3 financial instruments (see note 36);
- Hedge accounting;
- Defined benefit obligations and/or receivables;
- Land and buildings held for own use;
- Share-based payments;
- Tax rate and term of realisation and/or settlement of deferred tax assets and liabilities;
- Impairment losses or recovery relating to financial assets and non-financial assets.

Changes in accounting policies

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

- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions;
- Annual improvements to IFRSs (2010-2012 cycle);
- Annual improvements to IFRSs (2011-2013 cycle).

These adjustments had no impact on the relevant comparative figures.

New IFRS standards and interpretations not yet adopted

A number of new, amended or revised standards were not applied in preparing these financial statements as these standards were either not effective for the current period or have not been adopted by the EU. We do not expect these standards will have a significant impact on the preparation of the financial statements in the near future. These new, amended or revised standards are listed below**:**

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation, effective as of 2016;
- Amendments to IAS 16 and IAS 41: Bearer Plants, effective as of 2016;
- Amendments to IAS 27: Equity Method in Separate Financial Statements, effective as of 2016;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, effective as of 2016;
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations, effective as of 2016;
- IFRS 14: Regulatory Deferral Accounts, effective as of 2016;
- Annual Improvements to IFRSs 2012–2014 Cycle, effective as of 2016;
- Amendments to IAS 1: Disclosure Initiative, effective as of 2017;
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception, effective as of 2017;
- IFRS 9 Financial instruments, effective as of 2018;
- IFRS 15 Revenue from Contracts with Customers, effective as of 2018;
- IFRS 16 Leases, effective as of 2019.

Offsetting

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

Foreign currency translation

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

Financial assets and liabilities

Recognition and derecognition

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

Measurement on initial recognition

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. The classification determines the measurement and the recognition of results. On initial recognition, financial instruments are measured at fair value plus, in the case of instruments not subsequently carried at fair value through profit or loss, any directly attributable transaction costs.

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

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

Measurement at cost

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

Derivative financial instruments

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

Gains or losses arising from changes in the fair value of derivative financial instruments are included in 'Net trading income' (trading activities) or in 'Interest income' (hedge accounting) in the period in which they arise.

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

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

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

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

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

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

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

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

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

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

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

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

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

Property and equipment

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

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

Intangible assets

Computer software

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

Other intangible assets

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

Impairment

Impairment of financial assets

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

- Significant financial difficulty of the issuer or borrower;
- Breach of contract, such as a default or delinquency in interest or principal payments by the issuer; or
- Disappearance of an active market for the related financial asset.

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

Financial assets measured at amortised cost

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

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

Financial investments available-for-sale

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

Impairment of non-financial assets

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

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

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

Provisions

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

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

Lease agreements

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

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

Shareholders' equity

Issued capital

KAS BANK's authorised capital comprises ordinary shares and cumulative preference shares. The cumulative preference shares are recognised in the balance sheet as 'Other liabilities'. These cumulative preference shares are 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 pension plans in the Netherlands and the United Kingdom. The plan of the Managing Board is a defined contribution plan. The plan of the UK employees is a defined benefit plan. The Dutch pension plan qualified as a defined benefit plan until the end of 2015. As of 1 January 2016 the Dutch pension plan qualifies as a (collective) defined contribution plan.

The Dutch pension plan is carried out by the company pension fund 'Stichting Pensioenfonds van de KAS BANK' and the UK defined benefit plan in a Trust.

Defined benefit plan
The pension obligations of defined benefit plans are determined on an individual basis. Pension commitments under defined benefit plans are calculated as the estimated benefit that employees have earned in exchange for their services in the reporting period and previous periods. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key actuarial assumptions used in the calculation are the indexation rate and the life expectancy. The calculation is performed annually by an actuary. The net benefit expense is recognised in the income statement as 'Personnel expenses'. The net defined benefit asset or liability 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 experience adjustments (differences between the actuarial assumptions at the beginning of the year and the realised results at year-end). Actuarial gains and losses are recognised in other comprehensive income.

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

(Collective) defined contribution plan
KAS BANK also operates (collective) defined contribution pension plans. The contribution payable to a (collective) defined contribution plan 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 post-employment benefit plans comprises future remuneration earned by employees in exchange for their services in the reporting period and previous periods, taking into account mortality risk and the probability of employees remaining in company service and participating in the plans. The liability is discounted to present value and recognised in the balance sheet as 'Other liabilities'. Expenses are recognised in the income statement as 'Personnel expenses'.
Other long-term employee benefits includes jubilee benefits and the liability for the opportunity for employees of a two month 'vitality leave' once every seven years, while partially maintaining salary payment.

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

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

Short-term employee benefits

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

Taxes

Current tax

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

Deferred tax assets and liabilities

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

Securities lending and borrowing transactions

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

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

Collateral

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

Fiduciary assets

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

Assets under Custody

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

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

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

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

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

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

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

KAS BANK distinguishes the operating segments: Core segments, Treasury, and Other. The geographical segments are the Netherlands, the United Kingdom, Belgium and Germany.

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

1. Interest income

In thousands of euros	2015	2014
Due from banks and loans	14,362	10,718
Reverse repurchase agreements	150	1,599
Change in fair value of derivative financial instruments (hedge)	4,201	6,158
Ineffectiveness on fair value hedges	-106	700
Financial assets designated at fair value	99	1,007
Financial investments available-for-sale	25,624	22,403
Impaired available-for-sale assets	127	259
Financial investments held-to-maturity	-	30
Total	**44,457**	**42,874**

In December 2015, KAS BANK sold an interest claim on a former Lehman loan to a broker. Due to the uncertainty of the payment and of the amount of the claim in the previous years, this claim has not been accounted for previously. This resulted in an additional result of EUR 5.6 million, recognised as interest income (due from banks and loans).

2. Interest expense

In thousands of euros	2015	2014
Due to banks and customers	4,163	2,979
Change in fair value of derivative financial instruments (hedge)	10,918	14,343
Financial liabilities designated at fair value	384	103
Total	**15,465**	**17,425**

3. Commission

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

In thousands of euros	2015	2014
Asset Servicing	42,711	37,629
Transaction Servicing	30,427	30,516
Treasury	14,210	11,962
Total commission income	**87,348**	**80,107**
Asset Servicing	7,520	6,794
Transaction Servicing	6,933	7,471
Treasury	716	519
Total commission expense	**15,169**	**14,784**

4. Net trading income

In thousands of euros	2015	2014
Foreign exchange transaction results	12,963	9,414
Change in fair value of assets/liabilities designated at fair value	1,143	1,232
Change in fair value of derivative financial instruments (non-hedge)	1,964	-1,325
Total	**16,070**	**9,321**

5. Result from financial transactions

In thousands of euros	2015	2014
Fair value movement of impaired available-for-sale assets	-570	233
Sale of financial investments available-for-sale	3,424	2,576
Dividends	67	55
Total	**2,921**	**2,864**

6. Share of result of associates and joint ventures

The results relate to the share of the result of Neonet and the share of the result of Secpoint until 30 June 2014. At 30 June 2014 KAS BANK obtained all shares in Secpoint N.V. KAS BANK purchased the 50%-interest from dwpbank at fair value. As a consequence, Secpoint is no longer classified as a joint venture as of 30 June 2014. In 2015, Secpoint N.V. was liquidated.

At 31 December 2015, KAS BANK had significant influence in Neonet AB (Stockholm, Sweden). KAS BANK acquired 20% of the issued capital of Neonet AB in 2013. In addition KAS BANK is also entitled to appoint one representative within the Board of Directors of Neonet AB. KAS BANK has the power to participate in the financial and operating policy decisions of Neonet AB but has no control or joint control of those policies. In 2015 and 2014, KAS BANK impaired the value of this associate (see also note 23).

In thousands of euros	2015	2014
Neonet AB	-	-441
Secpoint N.V.	-	-86
Total	**-**	**-527**

7. Other income

In thousands of euros	2015	2014
Revenues from staffing	334	927
Revenues from rent of office space	145	260
Compensation dwpbank	-	20,000
Other	530	573
Total	**1,009**	**21,760**

In June 2014, KAS BANK and dwpbank scaled down their European collaboration. As a compensation for the loss of the anticipated annual savings that KAS BANK would have realised from mid-2015 onwards, dwpbank paid KAS BANK a compensation of EUR 20 million in June 2014.

Revenues from staffing relates to the activities of one of KAS BANK's subsidiaries, Addition Knowledge House B.V. until 30 April 2015. At 30 April 2015, KAS BANK sold its share in Addition Knowledge House B.V. No result on this transaction was recogised in the income statement of KAS BANK. As a consequence Addition Knowledge House B.V. is no longer classified as subsidiary as of 30 April 2015 and as of that date the revenues from staffing related to Addition Knowledge House B.V. are no longer recognised in the income statement of KAS BANK.

8. Personnel expenses

In thousands of euros	2015	2014
Salaries	38,701	37,822
Social security costs	5,717	6,487
Fringe benefits	3,829	4,472
Temporary staff	10,179	3,310
Pension charges relating to defined benefit plans	8,273	3,263
Pension charges relating to defined contribution plans	140	626
Share-based payments	205	125
Other	2,139	1,350
Total	**69,183**	**57,455**

Average number of employees	2015	2014
Full-time equivalent basis		
Netherlands	615	640
Germany	19	26
United Kingdom	13	16
Total	**647**	**682**

9. General and administrative expenses

In thousands of euros	2015	2014
Information technology	15,946	15,147
Advice	5,079	3,218
Housing	2,762	2,907
Traveling expenses	1,077	1,173
Marketing	613	731
Insurance	565	559
Audit fees	334	472
Other	3,300	3,175
Total	**29,676**	**27,382**

10. Depreciation and amortisation

In thousands of euros	2015	2014
Land and buildings held for own use	432	385
Other property and equipment	1,406	1,786
Intangible assets	1,669	1,877
Total	**3,507**	**4,048**

11. Impairment losses (recovery)

In thousands of euros	2015	2014
Due from banks and loans	-3,052	337
Associates	326	1,061
Financial investments available-for-sale	-8	-
Property and equipment	36	28
Total	**-2,698**	**1,426**

Based on economic and market developments KAS BANK concluded that there is objective evidence of an impairment of an interest in a European broker, Neonet AB. The recoverable amount has been determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets. Based on this valuation an impairment charge of EUR 1.1 million was recognised with a corresponding movement in 'Investments in associates and joint ventures' in 2014 (see note 23). In 2015, an impairment charge of EUR 0.3 million was recognised on the investment in a perpetual convertible debenture of Neonet AB with a corresponding movement in 'Investments in associates and joint ventures' (see note 23).

In 2015, the impairments on due from banks and loans of EUR 3.1 million (recovery) related to (the reversal of) credit facilities with former clients. KAS BANK impaired these assets in 2008 due to the financial crisis and the Madoff fraud.

12. Resolution levy and deposit guarantee scheme

In 2015, this expense concerns the annual contribution to the National resolution fund. In 2014, this concerned the non-recurring resolution levy in connection with the nationalisation of SNS Reaal.

