KAS BANK N.V.
Annual Report 2019

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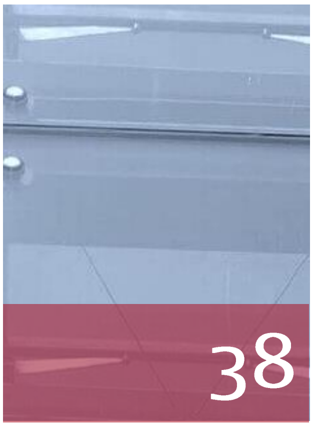

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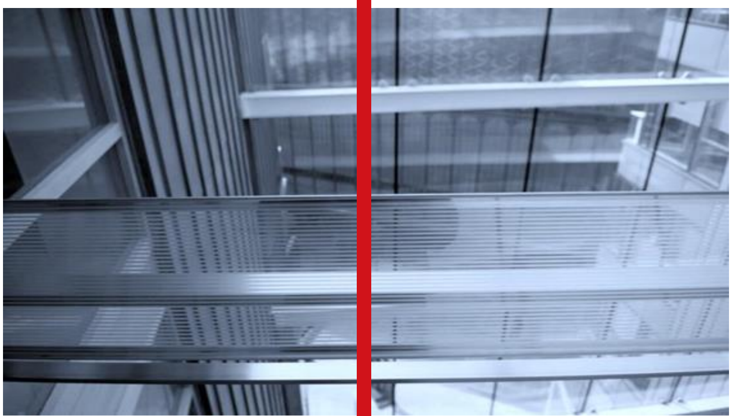

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KAS BANK at a glance

	2019	2018
ASSETS UNDER CUSTODY	196 Mds €	197 Mds €
ASSETS RELATED TO AIFMD	24 Mds €	24 Mds €
ASSETS RELATED TO INVESTMENT ACCOUNTING	142 Mds €	167 Mds €
TOTAL OPERATING INCOME	82.5 Million €	100.1 Million €
AVERAGE STAFF MEMBERS	426 FTE	448 FTE
CLIENT SATISFACTION RATE	7.6	7.4

Who we are and what we do

KAS BANK is a specialist bank in the field of custody and administration services for professional investors in the Netherlands, United Kingdom and Germany. To keep our customers' assets safe for now and in the future: we maintain a low risk profile. KAS BANK operates under the trade name of CACEIS Investor Services.

KAS BANK part of CACEIS

As of 27 September 2019, KAS BANK became part of CACEIS Bank ("CACEIS"). Currently, CACEIS holds 97.4% of the issued and outstanding shares and has initiated squeeze-out procedure in order to obtain 100% of the shares of KAS BANK. The last trading day of KAS BANK securities on Euronext Amsterdam was on 4 November 2019.

CACEIS is the asset servicing banking group of Crédit Agricole Group. Specializing in post-trade functions related to administration and monitoring of all asset classes. With a solid IT infrastructure, they provide execution, clearing, custody, depositary and asset valuation services in markets worldwide to assist institutional and corporate customers. As a specialist in operational process outsourcing, CACEIS creates an environment that enables its customers to effectively meet their business development objectives.

With assets under custody of EUR 3.9 trillion (31 December 2019) and assets under administration of EUR 2.1 trillion (31 December 2019), CACEIS is a European leader in asset servicing and one of the major players worldwide.

Solid & Innovative

We embrace CACEIS' slogan 'Solid and Innovative'. CACEIS's slogan is build and strengthened by four pillars. These four pillars are closely linked to our core values: committed, connected end competent.

Leadership

CACEIS is a market leader in European asset servicing and ranks among the premier companies worldwide. With extensive experience in asset servicing,

Solidity

CACEIS has delivered strong and sustainable financials since its creation. Our shareholder grants us the independence to define the most effective strategy to bring support to our customers' needs.

Expertise

CACEIS has the business agility to give customers a first-starter advantage in today's changing regulatory environment. And by handling customers' non-core functions in an effective and efficient manner, it helps them focus on generating investor value.

Innovation

With a strong focus on innovation, CACEIS works continuously to improve its products and solutions in particular by continuing the digitalization of our services. The group invests heavily in IT-systems and market-leading software, recruits quality staff and provides training to ensure their continued professional development.