13. 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	2015	2014
Tax expense		
Current tax expense for the year	5,753	7,054
Deferred tax		
Temporary differences and reversals	-478	1,421
Total	**5,275**	**8,475**

Reconciliation with effective tax rate	2015	%	2014	%
Result before tax	20,560		32,752	
Tax expense at statutory tax rate	5,140	25.0	8,188	25.0
Differences in rates	-223	-1.1	-385	-1.2
Non-deductible items	358	1.7	672	2.1
Tax expense at effective tax rate	**5,275**	**25.7**	**8,475**	**25.9**

14. 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	2015	2014
Net result attributable to KAS BANK shareholders	15,268	24,260
Issued capital	15,699	15,699
Treasury shares	-959	-973
Weighted average number of ordinary shares outstanding	14,740	14,726
Effect of stock options and share plans	225	40
Weighted average number of ordinary shares outstanding (diluted)	14,965	14,766
Basic earnings per share (in euros)	1.04	1.65
Diluted earnings per share (in euros)	1.02	1.64

ASSETS

15. Cash and balances with central banks

This balance sheet item includes cash on hand and demand deposits with central banks. The mandatory reserve deposit with the Dutch central bank is also included within cash and balances with central banks. As per year-end 2015 and 2014 KAS BANK meets the requirements related to the mandatory reserve deposit. As a result KAS BANK has no restricted cash position as per year-end.

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

16. 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	2015	2014
Money Market Funds (due on demand)	25,919	375,824
Due on demand	358,292	263,086
Not due on demand (maturity less than one year)	33,798	22,678
Balance as at 31 December	**418,009**	**661,588**

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

17. Loans

The table below shows the outstanding amount of loans. The current accounts, granted credits and mortgage loans are collateralised by customer securities or individual properties (see note 40).

In thousands of euros	2015	2014
Due on demand	532,411	475,057
Not due on demand (maturity less than five years)	22,934	77,712
Mortgage loans	5,965	6,046
Balance as at 31 December	**561,310**	**558,815**

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

The amount of ‘Loans’ decreased with approximately EUR 0.3 billion (2014: EUR 0.5 billion) as a result of the offsetting of deposits and entrusted funds for a number of clients (see note 40). An amount of EUR 17.7 million (2014: EUR 22.2 million) relates to a provision for doubtful debt and is included within the total balance of loans.

18. (Reverse) repurchase agreements

The outstanding reverse repurchase agreements are covered by received collateral. All (reverse) repurchase agreements have a maturity of less than one year (see note 40).

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

19. Derivative financial instruments

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

In thousands of euros	31 December 2015	31 December 2014
Assets	325,539	338,787
Liabilities	-334,293	-352,878
Total	**-8,754**	**-14,091**

As at 31 December 2015 *In thousands of euros*	Notional amount	Fair value assets	Fair value liabilities
Derivatives held for trading			
Foreign exchange contracts			
- Forward contracts	918,502	4,361	10,539
- Swaps	7,783,872	66,792	61,862
Total foreign exchange contracts	8,702,374	71,153	72,401
Interest contracts			
- Swaps	2,740,900	205,849	203,350
- Swaptions	-	-	-
Total interest rate contracts	2,740,900	205,849	203,350
Derivatives used as fair value hedges			
Interest contracts	557,252	3,321	13,326
Derivatives held on behalf of clients			
Exchange traded derivatives	-	45,216	45,216
Total	**12,000,526**	**325,539**	**334,293**

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

Derivatives held on behalf of clients are concluded in the name of KAS BANK. All risks are covered by collateral posted by the client (see note 40).

20. Financial assets and liabilities designated at fair value

In thousands of euros	31 December 2015	31 December 2014
Financial assets designated at fair value	56,659	169,483
Financial liabilities designated at fair value	-60,853	-124,304
Total	**-4,194**	**45,179**

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

In thousands of euros	2015	2014
Carrying amount as at 1 January	45,179	47,372
Purchases	179,128	138,790
Sales	-229,503	-123,242
Redemptions	-	-19,748
Movements in fair value	1,002	2,007
Balance as at 31 December	**-4,194**	**45,179**

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

The portion of fair value changes during 2015 attributable to the movement in interest rate changes amounted to EUR 4.6 million, being an decrease of the carrying amount (2014: EUR 0.7 million, being an increase of the carrying amount). The portion of fair value changes during 2015 and cumulatively attributable to the movement in credit spreads amounted to EUR 0.6 million, being an increase of the carrying amount (2014: EUR 0.4 million, being an increase of the carrying amount). In 2015, a result of EUR 0.1 million (2014: nil) was realised on the repurchase of liabilities with respect to this balance sheet item.

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 51.3 million at 31 December 2015 (2014: EUR 102.6 million).

21. Financial instruments available-for-sale

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

2015 *In thousands of euros*	Debt instruments	Equity instruments	Total
Balance as at 1 January	1,030,899	2,178	1,033,077
Purchases	230,570	-	230,570
Sales	-339,796	-	-339,796
Movements in fair value	-539	152	-387
Redemptions	-163,694	-11	-163,705
Balance as at 31 December	**757,440**	**2,319**	**759,759**

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

At 31 December 2015, EUR 315 million (2014: EUR 519 million) of the financial investments available-for-sale is pledged as collateral (see note 40). As at 31 December 2015, EUR 413 million (2014: EUR 641 million) of the debt instruments is included as a hedged item in a fair value hedge relationship.

22. Financial investments held-to-maturity

In thousands of euros	2015	2014
Carrying amount as at 1 January	-	10,370
Redemptions	-	-10,000
Amortisation	-	-370
Balance as at 31 December	**-**	**-**

23. Investments in associates and joint ventures

The investments in associates and joint ventures relate to an interest of 20% in a European broker, Neonet AB, and until 30 June 2014 to an interest of 50% in Secpoint N.V. As per 30 June 2014 KAS BANK acquired the remaining shares for an amount of EUR 0.1 million. Thereafter KAS BANK fully owned and controlled Secpoint N.V. and consolidated this subsidiary in the consolidated financial statements. In 2015, Secpoint N.V. was liquidated.

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

Based on economic and market developments KAS BANK concluded that there was objective evidence of an impairment of the associate Neonet AB in 2014. The recoverable amount has been determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets. Based on this valuation an impairment charge of EUR 1.1 million was recognised with a corresponding movement in 'impairment losses (recovery)' in 2014 (see note 11).

In June 2015, KAS BANK invested EUR 0.3 million (total issue of EUR 1.5 million) in a perpetual convertible debenture of Neonet AB. KAS BANK's part in this investment equals KAS BANK's interest in Neonet AB. This investment allows Neonet AB the right to convert the debenture to additional tier 1 capital at predetermined capital ratio triggers. An impairment charge of EUR 0.3 million was recognised on the investment in the perpetual convertible debenture with a corresponding movement in 'impairment losses (recovery)' in 2015 (see note 11). In November 2015, the perpetual convertible debenture was converted into shares. The recoverable amount of KAS BANK's share in Neonet AB is nil as at 31 December 2015 (2014: nil).

24. Other assets

In thousands of euros	2015	2014
Receivables	34,847	10,916
Accrued income and prepaid expenses	11,416	15,587
Defined benefit pension asset (Note 31)	-	251
Balance as at 31 December	**46,263**	**26,754**

In 2015, the prepaid expenses did not include any amounts related to a period of more than one year (2014: nil).

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

25. Property and equipment

2015 *In thousands of euros*	Land and buildings	Computer equipment	Fixtures and fittings	Technical installations	Total
Acquisition costs at 1 January	31,907	4,811	1,437	6,092	44,247
Revaluation	10,623	-	-	-	10,623
Investments	-	193	93	827	1,113
Divestments	-	-874	-78	-523	-1,476
Acquisition costs at 31 December	**42,530**	**4,129**	**1,452**	**6,395**	**54,506**
Accumulated depreciation as at 1 January	-11,462	-3,892	-589	-3,060	-19,003
Depreciation for the year	-432	-673	-273	-461	-1,839
Divestments	-	874	71	490	1,434
Accumulated depreciation as at 31 December	**-11,894**	**-3,692**	**-792**	**-3,030**	**-19,408**
Impairments as at 1 January	-1,230	-	-2	-522	-1,754
Impairments for the year	-	-	-	-	-
Impairments as at 31 December	**-1,230**	**-**	**-2**	**-522**	**-1,754**
Balance as at 31 December	**29,405**	**437**	**659**	**2,843**	**33,345**

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

An independent valuation of KAS BANK's land and building was performed by an appraiser as at 1 July 2015. The value of the land and buildings, based on the cost model, is EUR 13.4 million (2014: EUR 13.8 million).

26. Intangible assets

2015 *In thousands of euros*	Purchased software	Internally developed software[1]	Total
Acquisition costs at 1 January	5,954	4,750	10,705
Additions	1,283	1,332	2,615
Divestments	-1,804	-2,734	-4,537
Acquisition costs at 31 December	**5,433**	**3,349**	**8,782**
Accumulated amortisation as at 1 January	-3,779	-3,808	-7,587
Amortisation charge for the year	-1,378	-291	-1,669
Divestments	1,132	2,164	3,297
Accumulated amortisation as at 31 December	**-4,024**	**-1,935**	**-5,959**
Impairments as at 1 January	-87	-	-87
Impairments for the year	-	-	-
Impairments as at 31 December	**-87**	**-**	**-87**
Balance as at 31 December	**1,323**	**1,414**	**2,736**

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

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

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

27. Deferred tax assets and liabilities

In thousands of euros	31 December 2015	31 December 2014
Deferred tax assets	7,515	7,178
Deferred tax liabilities	-8,325	-5,344
Net	**-810**	**1,834**

In thousands of euros	1 January 2015	Income statement	Equity	Changes in group composition	31 December 2015
Defined benefit obligations	-66	-142	208	-	-
Financial investments available-for-sale	-3,291	-	-632	-	-3,923
Buildings held for own use	-1,342	-	-2,698	-	-4,040
Other property and equipment	705	-59	-	-	646
Internally developend software	-235	-118	-	-	-353
Intangible assets	-	-	-	-	-
Tax loss carryforwards	6,049	798	-	-	6,847
Other	14	-1	-	-	13
Total	**1,834**	**478**	**-3,122**	**-**	**-810**

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

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

EQUITY AND LIABILITIES

28. Due to banks

In thousands of euros	2015	2014
Due on demand	265,076	332,097
Not due on demand	5,045	6,058
Balance as at 31 December	**270,121**	**338,155**

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

29. Due to customers

In thousands of euros	2015	2014
Saving deposits	14,264	14,772
Time deposits	126,902	174,735
Other deposits	3,038,980	3,052,270
Balance as at 31 December	**3,180,146**	**3,241,777**

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

The presented amount of 'Due to customers' decreased with approximately EUR 0.3 billion (2014: EUR 0.5 billion) as a result of the offsetting of deposits and entrusted funds for a number of clients (see note 40).

An amount of EUR 80 million relating to group companies is eliminated in the consolidated balance sheet under 'Due to customers'.

30. Other liabilities

In thousands of euros	2015	2014
Accrued expenses and deferred income	13,869	19,054
Long-term employee benefits	1,513	1,894
Restructuring provision	1,154	2,446
Cumulative preference shares	-	-
Other liabilities	20,990	7,474
Balance as at 31 December	**37,526**	**30,868**

At 31 December 2015 KAS BANK has issued 25 (2014: 25) of the authorised 12,500,000 cumulative preference shares. These shares are registered in the name of Stichting Preferente Aandelen KAS BANK, and have a nominal value of EUR 1.00 per share. Furthermore KAS BANK granted a right to Stichting Preferente Aandelen KAS BANK to subscribe for cumulative preference shares in the capital of KAS BANK up to a nominal amount corresponding to 50% of the nominal value of the ordinary shares in issue at the time of subscription.

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

Implementation of the restructuring plan started in the first quarter of 2014. KAS BANK's objective is to improve the operating result as of 2014 amongst others by restructuring the organisation and reducing the number of employees. A social plan was agreed with the local union representatives which specifies the redundancy compensation package. The costs were fully provided for in 2013. The provision of EUR 1.2 million as at 31 December 2015 is expected to be fully utilised during 2016. The table below shows the changes in the restructuring provision in 2015.

Changes in restructuring provision ***In thousands of euros***	**2015**
Balance as at 1 January	2,446
Used during year	-1,292
Balance as at 31 December	**1,154**

31. Retirement benefit plan

KAS BANK sponsors pension plans in the Netherlands and the United Kingdom. The plan of the Managing Board is a defined contribution plan. The plan of the UK employees is a defined benefit plan. The Dutch pension plan qualified as a defined benefit plan until the end of 2015. As of 1 January 2016 the Dutch pension plan qualifies as a (collective) defined contribution plan.

The Dutch pension plan is carried out by the company pension fund 'Stichting Pensioenfonds van de KAS BANK' and the UK defined benefit plan in a Trust. The majority of KAS BANK's pension assets and obligations relates to the Dutch defined benefit plan. The disclosures in this note solely relate to this Dutch defined benefit scheme. Below a presentation of the characteristics of the Dutch pension plan before the plan change as per 31 December 2015.

Pension plan in the Netherlands

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

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

Funding agreement

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

Supervision and governance

Stichting Pensioenfonds van de KAS BANK calculates the pension premium and required buffers on the basis of the stipulations of the Pension Act. According to these stipulations the pension premium should cover the annual costs and (as of January 2015) the policy funding ratio (*beleidsdekkingsgraad*) should be higher than the required own funds (*vereist eigen vermogen*). The calculation of the policy funding ratio is based on the average of the funding ratios of the twelve months preceding the moment of calculation. At the end of 2015 the policy funding ratio was 111.2% and the required own funds was 114.8%. As per 30 September 2015, the pension fund submitted a recovery plan to the Dutch Central Bank, because it no longer holds the required own funds based on the policy funding ratio.

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

Participants

The pension fund administers and executes the pensions for 656 active members (2014: 643), 969 former employees (2014: 951) and 379 pensioners (2014: 363). The average duration of the pension obligations is 23.1 years (2014: 22.9 years).

Pension plan change as per 31 December 2015

In 2015, KAS BANK agreed with the individual active participants a new pension plan starting as at 1 January 2016. This new pension plan, that also includes all benefits accrued up to 31 December 2015, qualifies as a (collective) defined contribution plan under IAS 19. The plan change results in the settlement of the entire defined benefit obligation and related plan assets at 31 December 2015 to the income statement as an additional pension expense.

KAS BANK has paid an amount of EUR 2 million to the pension fund as part of the plan change. This payment is included in the employer contribution in 2015. As of 1 January 2016 KAS BANK's only obligation in respect of the pension scheme is to pay the annual employer contribution, which will be recognised in the income statement.

Actuarial assumptions

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

Actuarial assumptions	2015	2014
Discount rate	2.20%	2.20%
General wage inflation	1.00%	1.25%
Price inflation	1.70%	1.90%
Indexation		
-active partcipants	1.35%	1.40%
-deferred participants/pensioners	0.85%	0.90%
Life expectancy		
-67 year old male/female at end of year	19.3 / 22.6	19.2 / 22.4
-67 year old male/female in 20 years	21.6 / 24.6	21.5 / 24.5

KAS BANK uses a bucket of high-quality corporate bonds that are denominated in euros to determine the discount rate. In 2014, the bucket consisted of a small number of bonds with a remaining life to maturity greater than fifteen. In 2015, KAS BANK added a number of additional bonds to the bond universe with a remaining life to maturity greater than fifteen years. This addition resulted in a more diversified bucket to calculate the discount rate.

Plan assets

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

In thousands of euros	2015		2014	
Shares	-	-	84,144	29%
Bonds	-	-	180,468	63%
Derivative financial instruments	-	-	23,095	8%
Cash	-	-	500	0%
Total	**-**	**-**	**288,207**	**100%**

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

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

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

Movements in plan assets and defined benefit obligations

In thousands of euros	2015	2014
Fair value of plan assets	-	288,207
Present value of benefit obligation	-	-287,956
Net defined benefit (liability)/asset as at 31 December	**-**	**251**
Movements in the fair value of plan assets:		
Balance as at 1 January	288,207	222,355
Interest income	6,418	9,113
Employer contributions	8,826	15,803
Employee contributions	441	81
Benefits paid	-4,990	-4,765
Administration cost	-500	-500
Settlement	-289,404	-
Return on assets, excluding interest income	-8,998	46,120
Balance plan assets as at 31 December	**-**	**288,207**
Movements in the present value of the benefit obligation:		
Balance as at 1 January	-287,956	-182,212
Current service cost	-7,829	-4,482
Past service cost	11,699	-222
Settlement	277,643	-
Interest cost	-6,284	-7,007
Benefits paid	4,990	4,765
Employee contributions	-441	-81
Remeasurement of changes in economic assumptions	4,037	-101,825
Remeasurement of changes in demographic assumptions	-	-450
Remeasurement of experience adjustments	4,141	3,558
Balance of benefit obligation as at 31 December	**-**	**-287,956**
Breakdown of pension expenses:		
Current service cost	-7,829	-4,482
Past service cost	11,699	-222
Loss on settlements	-11,761	-
Interest cost	-6,284	-7,007
Administration cost	-500	-500
Interest income	6,418	9,113
Net pension income /(expense)	**-8,257**	**-3,098**

In 2015, the past service cost of EUR 11.7 million (2014: EUR -0.2 million) related primarily to the adjustments in the pension scheme as mentioned in the paragraph 'pension scheme in the Netherlands' on page 91. Remeasurement effects are recognized in other comprehensive income.

Sensitivity analyses

The table below shows the impact of a change in an actuarial assumption on the present value of the defined benefit obligations at 31 December 2015 before the plan change and settlement occurred:

In thousands of euros	increase	decrease
Change of 0.25% to discount rate	-16,041	17,363
Change of 0.25% to general wage inflation	855	-832
Change of 0.25% to price inflation	-198	193
Change of 0.25% to indexation rate for active participants	2,349	-2,281
Change of 0.25% to indexation rate for deferred participants/pensioners	14,772	-13,805
Change of one year to life expectancy	-10,646	10,628

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

Pension scheme in the United Kingdom

The UK pension scheme has the characteristics of a defined benefit plan due to a minimum guarantee level. The scheme prohibits refunds to the employer. In 2015, the net pension expense recognised in the income statement amounted to EUR 0.1 million (2014: EUR 0.1 million). The present value of the benefit obligation is EUR 8.5 million (2014: EUR 7.8 million). The plan assets showed a surplus after funding the minimum guarantee level. In the financial statements the fair value of plan assets is equal to the present value of the benefit obligation. The table below summarises the assumptions used to determine the present value and movements in the pension obligation and plan assets and the components of net benefit expenses recognised in the consolidated balance sheet and the consolidated income statement:

Actuarial assumptions	2015	2014
Discount rate	3.90%	3.60%
General wage inflation	2.65%	2.50%
Price inflation	2.65%	2.50%
Indexation	2.00%	1.90%
Life expectancy		
-65 year old male/female at end of year	22 / 25	22.2 / 24.6
-65 year old male/female in 25 years	24 / 27	24.1 / 26.5
Duration	30	31

32. Issued capital

Number of shares	2015	2014
Authorised	25,000,000	25,000,000
Non-issued	9,300,983	9,300,983
Issued and fully paid	**15,699,017**	**15,699,017**

The main part (15,589,012 shares) of the issued capital is registered in the name of Stichting Administratie-kantoor Aandelen KAS BANK (KAS BANK Registrar's Office). The Registrar's Office has issued stock certificates for them with a nominal value of EUR 1.00 each. On pages 60 and 61 of this annual report a more comprehensive description of the objectives and activities of the Registrar's Office.

The capital of KAS Investment Servicing GmbH of EUR 17.2 million is subject to significant restrictions related to the liquidation process. Completion of the liquidation is expected in 2016.

33. Treasury shares

Number of shares	2015	2014
Opening balance at 1 January at average of EUR 23.37 (2014: EUR 23.15)	973,070	1,019,803
Granted as share-based payments	-14,172	-46,733
Closing balance at 31 December at EUR 23.41 (2014: EUR 23.37)	**958,898**	**973,070**

The treasury shares are reserved for issuance under share and options plans (note 44). The company has the right to re-issue these shares at a later date.

34. Revaluation reserve

In thousands of euros	Land and building reserve	Available-for-sale reserve	Total
At 1 January 2014	**4,065**	**5,181**	**9,246**
Unrealised results	-	9,716	9,716
Release due to sales and redemptions	-	-2,576	-2,576
Reclassified to other reserves	-15	-	-15
Reclassified to deferred tax	-	-1,635	-1,635
Reclassified to current tax assets	-	4	4
At 31 December 2014	**4,050**	**10,690**	**14,740**
Unrealised results	10,794	5,953	16,747
Release due to sales and redemptions	-	-3,424	-3,424
Reclassified to deferred tax	-2,698	-632	-3,330
At 31 December 2015	**12,146**	**12,587**	**24,733**

35. Other reserves (including profit for the year)

In thousands of euros	2015	2014
Balance as at 1 January	**164,969**	**190,184**
Result for the period	15,268	24,260
Final dividend previous year (distributed in April)	-4,565	-4,551
Interim dividend (distributed in September)	-4,864	-4,844
Actuarial results (net of tax)	-612	-39,448
Share-based payments	205	125
Transferred from/(to) revaluation reserves	-127	15
Treasury shares	-296	-872
Other movements	-21	100
Balance as at 31 December	**169,957**	**164,969**

36. Fair value of financial assets and financial liabilities

The following table presents the financial instruments carried at fair value, broken down according to the fair value hierarchy. The fair value hierarchy distinguishes three levels of fair value:

- Level 1: Unadjusted quoted prices obtained in an active and liquid market;
- Level 2: Valuation techniques based on observable market data other than quoted prices included in level 1. This level includes quoted prices in less active markets and derivatives that are valued using inputs from observable market data;
- Level 3: Valuation techniques using variables other than observable market data. This level includes all instruments of where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation, these instruments are valued mainly by third parties.

Some equity instruments are measured at historical cost since no market data exists. There were no changes in valuation techniques during the period.

The fair value of a financial instrument is the price that would be received to sell or paid to transfer a particular asset or liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which KAS BANK has access at that date. KAS BANK determines fair value either by reference to quoted market prices or dealer price quotations without adjustment for transaction costs for those financial instruments that are currently traded in an active market. The fair value measurement is based upon the bid price for financial assets and the ask price for financial liabilities. These financial instruments are reported as level 1 in the fair value hierarchy.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

The fair value of financial instruments not quoted in an active market is determined using specific valuation techniques. These valuation techniques are applied using, where possible, relevant market observable inputs (level 2). Valuation techniques include:

- Use of quoted market prices or dealer tickets for similar instruments;
- Estimated future cash flows based on observable yield curves (fair value of interest rate derivatives and unlisted debt instruments);
- Use of forward exchange rates at the balance sheet date (fair value of foreign exchange derivatives).