We strongly believe that by living up our values, we create a culture that is beneficial. Not only to our employees and organization, but also to the way we partner with our customers and strengthen our position in society.

Our employees

We have more than 400 employees working every day in the interest of our customers and society. Our specialized employees are the core of our company. Their quality and expertise are crucial to our success. We create a culture in which continuous improvement (learning organization), flexibility, transparency and risk awareness are the norm.

Our customers

Our customers are pension funds, insurance companies, investment companies, banks, wealth managers, brokers, family offices and charities. They all have a fiduciary responsibility for a collective asset base, owned by their customers: over 5 million pensioners, policy holders, investors and bank customers. KAS BANK ensures their assets remain safe, valued and reported accurately and on time.

We primarily operate within the European wholesale markets, based in the Netherlands, the United Kingdom and Germany as home markets.

Customer services

In our business model, we see a shift from more traditional banking services towards more administrative and added value services. Our customers use our asset services. These comprise of the traditional custodian services (safekeeping and corporate events) and the more added value services such as fund accounting, NAV-calculation, portfolio-valuation, (regulatory) reporting and monitoring.

Our customers also use our transactional services, such as clearing, settlement and order execution.

Furthermore, we have customers that use our treasury services, mainly in combination with transaction services and/or asset services. Within our offering of treasury activities, we provide our customers with overlay services, balance sheet and liquidity management, currency trading and securities borrowing- and lending.

Professional securities services

Our administration platform enables us to offer our customers services that are focused on providing accurate information about performance, risk, compliance, costs and other key information relating to their investments.

Message from the Chairman

In 2018, we initiated a review of our business, where we evaluated the available strategic options. We concluded that the long-time value of our business was better served with a strategic partner to support and enhance our strategic transformation. A strategic partner that will provide our operations with access to critical size in terms of a bigger balance sheet and a scalable custody base. This way we feel our customers, employees and shareholders are best served going forward. The review resulted in a clear preference for one party that over the years had demonstrated an interest in our business: CACEIS.

With this text I opened my 2018 statement. A lot has happened since. After an intensive period, the change of ownership of KAS BANK to CACEIS happened on 27th of September 2019. Shortly after this date we have commenced the integration process, which will result in the transformation of KAS BANK into the Dutch Branch of CACEIS group.

After the announcement of the anticipated merger in February, we started a joined effort to design the integration. As from May 2019 over 120 people have worked on this. This resulted in a detailed integration plan that could be activated directly after the change of ownership. Since then we have rebranded into CACEIS and ended our listing on Euronext. Furthermore, the composition of our Supervisory Board has been changed to reflect the new ownership. We also started the approval process with our regulator, the Dutch Central Bank, to merge KAS BANK with CACEIS.

Customer and market reactions have been very positive. The feedback we get is that the trust we sell through our custodian services is now also supported by the financial solidity that is expected. Since the announcement we have been invited to more Requests of Proposal and we notice a renewed market interest in our services. We are also training our staff to sell the new services we have acquired being part of the CACEIS group, with an immediate focus on administration services for alternative investments like private equity, real estate and infrastructure.

Our integration plan was prepared during the bid-period, this allowed us to start the integration efforts immediately after the change of ownership. This has resulted in many IT-projects, in order to offer equal service levels to our Dutch customers, using (new) CACEIS systems. In the integration process we have decided to first pursue the legal merger and migrate our customers once this process is finished and we are the Dutch Branch of CACEIS. Benefits of this approach are that we avoid repapering of contracts with our customers and have more time to automate the identified service gaps.

In our conversations with the regulator, we were positively surprised by their positive assessment of the transaction and the handling of it, as well with their remarks related to the efforts that we have put into upgrading our risk and control environment in the past few years, resulting in a mature level that will continue to form a solid basis for our business going forward.

Although this will be my final chairman's statement on behalf of KAS BANK, I look forward to a bright and prosperous future for all our staff and customers. Being part of CACEIS and Crédit Agricole means we can continue fulfilling our service mission for our existing customers and more.