31 December 2015 ***In thousands of euros***	**Level 1**	**Level 2**	**Level 3**	**Cost**	**Total**
Derivative financial instruments (assets)	45,216	280,323	-	-	325,539
Financial assets designated at fair value	56,659	-	-	-	56,659
Available-for-sale debt instruments	280,491	210,078	266,872	-	757,441
Available-for-sale equity instruments	-	833	1,315	170	2,318
Total financial assets	**382,366**	**491,234**	**268,187**	**170**	**1,141,957**
Derivative financial instruments (liabilities)	45,216	289,077	-	-	334,293
Financial liabilities designated at fair value	60,853	-	-	-	60,853
Total financial liabilities	**106,069**	**289,077**	**-**	**-**	**395,146**

31 December 2014 ***In thousands of euros***	**Level 1**	**Level 2**	**Level 3**	**Cost**	**Total**
Derivative financial instruments (assets)	82,721	256,066	-	-	338,787
Financial assets designated at fair value	169,483	-	-	-	169,483
Available-for-sale debt instruments	638,715	177,989	214,195	-	1,030,899
Available-for-sale equity instruments	-	776	1,232	170	2,178
Total financial assets	**890,919**	**434,831**	**215,427**	**170**	**1,541,347**
Derivative financial instruments (liabilities)	82,721	270,157	-	-	352,878
Financial liabilities designated at fair value	124,304	-	-	-	124,304
Total financial liabilities	**207,025**	**270,157**	**-**	**-**	**477,182**

Reclassifications from level 2

In 2015, unadjusted quoted prices in an active and liquid market for a number of debt instruments formerly classified as level 2 were obtained. As a consequence, assets with a fair value of EUR 24.6 million were transferred from level 2 to level 1 (2014: EUR 82.1 million). Assets (Collateralised Loan Obligations) with a fair value of EUR 40.4 million were transferred from level 2 to level 3, since the value of these instruments is based on unobservable market data.

Reconciliation of fair value at level 3

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

	Financial investments available-for-sale	
In thousands of euros	**31 December 2015**	**31 December 2014**
Position as at 1 January	215,427	1,967
Reclassification to Level 3	40,397	34
Redemptions	-11	-
Purchases of assets	-	200,000
Revaluation recognised in equity during the year	12,301	13,030
Total income and charges		
· Unrealised gains/losses	8	-8
· Fair value movement recognised in the income statement	65	404
Level 3 assets at balance date	**268,187**	**215,427**

The instruments valued by a third party represent a fair value of EUR 266.9 million (2014: EUR 214.3 million). The other investments are based on an internal analysis of the assets and liabilities and represent a fair value of EUR 1.3 million (2014: EUR 1.2 million).

As of 2015, KAS BANK classifies Collateralised Loan Obligations with a fair value of EUR 40.4 million as level 3. The valuation of these instruments is based on broker quotes.

Since mid-2014, KAS BANK invests in a high quality mortgage fund, classified as Financial instruments available-for-sale. The fund has a joint account structure in which the investor has a direct exposure on the underlying mortgages. Around 75% of the mortgages are guaranteed by the Dutch guarantee scheme (*Nationale Hypotheekgarantie*). The fund is long term in nature but given the size of the fund and the prepayment rate an early exit is a likely possibility. Redemptions occur at the prevailing Net Asset Value. Each month the fund manager calculates the Net Asset Value. The calculation is based on the discounted cash flows of the underlying assets (Dutch mortgages). KAS BANK has committed EUR 200 million to the fund in two equal instalments as one of the first investors in the fund. As at 31 December 2015 the fair value of KAS BANK's investment in this mortgage fund amounts EUR 225.2 million (at the end of 2014: EUR 212.9 million). As at 31 December 2015 the total value of this mortgage fund amounts to EUR 5.5 billion (at the end of 2014: EUR 2.0 billion).

A movement of 25 basis points in either direction of the discount rate applied in the calculation of the Net Asset Value results in a change of 2% (December 2014: 2%) of the Net Asset Value of the fund.

Financial instruments for which carrying value approximates fair value
Certain financial assets and liabilities that are not carried at fair value are carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk. These financial assets and liabilities include cash and balances with central banks, due from other banks, loans, reverse repurchase agreements, due to banks, due to customers, and repurchase agreements.

Non-financial assets valued at fair value
Land and buildings are carried at fair value according to the revaluation model, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The carrying amount of the land and buildings (level 3) as of 31 December 2015 was EUR 29.4 million (31 December 2014: EUR 19.2 million). The land and buildings were last revalued as of June 2015 based on an external appraisal.

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.

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	2015	2014
Within one year	4,426	3,860
After one year but within five years	4,066	4,532
After five years	-	-
Balance as at 31 December	**8,492**	**8,392**

The operating lease commitments and long-term rental and maintenance contracts mainly relate to hardware, software, cars and premises. An amount of EUR 7.5 million (2014: EUR 7.4 million) relating to these contracts is included in the income statement as 'General and administrative expenses'.

40. Credit risk

Credit risk is the risk that a counterparty fails to meet contractual or other agreed obligations.
The credit risk arising from loans is in principle related to facilitate settlement and clearing activities and covered by collateral. Loans are based on applicable internal credit limits and prudent haircuts apply.

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

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

KAS BANK uses as much as possible external information such as credit rating, credit default curves to asses credit risks. If such information is not available or deemed not sufficient an internal rating system for monitoring credit risks on counterparties is used. The internal ratings are reassessed periodically, depending on the risk classification and developments on the markets or at client's activities. The rating system is based on an analysis of the financial position of the client and also on the operational and business risks associated with the client's activities. The internal ratings are an important factor for setting limits and determining the level of margin required in respect of security transactions. Other factors include regulatory requirements, e.g. the Large Exposure regime.

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

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

Exposure based on collateral
Exposure related to settlement and clearing facilities is always covered by collateral with a pledge on the securities and cash account for KAS BANK. Client withdrawal of the facilities is in accordance with a policy as established by the Credit Management Group and approved by the Enterprise Risk Management Committee. A basic requirement is that advance conditions only apply to securities matching KAS BANK's low risk profile.

Exposure based on internal limits

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

Exposures relating to treasury activities

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

Securities borrowing and lending

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

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

In thousands of euros	2015	2014
Banks	7,337,855	8,549,822
Other parties	408,126	336,657
Receivables in respect of securities lending	**7,745,981**	**8,886,479**
Securities	8,290,988	9,491,043
Cash	27,380	39,131
Collateral received	**8,318,368**	**9,530,174**
Banks	15,787	32,342
Other parties	7,389,204	8,150,230
Liabilities in respect of securities lending	**7,404,991**	**8,182,572**
Borrowers' repledged securities	6,861,391	8,003,671
Reverse repurchase agreements	546,727	484,497
Financial investments available-for-sale	315,060	519,131
Collateral paid	**7,723,178**	**9,007,299**

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

(Reverse) Repurchase transactions

KAS BANK sells securities under agreements to repurchase (‘repos’) and purchases securities under agreements to resell (‘reverse repos’). The securities lent or sold under agreements to repurchase are transferred to a third party and the bank receives cash or other financial assets in exchange. The counterparty is allowed to sell or repledge those securities lent or sold under repurchase agreements in the absence of default by the bank, but has an obligation to return the securities at the maturity of the contract.

KAS BANK has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, KAS BANK recognises a financial liability for cash received as collateral. Similarly KAS BANK may sell or repledge any securities borrowed or purchased under agreements to resell, but has an obligation to return the securities and the counterparty retains substantially all the risks and rewards of ownership. Consequently the securities are not recognised by the bank, which instead records a separate asset for the cash collateral given.

In thousands of euros	December 2015	December 2014
Reverse repurchase agreements	1,091,034	1,476,994
Repurchase agreements	-240	-135,056
Net	**1,090,794**	**1,341,938**
Government bonds	588,581	707,477
GC Pooling - non ECB-eligible bond portfolio	-	90,000
GC Pooling - ECB eligible bond portfolio	500,000	539,944
Total collateral	**1,088,581**	**1,337,421**
Exposure	**2,213**	**4,517**

Exposures in money market instruments and derivatives

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

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

Own securities portfolios

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

The following table shows the credit rating (based on S&P) of the investment and designated fair value portfolios:

In thousands of euros	Financial assets designated at fair value	Financial investments available-for-sale	Total
2015			
Government / government-guaranteed	56,659	37,336	**93,995**
Other AAA - AA-	-	245,042	**245,042**
Total AAA - AA-	56,659	282,378	**339,037**
A+ - A-	-	145,972	**145,972**
BBB+ - BBB-	-	53,502	**53,502**
BB+ - BB-	-	46,390	**46,390**
< BB-	-	3,966	**3,966**
Mortgage fund	-	225,233	**225,233**
Shares	-	2,318	**2,318**
Total	**56,659**	**759,759**	**816,418**
2014			
Government / government-guaranteed	169,483	218,104	**387,587**
Other AAA - AA-	-	439,234	**439,234**
Total AAA - AA-	169,483	657,338	**826,821**
A+ - A-	-	62,403	**62,403**
BBB+ - BBB-	-	10,519	**10,519**
BB+ - BB-	-	73,724	**73,724**
< BB-	-	13,886	**13,886**
Mortgage fund	-	213,030	**213,030**
Shares	-	2,177	**2,177**
Total	**169,483**	**1,033,077**	**1,202,560**

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

Maximum credit risk

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

Provisions and impairments

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

In thousands of euros	Cash and balance with central banks	Due from banks and loans	Reverse repurchase agreements	Derivative financial instruments	Financial assets designated at fair value	Financial investments available-for-sale
31 December 2015						
Carrying amount	798,754	979,319	1,091,034	325,539	56,659	759,759
Assets not impaired, not past due	798,754	976,819	1,091,034	325,539	56,659	752,841
Individually impaired assets (gross carrying amount)	-	20,195	-	-	-	6,918
Accumulated impairment	-	17,695	-	-	-	8,284
31 December 2014						
Carrying amount	120,846	1,220,403	1,476,994	338,787	169,483	1,033,077
Assets not impaired, not past due	120,846	1,220,403	1,476,994	338,787	169,483	1,025,686
Individually impaired assets (gross carrying amount)	-	22,230	-	-	-	7,391
Accumulated impairment	-	22,230	-	-	-	8,161

In 2015 and 2014 KAS BANK did not utilise pledged collateral and has no assets that were past due. In both years received collateral mitigated credit risks, even without collateral we expect no additional impairments. In 2015, a reversal of an impairment of EUR 4.4 million (2014: EUR 3.5 million) of a perpetual is recognised.

As a response to the public statement of the European Securities and Markets Authority (ESMA) related to forbearance practices issued on 20 December 2012, KAS BANK has developed a forbearance policy, including renegotiated terms, for clients experiencing financial difficulties and who consequently are unable to meet the original terms and conditions of the contract. In 2015 and 2014, KAS BANK did not provide forbearance measures to clients.