Amsterdam, 16 March 2020

Sikko van Katwijk
Chairman Managing Board

Our Shares

Now that the offer has been completed, we will delist from Euronext Amsterdam after 33 years. Our last trading date was on 4 November 20129. We are now owned by one of the largest dedicated asset servicers in Europe

Part of CACEIS

On 27 September 2019 KAS BANK became part of CACEIS. KAS BANK is operating under the trade name CACEIS Investor Services as of 23 November 2019. KAS BANK will become the branch of CACEIS in the Netherlands and is expected to merge with CACEIS Bank during 2020.

Unconditional offer

On 23 September 2019 we announced that 95.3% of the KAS BANK issued and outstanding shares, excluding any treasury shares, have been committed to CACEIS. All offer conditions have been satisfied or waived. The settlement of tendered shares took place on 27 September 2019.

During the post acceptance period, that expired on 8 October 2019, 261,198 shares have been tendered under the offer, representing approximately 1.8% of the aggregate issued and outstanding share capital of KAS BANK on a fully diluted basis. The settlement of the shares tendered during the post acceptance period took place on 11 October 2019. Including the 14,088,162 shares already held by CACEIS following the earlier settlement, a total of 14,349,360 shares, representing 97.1% of the issued and outstanding share capital of KAS BANK on a fully diluted basis, were acquired by CACEIS.

After the post acceptance period the number of tendered shares increased to 97.4% of the issued and outstanding share capital of KAS BANK. As per 31 December 2019 KAS BANK cancelled the treasury shares (916,363) and preference shares (25) as a result of which the issued and outstanding share capital decreased with 916,388 to 14,782,654 (was 15,699,042). CACEIS has initiated the statutory squeeze-out procedure in an expeditious manner in order to obtain 100% of the shares.

The last trading date of the shares on Euronext Amsterdam was on 4 November 2019 and listing and trading of the shares were terminated as of 5 November 2019.

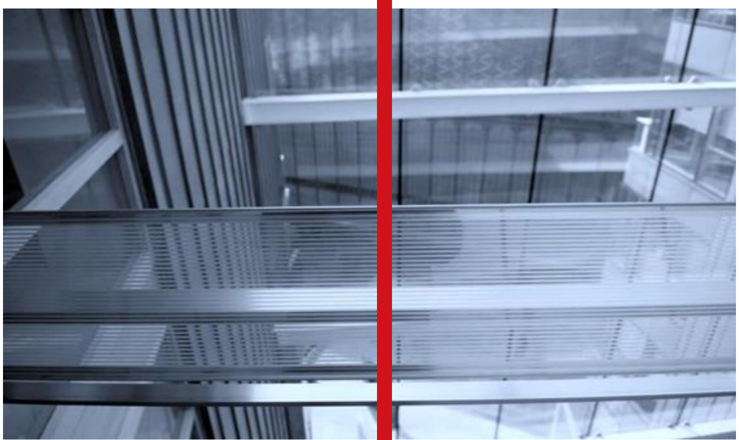
Share price

Up to the delisting our share price fluctuated around EUR 12.60 per share, approximately EUR 0.15 below the offer price of EUR 12.75. From 25 February 2019 daily trading volumes in our shares fluctuate strongly, the average daily trading volume in this period was about 37.000 shares.

Dividend

In view of CACEIS' public offer for KAS BANK no dividend was paid out in 2019.

Strategy



- Be part of a market leader
- Pensions Centre of Excellence

Be part of a market leader

KAS BANK and CACEIS are complementary. We are both involved in the same activities, but in different markets, targeting the institutional investor and financial institution segments and focusing on the development of new technologies and digital processes. With CACEIS being a market leader in asset servicing that ranks among the premier companies worldwide, we embrace their strategy and slogan: "Solid & Innovative".

We are in the unique position of having a singular focus on providing securities services and governance reporting solutions to pension schemes. Our long-standing experience in this market implies that we have a deep understanding of the challenges of the several pension schemes, of all shapes and sizes, face in today's more complex environment.

Both CACEIS and KAS BANK, put customers at the centre of everything. Every action and every decision we make is taken for the benefit of customers to meet their current and evolving needs. We understand that each customer has a unique set of needs and outcomes. This Think Client approach is practiced across all areas of KAS BANK. It is a commitment to deliver service excellence.