Financial assets and liabilities subject to offsetting and enforcable master netting arrangements

Offsetting financial assets and financial liabilities as at 31 December 2015 *In thousands of euros*	Gross amounts	Amounts that are set off	Net amounts in the balance sheet	Related amounts not set off in balance sheet*	Net amounts
Financial assets					
Due from banks	418,009	-	**418,009**	5,886	412,123
Loans	906,114	344,804	**561,310**	423,558	137,752
Reverse repurchase agreement	1,091,034	-	**1,091,034**	1,088,581	2,453
Derivative financial instruments	325,539	-	**325,539**	256,679	68,860
	2,740,696	**344,804**	**2,395,892**	**1,774,704**	**621,188**
Equity and liabilities					
Due to banks	270,121	-	**270,121**	-	270,121
Due to customers	3,524,950	344,804	**3,180,146**	-	3,180,146
Repurchase agreement	240	-	**240**	-	240
Derivative financial instruments	334,293	-	**334,293**	249,884	84,409
	4,129,604	**344,804**	**3,784,800**	**249,884**	**3,534,916**

Offsetting financial assets and financial liabilities as at 31 December 2014 *In thousands of euros*	Gross amounts	Amounts that are set off	Net amounts in the balance sheet	Related amounts not set off in balance sheet*	Net amounts
Financial assets					
Due from banks	661,588	-	**661,588**	19,582	642,006
Loans	1,083,967	525,152	**558,815**	314,083	244,732
Reverse repurchase agreement	1,476,994	-	**1,476,994**	1,476,277	717
Derivative financial instruments	338,787	-	**338,787**	217,497	121,290
	3,561,336	**525,152**	**3,036,184**	**2,027,439**	**1,008,745**
Equity and liabilities					
Due to banks	338,155	-	**338,155**	-	338,155
Due to customers	3,766,929	525,152	**3,241,777**	-	3,241,777
Repurchase agreement	135,056	-	**135,056**	137,258	-2,202
Derivative financial instruments	352,878	-	**352,878**	244,288	108,590
	4,593,018	**525,152**	**4,067,866**	**381,546**	**3,686,320**

**Related amounts which cannot be set off in the balance sheet are amounts which are part of International Swaps and Derivatives Association (ISDA) netting arrangements. The related amounts are reported on the asset side and the liability side of the balance sheet as the ISDA agreements do not meet all requirements for offsetting in IAS32.*

Concentration risk

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

Measures to mitigate this concentration risk are:

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

Financial sector concentration risk

In thousands of euros	Central government	Financial Institutions	Institutional Investors	Other	Total
Concentration by segment 2015					
Cash and balances with central banks	798,754	-	-	-	**798,754**
Due from banks	-	154,438	263,571	-	**418,009**
Loans	-	-	514,842	46,468	**561,310**
Reverse repurchase agreements	-	591,034	500,000	-	**1,091,034**
Derivative financial instruments (assets)	-	143,124	180,093	2,322	**325,539**
Financial assets designated at fair value	56,659	-	-	-	**56,659**
Financial investments available-for-sale	10,753	748,005	-	1,001	**759,759**
	866,166	**1,636,601**	**1,458,506**	**49,791**	**4,011,064**
Concentration by segment 2014					
Cash and balances with central banks	120,846	-	-	-	**120,846**
Due from banks	-	661,588	-	-	**661,588**
Loans	-	17	517,944	40,854	**558,815**
Reverse repurchase agreements	-	709,679	767,315	-	**1,476,994**
Derivative financial instruments (assets)	-	207,798	129,405	1,584	**338,787**
Financial assets designated at fair value	169,483	-	-	-	**169,483**
Financial investments available-for-sale	114,014	919,063	-	-	**1,033,077**
	404,343	**2,498,145**	**1,414,664**	**42,438**	**4,359,590**

In thousands of euros	The Netherlands	Rest of European Union	Other	Total
Concentration by region 2015				
Cash and balances with central banks	798,752	2	-	**798,754**
Due to banks	246,056	62,098	109,855	**418,009**
Loans	531,237	589	29,484	**561,310**
Reverse repurchase agreements	86,804	1,004,230	-	**1,091,034**
Derivative financial instruments (assets)	238,858	52,271	34,410	**325,539**
Financial assets designated at fair value	-	56,659	-	**56,659**
Financial investments available-for-sale	146,529	598,313	14,917	**759,759**
	2,048,236	**1,774,162**	**188,666**	**4,011,064**
Concentration by region 2014				
Cash and balances with central banks	120,846	-	-	**120,846**
Due from banks	159,031	362,618	139,939	**661,588**
Loans	508,277	6,899	43,639	**558,815**
Reverse repurchase agreements	-	1,476,994	-	**1,476,994**
Derivative financial instruments (assets)	231,143	107,635	9	**338,787**
Financial assets designated at fair value	169,483	-	-	**169,483**
Financial investments available-for-sale	465,761	552,124	15,192	**1,033,077**
	1,654,541	**2,506,270**	**198,779**	**4,359,590**

41. Market risk

General

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

Managing market risk

KAS BANK’s policy is designed to maintain a conservative approach to the exposure to market risks. The bank’s Enterprise Risk Management Committee has adopted procedures and guidelines and set limits with regard to market risks.
The Asset & Liability Committee and the Enterprise 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 Enterprise 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 Enterprise 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 portfolio of KAS BANK. This portfolio includes positions in central governments and financial institutions. If the calculated VaR exceeds this signal value, the breach will be discussed within the Asset & Liability Committee. The Asset & Liability Committee will decide what action to take in cases when the VaR shows a level above EUR 7 million. The Risk Management department monitors the VaR for the own security portfolios and submits a monthly report of the latest figures to the Asset & Liability Committee.

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 VaR-figures in millions of euros.

In millions of euros		31 December	Highest	Lowest	Average
VaR total	2015	2.7	4.9	2.4	3.5
VaR total	2014	2.5	4.9	1.4	3.0
VaR trading	2015	0.5	1.5	0.5	1.2
VaR trading	2014	0.3	0.9	0.3	0.7

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

Currency risk

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

31 December 2015 *In thousands of euros*	Assets	Liabilities	Net	Derivative financial instruments	Remaining exposure
USD	274,563	546,677	**-272,114**	266,246	**-5,868**
GBP	102,048	267,023	**-164,975**	164,819	**-156**
CHF	65,658	17,306	**48,352**	-48,352	**-**
SEK	3,577	11,477	**-7,900**	7,902	**2**
JPY	4,536	11,856	**-7,320**	7,375	**55**
AUD	1,512	15,875	**-14,363**	14,358	**-5**
CAD	5,342	8,270	**-2,928**	2,390	**-538**
Other	37,913	43,408	**-5,495**	5,551	**56**
Total	**495,149**	**921,892**	**-426,743**	**420,289**	

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

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 Enterprise 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 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 1% (2014: 25% 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 7% (2014: 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 2% decrease of equity (2014: 9% decrease), while a sudden decrease of 200 basis points in the market rate of interest probably results in an decrease of 2% of equity (2014: 0% increase).

42. Liquidity risk

General

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

Managing liquidity risk

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

In 2015 KAS BANK has submitted and discussed its Internal Liquidity Adequacy Assessment Process report to the Dutch Central Bank, which covers further liquidity measures in more detail. All stress events have been reviewed and updated where necessary to reflect current market conditions.

The Asset & Liability Committee advises the Enterprise 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 Asset & Liability Committee. A daily overview of the liquidity position is distributed broadly to relevant management within the bank.

The Capital Requirements Regulation introduced two new liquidity ratios to measure the level of liquidity: the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The LCR, which came onto force starting October 2015 by the Delegated Act, requires sufficient liquid assets to cover the net outgoing cash flow for thirty days. The objective of the NSFR is to ensure that banks fund their assets more with stable medium and long-term sources. These ratios are monitored in the Asset & Liability Committee.

Taking into account evolving regulatory proposals and requirements on liquidity and negative interest charged, KAS BANK had access to sufficient liquidity throughout the year. The liquidity surplus is considered sufficient to cover the day-to-day events. The permanent high level was due to the stable character of the liquidity with a highly operational relation, the maintenance of the level of funds entrusted and the deliberate liquidity policy.

Due to the significant capital restrictions related to the liquidation process of KAS Investment Servicing GmbH the liquidity position of EUR 17.2 million is also restricted. Completion of the liquidation is expected in 2016.

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

Maturity calendar as at 31 December 2015 ***In thousands of euros***	**Direct**	**<= 3 months**	**<= 1 year**	**<= 5 year**	**> 5 year**	**Non-maturity**	**Total**
Assets							
Cash and balances with central banks	798.754	-	-	-	-	-	798.754
Due from banks	384.211	33.798	-	-	-	-	418.009
Loans	532.411	10.970	-	11.965	5.964	-	561.310
Reverse repurchase agreements	-	1.091.034	-	-	-	-	1.091.034
Financial assets designated at fair value	-	-	-	-	56.659	-	56.659
Financial investments available-for-sale	-	13.436	104.317	158.457	481.231	2.318	759.759
	1.715.376	1.149.238	104.317	170.422	543.854	2.318	3.685.525
Equity and liabilities							
Due to banks	265.076	5.045	-	-	-	-	270.121
Due to customers	3.038.980	141.166	-	-	-	-	3.180.146
Repurchase agreements	240	-	-	-	-	-	240
Financial liabilities designated at fair value	-	-	-	-	60.853	-	60.853
	3.304.296	146.211	-	-	60.853	-	3.511.360
Derivative financial instruments							
Foreign exchange contracts							
· Incoming cash flow	-	8.379.078	252.487	-	-	-	8.631.565
· Outgoing cash flow	-	-8.379.296	-252.704	-	-	-	-8.632.000
Interest contracts							
· Incoming cash flow	-	17.759	4.573	85.869	524.886	-	633.086
· Outgoing cash flow	-	-21.873	-6.554	-95.945	-532.568	-	-656.940
	-	-4.332	-2.198	-10.076	-7.683	-	-24.289
Contingent positions							
Liquidity surplus/(deficit)	-34.765	-	-	-	-	-	-34.765
Liquidity surplus/(deficit)	**-1.623.685**	**998.695**	**102.119**	**160.346**	**475.318**	**2.318**	**115.112**

Liquidity maturity calendar as at 31 December 2015 ***In thousands of euros***	**Direct**	**<= 3 months**	**<= 1 year**	**<= 5 year**	**> 5 year**	**Non-maturity**	**Total**
Liabilities (undiscounted cash flows)							
Due to banks	265,076	5,045	-	-	-	-	270,121
Due to customers	3,038,980	141,166	-	-	-	-	3,180,146
Repuchase agreements	240	-	-	-	-	-	240
Financial liabilties at fair value	-	-	1,875	7,500	51,875	-	61,250
Current tax liabilities	-	-	-	1,947	-	-	1,947
Other liabilities	-	37,526	-	-	-	-	37,526
Deferred tax liabilities	-	-	-	8,325	-	-	8,325
Estimated contractual interest cash flows	-	4,114	1,981	10,076	7,683	-	23,854
Total liabilities (excluding derivatives, including estimated contractual interest rate cash flows)	**3,304,296**	**187,851**	**3,856**	**27,848**	**59,558**	**-**	**3,583,409**

Maturity calendar as at 31 December 2014 ***In thousands of euros***	**Direct**	**<= 3 months**	**<= 1 year**	**<= 5 year**	**> 5 year**	**Non-maturity**	**Total**
Assets							
Cash and balances with central banks	120,846	-	-	-	-	-	120,846
Due from banks	638,910	22,678	-	-	-	-	661,588
Loans	475,057	15,747	-	61,965	6,046	-	558,815
Reverse repurchase agreements	-	1,336,994	140,000	-	-	-	1,476,994
Financial assets designated at fair value	-	-	-	48,879	120,604	-	169,483
Financial investments available-for-sale	-	10,250	221,108	331,997	467,545	2,177	1,033,077
	1,234,813	1,385,669	361,108	442,841	594,195	2,177	4,020,803
Equity and liabilities							
Due to banks	332,097	6,058	-	-	-	-	338,155
Due to customers	3,052,270	189,507	-	-	-	-	3,241,777
Repurchase agreements	-	135,056	-	-	-	-	135,056
Financial liabilities designated at fair value	-	-	-	-	124,304	-	124,304
	3,384,367	330,621	-	-	124,304	-	3,839,292
Derivative financial instruments							
Foreign exchange contracts							
· Incoming cash flow	-	5,594,693	193,554	-	-	-	5,788,247
· Outgoing cash flow	-	-5,581,466	-193,895	-	-	-	-5,775,361
Interest contracts							
· Incoming cash flow	-	5,031	12,052	62,969	491,040	-	571,093
· Outgoing cash flow	-	-8,193	-20,289	-82,158	-492,411	-	-603,052
	-	10,065	-8,578	-19,190	-1,371	-	-19,074
Contingent positions							
Liquidity surplus/(deficit)	-48,163	-	-	-	-	-	-48,163
Liquidity surplus/(deficit)	**-2,197,717**	**1,065,113**	**352,530**	**423,651**	**468,520**	**2,177**	**114,274**

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

43. Capital management

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

CRR/CRD IV regulatory capital

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

- Pillar 1 describes the capital adequacy requirements for three risk types; credit risk, market risk and operational risk;
- Pillar 2 describes the additional Supervisory Review and Evaluation Process, where regulators analyse the Internal Capital Adequacy Assessment Process and the Internal Liquidity Adequacy Assessment Process of the individual banks; and
- In Pillar 3 the required risk reporting standards are displayed, supporting additional market discipline in the international capital markets.