We have gained a high level of industry recognition for our reporting solutions to pension funds that are designed to promote strong governance – such as performance and risk reports to help trustees make informed decisions. Compliance monitoring also lies at the heart of our governance solutions.

CACEIS identified the Netherlands as a market with great potential. The acquisition of KAS BANK immediately gives CACEIS a good position in this market. We will add knowledge to the CACEIS group in the field of pension fund accounting and reporting, in which we have a wealth of experience.

caceis
INVESTOR SERVICES

Solid & Innovative

Pensions Center of Excellence

KAS BANK core focus centres on the pension sector. Our longstanding experience in this market implies that we have a deep understanding of the challenges of the several pension schemes, of all shapes and sizes, face in today's more complex environment. We understand that each customer has a unique set of needs and outcomes. KAS BANK therefore becomes one of the global centres of excellence of the CACEIS group.

CACEIS has confirmed its pan European ambition with the acquisition of KAS BANK, strengthening its position in the Netherlands which will support its customers' international business development strategy. The financial strength of CACEIS reinforces guarantees for custody and depositary services being provided to the pension industry.

CACEIS' Pensions Centre of Excellence will provide a one-stop shop for the European Pension Fund Industry offering fully internally-sourced front-to-back functionality and support services.

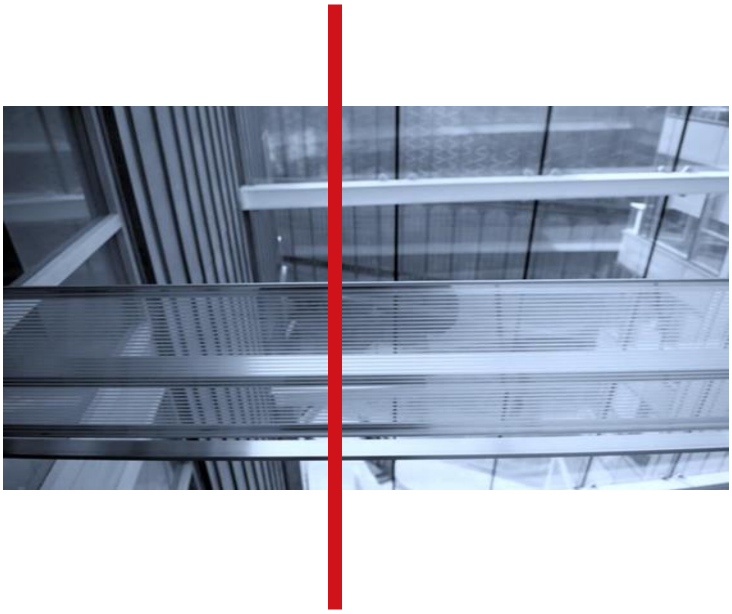
Through this Centre of Excellence, CACEIS will offer full Front Office functionality (portfolio construction using assets and liabilities, portfolio management, order management, risk and performance analysis) as a hosted solution, seamlessly integrated with the investment administration. Added value pension solutions will include risk reporting, risk advisory to the investment committee and currency overlay.

The Centre of Excellence encompasses reconciliation with custodians, clearing members and counterparts. Furthermore, it ensures that the pension set up is compliant with applicable regulatory reporting.

With the Pensions Centre of Excellence, the pension fund community benefits from a fully integrated set of services offered by a specialized team with the knowledge and experience to understand the development priorities and servicing needs of each individual customer.

CACEIS' global scope and in-depth understanding of the shifting pensions regulations and domestic practices across major European markets, enables pension industry players to benefit from the dedicated support of a leading European player, allowing them to focus on their core business of managing pension fund assets and liabilities.

Our business environment



- Our Markets
- Dutch Market
- German Market
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- Our Sustainability
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Our Markets

KAS BANK specializes in providing custodian and fund administration services to institutional investors and financial institutions. We view the market from the perspective of our customers – tailor-made services and complete transparency are paramount in helping them meet their business objectives.

We are a European specialist for custody, securities administration, and high-quality risk- and reporting services. Our focus lies in securities services for professional investors from the pensions and securities industry.

Our home markets are the Netherlands, United Kingdom and Germany. We successfully serve our customers in more than 90 markets across the globe, with over 400 specialists available to provide the very best support.

We aim to excel in back-office support for all our customers. We offer modern, reliable, safe and customer-centric custody; accounting, reporting- and data services. We provide our customers with the safety of a traditional custodian through technology-driven, digital solutions that enable our customers to remain in control of their fiduciary responsibilities.

Dutch Market

The Dutch market is one of the leading investors markets in the world. There are well over 200 pension funds with a combined asset base of over EUR 1.5 trillion next to a large banking and insurance sector. Combined assets are in the region of EUR 2 trillion. The Dutch end-investors invest in all possible asset classes and across the globe. The market is advanced and demanding form an asset service provider perspective.

Pension Industry

The Dutch pension market has grown to over EUR 1.5 trillion. Low interest rates have resulted in relatively low funding levels. In Q3 2019 over 50% of all the pension funds had a coverage ratio of 105% or less. This puts pressure on the sector who will have to manage risk/return in a prudent way. Future investment returns are key for the sector. Risk management can be considered advanced and we see a growing need for Risk Management solutions. Our Risk Solutions team helps dozens of pension fund managing and monitoring their Risk exposures.

The sector has consolidated to just over 200 pension funds. We expect that this consolidation will continue in 2020 to 180 pension funds or less. Larger funds can be considered more demanding and typically have a more advanced and diversified investment portfolio.
Cost awareness and transparency are still considered to be important. Besides that, we notice a growing interest in ESG and alternative investments. We have developed a range of tools for pension funds to monitor their (implicit and explicit) costs and /or transparency.

KAS BANK has retained its position as the leading provider in terms of the number of pension funds its services. Because of the takeover of KAS BANK by CACEIS we are able to service the largest pension funds not only in the Netherlands, but also in Germany, Spain, Swiss, UK, France, Belgium, Ireland, Luxembourg and Italy by offering our Centre of Excellence for Pensions solution.

Insurance Companies

The insurance sector is the second largest market segment KAS BANK services in The Netherlands. It is well diversified and has some large, as well as, a broad range of specialized insurance companies. Our strategy is built on offering a combination of more traditional securities servicing and investment accounting & reporting services. Solvency II, increased regulation and stricter oversight requirements have changed market requirements.

Our combined service offering, tailored to the Dutch market, has given us a leading position in the number of insurance companies we service.

Asset Management

We service a broad range of asset management companies. This ranges from private banks, independent wealth managers to (multi-)family offices. KAS BANK is still growing fast in this market segment. Not only by the solutions we offer, but also our Dutch footprint and DNA is very important for our customers. Nevertheless, we notice that this sector is also consolidating. Capital is rapidly accumulated and requires to be professionally managed.

The reporting and banking requirements of family offices are on the rise. The search for return has opened a range of new (alternative) asset classes which must be serviced. This is one of the more exciting growth areas we currently operate in. Margins are relatively attractive and there is ample room to differentiate. As a result of the takeover of KAS BANK by CACEIS we can offer, in this particular area, even more solutions than we did in the past.

Sourcing

It 2019 we started building our sourcing offering proposition, which is now, incorporated in the Centre of Excellence for Pensions. With partnering up with CACEIS we have redefined our ambition from being the leading Dutch third party administration (TPA) provider in the Netherlands to that of Europe. KAS BANK has a unique partnership with SimCorp which enables us to provide asset management companies with a complete front- to back or even modular solutions. This “state of the art” Dimension set-up will offer our customers the flexibility they are looking for. Front (supported by SimCorp), middle- and back-office tasks will be handled by an expert team with a broad European asset management experience and knowledge in Amsterdam.

Our results and successes in 2019

First, the takeover of KAS BANK by CACEIS in 2019, then rebranding and now the customer migration to our new platforms in Amsterdam and Paris. During all the changes we worked day and night to keep the customers satisfy. The takeover gives us in 2020 a lot of new sales opportunities.

As a result of the takeover we have now a stronger balance sheet, more solutions, more buying power, new services and more power to innovate. We stay a Dutch company and servicing our Dutch customers from Amsterdam and maintain our Dutch DNA.