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

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

CRR/CRD IV also prescribes regular reporting on KAS BANK's capital ratios. The starting point for the risk-based ratio is KAS BANK's equity attributable to shareholders, from which regulatory adjustments are deducted. In accordance with CRR/CRD IV, the net result of 2015 is not reported in Common Equity Tier 1 as at 31 December 2015. The regulatory adjustments, and the unrealised gains and losses measured at fair value are applied gradually.

The following table displays the composition of regulatory capital (CRR/CRD IV).

Capital (phased-in) ***In thousands of euros***	**31 December 2015**	**31 December 2014**
Share capital	15,699	15,699
Share premium	21,569	21,569
Treasury shares	-22,444	-22,740
Eligible reserves	171,869	164,758
Regulatory adjustments	-2,358	-492
Common Equity Tier 1	**184,336**	**178,794**

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

Capital (fully phased-in) ***In thousands of euros***	**31 December 2015**	**31 December 2014**
Share capital	15,699	15,699
Share premium	21,569	21,569
Treasury shares	-22,444	-22,740
Eligible reserves	179,419	175,532
Regulatory adjustments	-3,589	-2,461
Common Equity Tier 1	**190,654**	**187,599**

For regulatory purposes the restriction of the distribution of equity of KAS Investment Servicing GmbH has no impact on total capital (see note 32).

44. Segment information

KAS BANK's products and services primarily focus on the four core segments: pension funds, insurance companies, investment funds and wealth management. Another important activity within KAS BANK is Treasury. KAS BANK does not report assets and liabilities on a segment level to the Managing Board. This segmentation overview reflects the structure of the internal management information provided to the Managing Board.

Operating segmentation

2015 ***In millions of euros***	**Core segments**	**Treasury**	**Other**	**Total**
Interest income and expenses[1]	15.3	11.9	1.8	29.0
Commission income and expense:				
- Asset Servicing	34.5	-	0.7	35.2
- Transaction Servicing	19.2	-	4.3	23.5
- Treasury	7.3	6.0	0.2	13.5
Result on financial transactions and trading income	10.9	7.9	0.1	18.9
Other income	-	-	1.1	1.1
Total income	87.2	25.8	8.2	121.2
Operating expenses (direct)	-30.7	-2.0	-4.9	-37.6
Contribution	56.5	23.8	3.3	83.6
Operating expenses (other)			-63.0	-63.0
Result for the period before tax				**20.6**

2014 ***In millions of euros***	**Core segments**	**Treasury**	**Other**	**Total**
Interest income and expenses[1]	14.0	8.0	3.4	25.4
Commission income and expense:				
- Asset Servicing	28.8	-	1.9	30.7
- Transaction Servicing	17.4	-	5.8	23.2
- Treasury	10.0	1.0	0.4	11.4
Result on financial transactions and trading income	8.0	-	3.7	11.7
Other income	-	-	21.8	21.8
Total income	78.2	9.0	37.0	124.2
Operating expenses (direct)	-26.7	-1.4	-6.8	-34.9
Contribution	51.5	7.6	30.2	89.3
Operating expenses (other)			-56.5	-56.5
Result for the period before tax				**32.8**

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

Geographical segmentation

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

Geographical segmentation of income ***In millions of euros***	**2015**	**2014**
Netherlands	110.7	111.3
United Kingdom	6.0	7.5
Germany	2.5	3.4
Belgium	2.0	2.0
Total	**121.2**	**124.2**

In 2015 and 2014, all property, equipment and intangle assets were allocated to the Netherlands.

Country by country reporting *In millions of euros*	**Operating income**	**Operating result before tax**	**Tax expense**
2015			
Netherlands	110.7	21.0	4.8
United Kingdom	6.0	-	-
Germany	2.5	-2.4	-
Belgium	2.0	2.0	0.5
Total	**121.2**	**20.6**	**5.3**
2014			
Netherlands	111.3	35.7	8.1
United Kingdom	7.5	-	-
Germany	3.4	-4.9	-
Belgium	2.0	2.0	0.4
Total	**124.2**	**32.8**	**8.5**

Note 8 presents the allocation of FTEs to the applicable countries. In 2015 and 2014, KAS BANK has not received any government grants.

Concentration of income

The 25 largest clients of KAS BANK account for 37% (2014: 35%) of the total revenue. None of these clients (2014: none) account for more than 10% of the total revenue.

45. Related parties

KAS BANK identifies the members of the Managing Board (see note 46), the members of the Supervisory Board (see note 48), the company pension fund Stichting Pensioenfonds van de KAS BANK (see note 31) and the associate Neonet as related parties (see note 23). Except for the transactions mentioned in these notes, there are no other significant related party transactions in 2015 and 2014.

46. Remuneration of the Managing Board

The table below presents the remuneration of the Managing Board.

Remuneration of the Managing Board *In thousands of euros*	**Base salary**	**Pension costs**	**Other payments**	**Total remuneration in cash**	**Shares**	**Total remuneration**
2015						
Sikko van Katwijk	296	20	117	433	92	525
Jaap Witteveen	292	16	53	361	45	406
Albert Röell	390	22	293	705	124	829
Kris Wulteputte	161	10	27	198	-82	116
Total	**1,139**	**68**	**490**	**1,697**	**179**	**1,876**
2014						
Albert Röell	390	109	18	517	40	557
Kris Wulteputte	285	64	12	361	30	391
Sikko van Katwijk	285	71	48	404	29	433
Jaap Witteveen (as from 1 September 2014)	95	19	3	117	6	123
Total	**1,055**	**263**	**81**	**1,398**	**105**	**1,503**

On 30 April 2015 Kris Wulteputte stepped down as Chief Financial & Risk Officer of the Managing Board and his employment ended on 26 July 2015. On 9 September 2015 Albert Röell stepped down as chairman of the Managing Board and – according to his labour agreement - his employment should end on 31 December 2015. The Supervisory Board agreed with an earlier termination of his contract (on 31 October 2015) and with continuing his base salary (including (compensation of) pension costs) and variable remuneration till 31 December 2015.

Base salary

Till October 2015, the base salary for the chairman was EUR 390,000 gross per year and for the other members of the Managing Board EUR 285,000 gross per year. As of 1 November 2015, the base salary for the new chairman (Sikko van Katwijk) was set at EUR 350,000 gross per year and for the other member (Jaap Witteveen) at EUR 325,000 gross per year.

Pension costs

The pension plan of the Managing Board is a defined contribution plan. In 2015 the Dutch fiscal framework (Witteveen framework) changed and as a result of that the maximum salary in the Managing Board's defined contribution plan was capped at EUR 100,000. To compensate the impact of this adjustment, the members of the Managing Board will receive 'pension compensation'. This annual compensation is a percentage of their base salary minus the cap of EUR 100,000 and is subject to income tax. This compensation is presented in the table above as part of 'Other payments'.

Other payments

This item comprises the abovementioned pension compensation, the contribution to mortgage costs and the lease expenses. Due to his step-down in 2015, Albert Röell received a compensation for accrued entitlements.

Shares

The amount included in the column 'shares' in the table above relates to the value of the share-based payments as recognised in the income statement. The Supervisory Board determined the variable remuneration based on the performance over the year 2015 on EUR 151,043 (2014: EUR 69,165) (see Note 47). The shares granted to Kris Wulteputte that were not yet vested are forfeited, resulting in an adjustment of the expenses in the income statement.

Depositary receipts

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

Number of shares	2015	2014
Sikko van Katwijk	3,397	5,865
Jaap Witteveen	191	-

Loans

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

Claw back

In 2015 and 2014 KAS BANK has not clawed back remuneration of the Managing Board.

47. Share-based payments

Share and option plans

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

Identified staff

The variable remuneration for the identified staff is based on the achievement of individual and company targets and cannot exceed 20% of the annual base salary. The remuneration is paid half in shares and half in cash in case the individual variable remuneration for identified staff exceeds an amount of a monthly base salary or EUR 10,000. If the variable remuneration does not exceed both criteria the amount will be fully paid in cash at once. The first vesting will be 60% of the granted shares and the granted cash and thereafter a three-year pro rata deferral period is applicable. After the vesting period, a retention period of one year is applicable. The identified staff may sell shares vested in order to comply with tax obligations in respect of these shares. Variable remuneration may be reclaimed if it has been paid on the basis of incorrect information regarding the achievements or the circumstances on which the remuneration depends.

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

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

In March 2015 the variable remuneration for individual identified staff did not exceed the criteria of an amount higher than a monthly salary or EUR 10,000, therefore no shares were granted related to the variable remuneration in 2014.

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

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

- The long-term component is fully paid in shares. The number of shares vested is based on the three equally weighted benchmarks. These benchmarks are the Total Shareholder Return (TSR), the relative performance to the AScX and the TSR performance relative to the Stoxx Europe 600 Banks Index. Achievement of target performance is rewarded by the payment of long-term remuneration amounting to 25% of the base salary. The long-term variable remuneration is subject to a maximum of 50% of base salary.
- The short-term variable remuneration was paid half in shares and half in cash. The shares are granted conditionally, based on a decision of the Supervisory Board, with a vesting period of three years. After the vesting period, a lock up period of two years is applicable.

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

Shares Managing Board				
Grant date	February 2015[1]	February 2015[2]	April 2013	January 2013
Fair value at grant date (in euros)	10.16	11.00	4.74	5.32
Share price at grant date (in euros)	11.64	11.64	7.56	8.84
Vesting period	1-4 years	1-4 years	1-4 years	3 years
Vesting condition	No conditions	No conditions	No conditions	Performance
Retention period after vesting	2 years	2 years	2 years	2 years
Expected dividend yield	5.5%	5.5%	8.5%	7.2%
Risk-free interest rate	0.5%	0.5%	1.9%	2.1%

1 Related to the variable remuneration of 2015.

2 Related to the variable remuneration of 2014.

The shares granted in January 2013 relate to the long-term component of the former variable remuneration plan. The Supervisory Board assessed the performance over the 3-year period and determined the unconditional number of shares. In 2015, the shares related to the long-term variable remuneration 2011-2013 were partially vested. The Supervisory Board determined the Managing Board's long-term variable remuneration 2011-2013, based on the performance against the three criteria, at 133% (in total: EUR 248,136) of base salary. The Managing Board's variable remuneration in euros is converted at a price of EUR 8.84 to 28,070 shares (Sikko van Katwijk: 10,720; Albert Röell: 14,670; and a former member of the Managing Board: 2,680; Kris Wulteputte: nil). The shares will be vested in 2016 (60%) and in a three-year pro rata deferral period (40%). The vested shares will be presented in the table with outstanding shares in 2016.

The shares granted in April 2013 relate to the short-term component of the former variable remuneration plan. There are no performance vesting conditions applicable to the shares granted. The shares granted in February 2015 relate to the variable remuneration for the Managing Board.

The variable remuneration for 2015, 'at target' performance (16% of base salary), was conditionally granted to the members of the Managing Board at the beginning of the period. The Supervisory Board determined the Managing Board's variable remuneration, based on the performance against the three criteria, at 15.5% (in total: EUR 151,043) of base salary. The Managing Board's variable remuneration in euros is converted at a price of EUR 11.40 to 13,250 shares (Sikko van Katwijk: 4,010; Jaap Witteveen: 3,954; Albert Röell: 5,287; Kris Wulteputte: nil). As of 2015, this price is based on the Volume Weighted Average Price of KAS BANK's shares over the five trading days after the presentation of the annual figures 2014 (19 February 2015 – 23 February 2015). The shares will be vested in 2016 (60%) and in a three-year pro rata deferral period (40%). The vested shares will be presented in the table with outstanding shares in 2016.