In 2019 we have participated in some large RFP's and we have won new mandates across all segments, like Invest-NL.

Looking at our pipeline for 2020 we consider it as a year full of new sales opportunities, together and with the help of our new shareholder CACEIS.

We have invested consistently in customer driven solutions. We have built a new SimCorp Dimension platform for our sourcing solutions, but we have also the opportunities to offer new solutions to our customers like for example PERES (Private Equity, Real Estate, Securitization Services) and we will execute our strategy in 2020 by gaining large new customers.

We will continue investing in customer driven solutions. Our customer's satisfaction improvement program has resulted in an improvement of our customer satisfaction score to 7.6, but there is still room for improvement.

Customer feedback is and remains welcomed, as it continues to encourage and inspire us to improve our services. We therefore invite all our customers to participate again in next year's Customer Service Review.

"We strive as a team for a long-term partnership, and an easy access to our senior management. By listening to our customers carefully, we understand our customers' needs and we adapt our business to a changing environment."

Rinke Visser, Managing Director Demand

German Market

The German office of KAS BANK is in the heart of Frankfurt am Main. As an EU passported branch of KAS BANK we are a local German bank fully licensed and subject to German law. The diverse local team consists of Dutch and German employees focusing on servicing institutional investors from the pension industry.

Our market

Two years after the introduction of the biggest pension reform since decades – The "Betriebsrentenstärkungsgesetz" -, the big change in the German pensions market is still to happen. The two-year-old law geared towards boosting occupational pension in Germany is not yet getting out of its toddler stage. We can see first structures being implemented with social partners, but the big break through is still to happen. The envisaged structure resembles in many ways the established Dutch system, with an even stronger focus on Defined Contribution structures bundled with a ban on guarantees. The potential for these funded pension structures is immense. Only approximately 13% of the German GDP is in funded occupational pensions systems, compared to more than 180% of the GDP in the Netherlands.

We are well positioned as the pension market in the Netherlands is seen by the German pension industry as the leading and role-model market in Europe. Trends and services that will become relevant for the German market in the next 2-5 years are often already standard in the Netherlands today. This allows for an easier transfer of services and a strong first mover advantage. This also helps us in reaching our goal to become an acknowledged pensions expert in the German market and a trusted pensions specialist.

Our culture

We have created a cost-efficient organization suitable to the size of our branch, to be well equipped to grow the local franchise further. The flat hierarchy established underlines our approach of being flexible and pragmatic in the eyes of the customers. The combination of Dutch and German team members

working hand in hand for our customers makes us "clearly different".

Our goals

We continue to strictly follow our goal to become "the leading specialist for German pension assets". Success proves us right that this focus allows for unique differentiation in the market and deepens our footprint in the pension industry.

Our successes

We are looking back at a very successful 2019, where assets under administration have grown by more than 70% and several new pension related mandates could be onboarded.

By strictly adhering to our pension strategy, market participants value our expert opinion on developments in the German pension market.

The Pension-Akademie e.V. underlines this engagement and continues to attract new members. Our conferences and roundtables are regularly attended by more than 100 Pension experts. The Pensions-Akademie has also initiated the first "Deutscher ESG Pensions Award" for institutional pension investors in 2019.

Our outlook for 2020

2020 will need to show that the pension reform moves to the next stage and triggers the envisaged boost in the occupational pension landscape. We continue to be at the heart of these discussions and are confident to win new mandates in a continuously changing pensions environment.

Being part of CACEIS offers ample opportunities! Our recognized pensions expertise is a perfect fit for the growing franchise in Germany. Being part of CACEIS will allow us to extend our product range and will give us access to a much larger target market within the pensions industry.

The strategic goal to be the unique pensions specialist remains unchanged and is key to our German pension strategy. We will continue with our ambition to be the recognized and trusted adviser who thinks about and understands the needs of our customers. The challenge remains to successfully transfer these needs into solutions that add value for the customers. This will lead to many growth opportunities for the German Franchise and the newly established Pensions Centre of Excellence in Amsterdam.

"The German pension industry is in constant change and as a trusted expert, we are at the heart of this change. Being part of CACEIS Group offers a whole range of new opportunities and allows for product and target market extension"

Frank Vogel, Managing Director Germany

United Kingdom

KAS BANK, which is now owned by CACEIS, rapidly became known as an innovative specialist in the UK market during 2019, delivering unique and valuable solutions to its customers. We have the ambition to become "the governance partner of choice for UK pension funds", and we have made good progress over the last year. Our pension professionals in the UK bring deep industry knowledge, placing customers at the centre of everything we do, with a commitment to delivering the highest standards.

Our activities

The key objective of the UK branch is to ensure our customers have access to local specialists, who have a deep understanding of their challenges and can support them with their specific requirements. Our principal focus is on delivering a high-quality service to our UK customers, helping them to meet their short and long-term goals. We understand that each customer has different needs and, as such, we will endeavor to tailor our services to meet those requirements.

We are specialists in our market and continue to build solutions to better support our customers and respond to the regulators' ever-growing demands. We are also viewed as an educational partner to the UK pension industry, through various initiatives. In 2019, we entered into an Education Partnership with the Pension and Lifetime Savings Association (PLSA) with a focus on cost transparency. As part of this partnership, we delivered a range of educational programs to pension fund trustees, managers and executives covering cost transparency. We are continuing this partnership into 2020, with a broader focus on governance, encompassing custody, ESG and cost transparency.

One of our key goals in 2019 was to build on the momentum we achieved in the prior year in working with Defined Benefit and Defined Contribution schemes on cost transparency. This led to a broader focus on expanding our profile on cost transparency and benchmarking by pursuing opportunities across the pension markets. Alongside this, we continued our focus on targeting new opportunities in custody and expanding our relationship with one key strategic customer.

As part of our focus on becoming the governance partner of choice for UK pension schemes, we responded to new ESG requirements introduced on the 1st of October 2019 for pension schemes. We started the development process for solutions that can help pension schemes document how they assess ESG and climate change risks in their Statement of Principles.

Our market

London is viewed as the world's leading financial centre. The UK pensions market is the second largest in the world (behind the US) and the largest European market. The UK industry (across all sectors) continues to face significant change and unpredictability with the implementation of Brexit and a challenging economic backdrop. Additionally, the UK pension industry is under ever increasing pressure with significant scheme deficits, pressure to consolidate, a growing concern that Defined Contribution schemes will not deliver a sustainable retirement income, increasing policies and regulations, and growing demands for better transparency and governance from the policy makers and the regulator. Meanwhile, trustees are increasingly required to take on more responsibility and have a growing need of additional support from trusted partners.

We believe there is a gap in the market for a challenger custodian and data specialist to support UK pension schemes and other institutional customers. Accordingly, there is an excellent opportunity for us to become the provider of choice for UK pension schemes.

We also recognized that pension schemes face several regulatory challenges in 2019. Firstly, since September UK pension fund trustees overseeing Defined Contribution schemes have had to prepare the Chair Statement that articulates their pension scheme's strategy and governance, disclosing all its costs and charges and drawing up a 'value for money assessment' for the scheme's members. Secondly, pension schemes were bound by new ESG requirements on the 1st of October. They now need to consider the long-term risks and opportunities of ESG factors in their investments.

Our culture

The UK team is energetic and highly motivated, ensuring the highest levels of customer service by working in partnership with our customers and building relationships for the long term. We have developed a deep understanding of their challenges and requirements. Indeed, the customer is at the heart of everything we do.

Our successes

To succeed in this highly competitive market we need to ensure we deliver unique and innovative solutions to both the UK pension industry and our institutional customers. We were first to the UK market with a pioneering Cost Transparency & Benchmarking tool in 2017, designed to shine a light on the many costs and charges paid by UK occupational pension schemes. In 2019, we continued to deliver our innovative Cost Transparency & Benchmarking service to several UK pension schemes. This included the development of the UK industry's first Defined Contribution end-to-end solution to assist in the delivery of the Chair Statement. Some of our new customers included high-profile pension schemes, such as Nest and LGPS Central.

During 2019, we also won custody and execution relationships. We also continued to onboard new customers with one of the UK's leading fiduciary managers. On a final note, our pensions focus enables us to provide our customers with a depth of expertise that meets their specific requirements and promotes enduring business relationships.