In the tables below Albert Röell and Kris Wulteputte are recognised as former Managing Board members in the 2015 figures.

Fair value of shares granted

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

In thousands of euros	2015	2014
Share payments Managing Board	108,946	-
Share payments former Managing Board members	145,389	-
Total	**254,335**	**-**

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	2015	2014
Share payments Managing Board	137	105
Share payments former Managing Board members	57	-1
Share payments Identified staff	11	21
Total	**205**	**125**

Outstanding shares

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

	Grant date	Outstanding as at 31/12/2014	Granted	Vested	Forfeited	Outstanding as at 31/12/2015	Status
Managing Board							
Sikko van Katwijk	January 2012	8,502	-	2,280	4,702	1,520	Vested
	April 2012	465	-	465	-	-	Vested
	January 2013	8,060	-	-	-	8,060	Not yet vested
	April 2013	2,368	-	1,184	-	1,184	Not yet vested
	February 2015	-	1,886	1,132	-	754	Not yet vested
	February 2015	-	4,000	-	-	4,000	Not yet vested
Jaap Witteveen	February 2015	-	629	377	-	252	Not yet vested
	February 2015	-	4,000	-	-	4,000	Not yet vested
Former Managing	January 2012	20,138	-	4,071	8,393	7,674	Vested
	April 2012	3,136	-	3,136	-	-	Vested
	January 2013	19,090	-	-	-	19,090	Not yet vested
	April 2013	6,710	-	3,355	-	3,355	Not yet vested
	February 2015	-	4,466	2,680	-	1,786	Not yet vested
	February 2015	-	9,474	-	4,000	5,474	Not yet vested
Identified Staff	March 2012	1,012	-	1,012	-	-	Vested
	March 2013	2,285	-	1,143	-	1,142	Not yet vested
Total		**71,766**	**24,455**	**20,835**	**17,095**	**58,291**	

Outstanding options

As from 2010 and 2012, options are no longer part of the remuneration of the Managing Board respectively other staff. Below the outstanding options as per 31 December 2015, all granted options are vested. At expiration date the Volume Weighted Average Price of KAS BANK's shares over the previous 30 trading days is calculated. If the Volume Weighted Average Price is higher than the exercise price the excess amount will be paid in cash to the holders of the options.

	Expiry date	Exercise price in euros	Outstanding as at 31/12/2014	Excersised	Expired	Outstanding as at 31/12/2015	Status
Managing Board							
Sikko van Katwijk	January 2017	9.90	14,580			14,580	Vested
Former Managing Board members	March 2015	13.55	4,000		4,000	-	Vested
	January 2016	25.00	10,035			10,035	Vested
	March 2016	11.82	2,667			2,667	Vested
	January 2017	9.90	150,177			150,177	Vested
	March 2017	13.55	4,000			4,000	Vested
	March 2018	11.82	3,333			3,333	Vested
Other staff	March 2015	26.00	131,589		131,589	-	Vested
	March 2016	8.31	3,766	2,000		1,766	Vested
	March 2015	13.55	56,270		56,270	-	Vested
	March 2017	13.55	23,500			23,500	Vested
	March 2016	11.82	25,241			25,241	Vested
	March 2018	11.82	53,980	1,150	4,265	48,565	Vested
Total			**483,138**	**3,150**	**196,124**	**283,864**	

The volume weighted average share price at the date of exercise was EUR 9.59 (2014: EUR 10.38).

48. 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	2015	2014
Peter Borgdorff (as from 19 November 2014)	55	11
Jean Frijns	41	50
Pauline Bieringa	41	39
Petri Hofsté (as from 19 November 2014)	46	10
Ron Icke	46	46
Robbert van der Meer	46	48
Rolf Smit (until 24 April 2014)	-	18
Total	**275**	**222**

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

49. Independent auditor's fee

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

In thousands of euros	PwC Accountants	Other PwC network	Total PwC network
2015			
Audit of the financial statements	240	-	240
Other audit assignments	194	-	194
Tax fees	-	49	49
Other non-audit assignments	-	-	-
Total	**434**	**49**	**483**
2014			
Audit of the financial statements	307	-	307
Other audit assignments	20	-	20
Tax fees	-	32	32
Other non-audit assignments	-	34	34
Total	**327**	**66**	**393**

COMPANY

FINANCIAL STATEMENTS 2015

In thousands of euros	2015	2014
INCOME		
Interest income	44,457	42,871
Interest expense	15,465	17,427
Net interest result	28,992	25,444
Commission income	82,765	76,737
Commission expense	14,239	14,453
Net commission result	68,526	62,284
Results of subsidiaries	1,610	-809
Net trading income	16,071	9,321
Result from financial transactions	2,921	2,864
Share of result of associates and joint ventures	-	-754
Other income	639	20,687
Total operating income	**118,759**	**119,037**
EXPENSES		
Personnel expenses	68,065	54,105
General and administrative expenses	30,274	27,352
Depreciation and amortisation	2,909	3,430
Total operating expenses	**101,248**	**84,887**
Impairment losses (recovery)	-2,715	1,416
Resolution levy and contribution to resolution funds	975	1,127
Total expenses	**99,508**	**87,430**
Result before tax	**19,251**	**31,607**
Tax expense	3,983	7,347
Net result	**15,268**	**24,260**

In thousands of euros	2015	2014
Net result	**15,268**	**24,260**
Share of other comprehensive income of the company		
Items that will be reclassified subsequently to profit or loss		
Gains and losses on financial investments available-for-sale	5,953	9,716
Gains and losses on financial investments available-for-sale recognised in the income statement	-3,424	-2,576
Items that will be reclassified subsequently to profit or loss before tax	**2,529**	**7,140**
Income tax relating to items that will be reclassified to profit or loss	-632	-1,631
Items that will be reclassified subsequently to profit or loss after tax	**1,897**	**5,509**
Items that will not be reclassified subsequently to profit or loss		
Revaluation on land and buildings	-	-
Actuarial gains and losses on pensions	-820	-52,597
Items that will not be reclassified subsequently to profit or loss before tax	**-820**	**-52,597**
Income tax relating to items that will not be reclassified to profit or loss	208	13,149
Items that will not be reclassified subsequently to profit or loss after tax	**-612**	**-39,448**
Share of other comprehensive income of subsidiaries		
Items that will not be reclassified subsequently to profit or loss		
Revaluation on land and buildings	10,794	-15
Income tax relating to items that will not be reclassified to profit or loss	-2,698	-
Items that will not be reclassified subsequently to profit or loss after tax	**8,096**	**-15**
Net total other comprehensive income	**9,381**	**-33,954**
Net total comprehensive income	**24,649**	**-9,694**

In thousands of euros	31 December 2015	31 December 2014
Assets		
Cash and balances with central banks	798,754	120,846
Due from banks	418,414	661,451
Loans	571,115	563,264
Reverse repurchase agreements	1,091,034	1,476,994
Derivative financial instruments	325,539	338,787
Financial assets designated at fair value	56,659	169,483
Financial investments available-for-sale	759,759	1,033,077
of which pledged as collateral	*315,060*	*519,131*
Investments in associates and joint ventures	-	-
Current tax assets	2,630	3,287
Other assets	46,354	23,009
Participating interest in group companies	95,221	85,880
Property and equipment	3,239	3,508
Goodwill and intangible assets	2,736	3,031
Deferred tax assets	7,497	6,759
Total assets	**4,178,951**	**4,489,376**
Equity and liabilities		
Due to banks	270,121	338,155
Due to customers	3,259,947	3,312,747
Repurchase agreements	240	135,056
Derivative financial instruments	334,293	352,878
Fiancial liabilities designated at fair value	60,853	124,304
Current tax liabilities	1,070	-
Other liabilities	38,637	28,410
Deferred tax liabilities	4,276	3,589
Total liabilities	**3,969,437**	**4,295,139**
Share capital	15,699	15,699
Share premium	21,569	21,569
Treasury shares	-22,444	-22,740
Revaluation reserve	24,733	14,740
Statutory reserve	1,960	941
Other reserves (including profit for the period)	167,997	164,028
Total equity attributable to KAS BANK shareholders	**209,514**	**194,237**
Total equity and liabilities	**4,178,951**	**4,489,376**
Contingent liabilities	20,665	20,703
Irrevocable facilities	14,100	14,100

In thousands of euros	Issued capital	Treasury shares	Share premium	Revaluation reserve	Statutory reserve	Other reserves (incl. profit for the period)	Total equity
Balance as at 1 January 2014	**15,699**	**-23,612**	**21,569**	**9,246**	**2,276**	**187,905**	**213,083**
Comprehensive income	-	-	-	5,494	-	-15,188	**-9,694**
Dividend 2013	-	-	-	-	-	-4,551	**-4,551**
Interim dividend	-	-	-	-	-	-4,844	**-4,844**
Purchase/sale of treasury shares	-	872	-	-	-	-872	**-**
Share-based payments	-	-	-	-	-	125	**125**
Other movements	-	-	-	-	-1,335	1,453	**118**
Balance as at 31 December 2014	**15,699**	**-22,740**	**21,569**	**14,740**	**941**	**164,028**	**194,237**
Comprehensive income	-	-	-	9,993	-	14,656	**24,649**
Dividend 2014	-	-	-	-	-	-4,565	**-4,565**
Interim dividend 2015	-	-	-	-	-	-4,864	**-4,864**
Purchase/sale of treasury shares	-	296	-	-	-	-296	**-**
Share-based payments	-	-	-	-	-	205	**205**
Other movements	-	-	-	-	1,019	-1,167	**-148**
Balance as at 31 December 2015	**15,699**	**-22,444**	**21,569**	**24,733**	**1,960**	**167,997**	**209,514**

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*	**2015**	**2014**
Position as at 1 January	85,880	86,478
Result for the year	1,610	-809
Adjustment previous years	-	-33
Revaluation	7,969	-
Divestments	-116	-
Other	-122	244
Position as at 31 December	**95,221**	**85,880**

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

Statutory reserve

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

Guarantees

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

Notes to the company financial statements

The company financial statements do not include all information and disclosures and should therefore be read in conjunction with the consolidated financial statements of KAS BANK in this annual report.

Amsterdam, 24 February 2016

The Managing Board

Sikko van Katwijk, chairman

Mark Stoffels, Chief Financial & Risk Officer (as of 1 February 2016)

Jaap Witteveen

The Supervisory Board

Peter Borgdorff, chairman

Jean Frijns, vice-chairman

Pauline Bieringa

Petri Hofsté

Ron Icke

Robert van der Meer

16. Appropriation of the result for 2015

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 2015 result:

Appropriation of the result according to the consolidated income statement for 2015 ***In thousands of euros***	
Result for the period	15,268
Interim dividend	-4,864
Proposed final dividend	-4,569
Proposed addition to other reserves	**5,835**

In 2015, an interim dividend of EUR 4.9 million (EUR 0.33 per share) was paid.

Subsequent events

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

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

Report on the financial statements 2015

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of KAS BANK N.V. as at 31 December 2015 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying company financial statements give a true and fair view of the financial position of KAS BANK N.V. as at 31 December 2015 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2015 of KAS BANK N.V., Amsterdam ('the company'). The financial statements include the consolidated financial statements of KAS BANK N.V. and its subsidiaries (together: 'the Group') and the company financial statements.
The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2015;
- the following statements for 2015: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2015;
- the company income statement for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

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

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.
We are independent of KAS BANK N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview and context

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the managing board made subjective judgments, for

example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the managing board that may represent a risk of material misstatement due to fraud.
In our audit we considered the areas that are relevant in the audit of a bank. Since KAS BANK's business activities, client base and investment portfolio remained relatively stable the areas that are relevant for our audit remained the same as compared to prior year. On this basis we focussed on the main activities of the bank which comprise of the asset servicing and transaction servicing activities, treasury, risk management and the IT environment. We ensured that the audit team included the appropriate skills and competences which are needed for the audit of such operations. We therefore included valuation experts, IT specialists, pension experts, share-based payments experts and tax specialists in our audit team.

<table>
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<td>
</td>
<td>Materiality
Overall materiality: €1,028,000, which represents 5% of profit before tax.

Audit scope
Since the accounting for all entities in the group is performed at KAS BANK N.V., the group audit team performed all audit work.

Key audit matters
- Valuation of investments available for sale
- Valuation of derivative financial instruments
- Hedge accounting
- Retirement benefit plans</td>
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Materiality
The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibility for the audit of the financial statements'.
We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.
Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	€ 1,028,000 (2014: € 660,000). In prior year's audit we adjusted our materiality level for non-recurring items which is not applicable for our 2015 audit. Compared to last year our materiality level increased due to the increased profits of the company over 2015.
How we determined it	5% of profit before tax.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that profit before tax is an important metric for the financial performance of the company.

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

We agreed with the supervisory board that we would report to them misstatements identified during our audit above € 51,400 (2014: €33,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

KAS BANK N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of KAS BANK N.V.

For KAS BANK N.V. and the entities in the group the audit team performed all audit work since the accounting is performed at KAS BANK N.V. at the group level and therefore no use was made of other auditors. In doing so, the audit team selected group entities and specific balances within the group for which an audit or review of financial information was considered necessary. Due to this integrated approach, most of the consolidated financial statement line items and transactions were in scope of our audit.

By performing the procedures above, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

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

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context. Compared to prior year our key audit matters remained unchanged since KAS BANK's business activities, client base and investment portfolio remained stable as compared to prior year.

Key audit matter		**How our audit addressed the matter**
Valuation of investments available for sale See page 60 of the accounting policies, note 21 "financial instruments available for sale" and note 36 "fair value of financial assets and financial liabilities" Investments available for sale are comprised of a portfolio of debt and equity investments. These instruments are measured at fair value with the corresponding fair value change recognised in other comprehensive income. The valuation is performed by the company using a fair value hierarchy:		Our audit procedures comprised, amongst others of an assessment of the methodology and the appropriateness of the valuation models and inputs used to value investments available for sale. Further, we used our internal valuation specialists to assess the valuation of all individual investments available for sale, and to assess whether the valuations performed by the company were within a pre-defined tolerable differences threshold. As part of these audit procedures we assessed the accuracy of key inputs used in the valuation such as the

- Level 1 are valuations based on quoted prices (unadjusted) in active markets. - Level 2 are valuations based on other than quoted prices included within level 1, that are observable either directly or indirectly. - Level 3 are valuations based on unobservable inputs for the asset. The valuation of investments is inherently subjective - most predominantly for the level 2 and level 3 investments since these are valued using inputs other than quoted prices in an active market. Key inputs used in the valuation of individual level 2 and level 3 investments are expected cash flows, risk free rates and credit spreads. In addition, the company determines whether objective evidence of impairment exists for individual investments. In these cases, the difference between amortised cost and fair value is transferred from other comprehensive income to the income statement. Given the inherent subjectivity in the valuation of level 2 and level 3 investments available for sale, we determined this to be a significant item for our audit. The level 2 and level 3 investments amount to € 210,911,000 and € 268,187,000 respectively as at 31 December 2015.	expected cash flows, risk free rates and credit spreads by benchmarking them with external data. We also evaluated the company’s assessment whether objective evidence of impairment exists for individual investments. Finally, we assessed the completeness and accuracy of the disclosures relating to investments to assess compliance with disclosure requirements included in EU-IFRS.
Key audit matter *Valuation of derivative financial instruments* See page 60 of the accounting policies, note 19 "derivative financial instruments" and note 36 "fair value of financial assets and financial liabilities” The company enters into derivative financial instruments to hedge its own interest rate risk as well as on behalf of its clients. Derivative financial instruments for own hedging purposes comprise of interest rate swaps and amount to € 3,321,000 (assets) and € 13,326,000 (liabilities) as at 31 December 2015. Derivative financial instruments entered into on behalf of clients comprised of interest rate swaps, swaptions, exchange traded futures, exchange traded options and forward foreign exchange contracts and amounted to € 332,218,000 (assets) and € 320,967,000 (liabilities) as at 31 December 2015. Most of the client	**How our audit addressed the matter** Our audit procedures comprised of an assessment of the methodology and the appropriateness of the valuation models used to value derivative financial instruments. Further, we used our internal valuation specialists to assess the valuation of a sample of each type of derivative financial instruments to assess whether the valuations performed by the company were within a pre-defined tolerable differences threshold. As part of these audit procedures we assessed the accuracy of key inputs used in the valuations such as contractual cash flows, risk free rates, interest rate volatility, swap rates, interest spot rates, implied forward rates and quoted prices from market data providers, by benchmarking them with external data. Also, we placed reliance on internal controls over the valuation process, including internal controls in

derivatives are individually hedged by the company, and as a result, the remaining net exposure is therefore limited for the company. All derivative financial instruments are measured at fair value. The fair value of interest rate swaps is calculated using a discounted cash flow model in which the contractual cash flows are discounted using a risk free rate as these derivative financial instruments are collateralised. For swaptions an option pricing model is used considering market based inputs such as interest rate volatility, swap rates and interest spot rates. Forward foreign exchange contracts are valued using an implied forward rate and discounted using a risk free rate. Exchange traded options and futures are valued using quoted prices from recognised market data providers. Given the subjectivity in the valuation of derivative financial instruments we determined this to be a significant item for our audit.	place at external service providers. Finally, we considered the completeness and accuracy of the disclosures related to derivative financial instruments to assess compliance with disclosure requirements included in EU-IFRS.
Key audit matter *Hedge accounting* See page 61 of the accounting policies, and note 19 "Derivative financial instruments" The company enters into interest rate swaps to hedge the interest rate risk in its portfolio of fixed rate debt investments. For accounting purposes the company applies fair value hedge accounting. In order to apply fair value hedge accounting, the company has to comply with a number of strict requirements in EU-IFRS, including: • Documenting the hedge relation in formal hedge documentation; • Perform prospective and retrospective (quantitative) effectiveness testing and • Record any resulting ineffectiveness in the income statement. Given the technical requirements that are applicable to the application of hedge accounting and that incorrect application of these requirements can lead to a material effect on the income statement, we determined this a significant items for our audit. For the year ended 31 December 2015 the company recorded a net hedge accounting ineffectiveness of € 84,202 (loss).	**How our audit addressed the matter** In our audit we have tested, on a sample basis, whether the hedge documentation meets the requirements of EU-IFRS to assess whether both the fixed rate debt instrument and interest rate swap are eligible for hedge accounting. Furthermore, we have considered the prospective and retrospective effectiveness testing to assess whether the hedge relationships are effective and that the hedge effectiveness has been calculated accurately. Furthermore, we have reconciled the outcome of the retrospective effectiveness testing resulting in the hedge adjustment to the financial statements. Finally, we considered the completeness and accuracy of the disclosures relating to derivative financial instruments to assess compliance with disclosure requirements included in EU-IFRS.

Key audit matter	How our audit addressed the matter
Retirement benefit plans See page 65 of the accounting policies, note 31 "retirement benefit plan" The company has pension schemes for its employees in the Netherlands, Germany and the United Kingdom. The majority of the pension assets and obligations relate to the Dutch pension scheme. During 2015 the Dutch pension scheme was a defined benefit plan, whereby the pension plan obligation is calculated on an annual basis by an actuary, through discounting pension plan commitments at the rate equivalent to the yield on high quality corporate bonds based on the currency and term of the benefit obligations. Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income. Key actuarial parameters used in the calculation of the pension plan obligation are the discount rate, inflation rate and the expected future indexation rate. As of 1 January 2016 the Dutch pension scheme changed to a defined contribution plan. As a result, the pension plan obligation amounts to € 0 as of 31 December 2015. Given the subjectivity and sensitivity of the key parameters used in the pension plan calculations and the determination whether the Dutch pension scheme meets the requirements of a defined contribution plan as from 1 January 2016, we considered this to be a significant item for our audit.	At the end of 2015 the Dutch pension scheme changed from a defined benefit plan to a defined contribution plan. We have assessed the pension plan amendments, execution agreement, and communication to members, to determine if the new plan can be classified as a defined contribution plan in accordance with IFRS. Since the pension scheme changed at the end of 2015 actuarial calculations needed to be made for which we in our audit we have involved our internal actuarial specialist to assess the reasonableness of the actuarial assumptions and calculations performed by the company's actuary. In doing so, we have challenged the key actuarial assumptions (the discount rate, inflation rate and indexation rate) used in the calculation of the pension plan obligation by comparing them against external market data and the company's historical demographic developments. We considered the completeness and accuracy of the disclosures relating to pension plans to assess compliance with disclosure requirements included in EU-IFRS.

Responsibilities of the managing board and the supervisory board

The managing board is responsible for:

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

As part of the preparation of the financial statements, the managing board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the managing board should prepare the financial statements using the going concern basis of accounting unless the managing board either intends to liquidate the company or to cease operations, or has no realistic alternative

but to do so. The managing board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.
The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

Report on other legal and regulatory requirements

Our report on the report of the managing board and the other information

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

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

Our appointment

We were appointed as auditors of KAS BANK N.V. on 22 April 2015 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 22 April 2015 and has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 2 years.

Rotterdam, 29 February 2016

PricewaterhouseCoopers Accountants N.V.

drs. S. Barendregt-Roojers RA

Appendix to our auditor's report on the financial statements 2015 of KAS BANK N.V.

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

The auditor's responsibilities for the audit of the financial statements

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the managing board.
- Concluding on the appropriateness of the managing board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

AIFMD	Alternative Investment Fund Managers Directive
AScX	Amsterdam Smallcap Index
ALCO	Asset & Liability Committee
BCM	Business continuity management
BRRD	Bank Resolution and Recovery Directive
CCP	Central Counterparty
CFA	Chartered Financial Analyst
CFRO	Chief Financial & Risk Officer
CIA	Confidentially, Integrity and Availability
COBIT	Control Objectives for Information and related Technology
CRD	Capital Requirement Directive
CRR	Capital Requirement Regulation
CSA	Credit Support Annex
DNB	De Nederlandsche Bank (Dutch Central Bank)
ECB	European Central Bank
EMIR	European Market Infrastructure Regulation
ERMC	Enterprise Risk Management Committee
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
EU	European Union
FSB	Financial Stability Board
FTE	Full-time equivalents
FTK	Financieel Toetsingskader (Financial assessment framework)
GRC	Governance, Risk and Compliance
GRI	Global Reporting Initiative
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ISAE	International Standard on Assurance Engagement
ISDA	International Swaps and Derivatives Association
ITIL	Information Technology Infrastructure Library
KAG	Kapitalanlage Gesellschaft
KAS BANK	KAS BANK N.V.
KPI	Key Performance Indicator
LCR	Liquidity coverage ratio
NSFR	Net stable funding ratio
OTC	Over-the-counter
PVBP	Price Value of a Basis Point
PwC	PricewaterhouseCoopers Accountants N.V.
RMBS	Residential mortgage-backed security
S&P	Standard & Poor’s Rating Services
SREP	Supervisory Review & Evaluation Process
SSM	Single Supervisory Mechanism
STP	Straight-through processing
TI-NL	Transparancy International Netherlands
TSR	Total Shareholder Return

UN PRI	United Nations Principles for Responsible Investment
VaR	Value at Risk

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Take wise decisions

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