"We have developed a deep understanding of our customer's challenges and requirements. The customer is at the heart of everything we do. We have a strong teamwork ethic, and our core values include trust, commitment and delivering on all promises made"

Patricia Sharman, Managing Director UK

Our Sustainability

KAS BANK values sustainability and corporate social responsibility; we believe we must do our part to make this world a better place for now and for tomorrow. KAS BANK embraces CACEIS' successful sustainability strategy. CACEIS has affirmed its commitment to society through its CSR policy in 2019 and received EcoVadis Gold status for the 4th year in a row.

A responsible partner

We believe that strong social, societal and environmental credentials are a source of long-term growth. In a demanding and ever-changing context, CACEIS and KAS BANK are committed to fulfill the role as a reliable partner for our customers by adding lasting value and securing healthy growth for our business.

Our code of conduct reflects the high standards of responsibility and quality that govern all our professional activities, and our determination to always act in the best interest of customers and stakeholders. As a responsible employer, CACEIS has implemented a company policy aimed at helping employees to improve their skills. Voluntary programs covering compliance, diversity, fairness and quality of life at work bolster the ethical awareness, commitment and motivation of the teams. Lastly, CACEIS is constantly looking to reduce its environmental footprint and encourages its suppliers to adopt a similar approach. KAS BANK will also embrace this way of working.

KAS BANK Code of Conduct

Since 2017, the Crédit Agricole Group has adopted an Ethics Charter that emphasizes its values of proximity, responsibility and solidarity and affirms its commitments, identity and principles of action. A Code of Conduct supplements the commitments of the Charter.

KAS BANK and CACEIS are fully committed to this and, in the same vein, has defined its own Code of Conduct. This code represents the foundation of the ethical and professional conduct expected from all employees, regardless of their situation and function within the CACEIS group.

Focus on diversity

Gender equality

Equality between women and men has been declared a major national cause in the Netherlands and in France. KAS BANK believes that through a balanced mix of employees, better decisions are made, and long-term value is created for the organization and its environment. The diversity is based on age, gender and social background.

The bank specifically endorses the importance of a healthy relationship between the number of female and male specialists, management, Managing Board and Supervisory Board.

KAS BANK's Supervisory Board is an example of diversity for the organization. The female to male ratio in this board is 33% and thus complies with the Dutch Civil Code that requires 30% of its members to be female. The Managing Directors, Managing Board and Supervisory Board together have a female to male ratio of just below 30%.

In France, legislative measures have been adopted enabling companies to measure the wage gap between women and men by calculating a gender equality index. For CACEIS in France, the 2018 gender equality index is: 89 points out of 100.

Diversity in company

KAS BANK has, as part of the NVB (Dutch Bankers Association), joined the Diversity in Company initiative and signed the Diversity Charter. KAS BANK will also pay attention to the advantages of diversity and the prevention of discrimination in the workplace by means of a conference or training to be organized by NVB at least once a year.

KAS BANK also contributes to the creation of job opportunities for people with limitations. KAS BANK has purchased a participation certificate by means of which people with a distance to the labor market are supported to find a job.

In addition, KAS BANK pays attention to the general concept behind the participation act by means of visiting one or several conferences for the members of the NVB. KAS BANK personnel's conditions support the sustainability of deployment of the workforce in different life stages.

Our commitment: protecting resources

CACEIS pays particular attention to greenhouse gas emissions, consumption of energy, water and commodities (paper), waste recycling and the impact of financial products on sustainable consumer spending.

To take just one example, CACEIS was involved in the planting of 8,000 trees in four forests in France in 2015. This initiative reflects the commitment on the part of Crédit Agricole S.A shareholders to eliminate hard copies of documents associated with the General Meeting. Consequently, a tree was planted for every e-convocation.

KAS BANK strives to adopt this way of working!

Providing financial support

KAS BANK's Welfare Fund welcomed several applications in 2019. These applications have been assessed by the advisory committee.

The KAS BANK Welfare Fund supports projects aimed at stimulating young people from socially disadvantaged circumstances in their personal development, so that their chances in society are increased in the longer term. In addition, the Welfare Fund invests in local communities as it supports charities and volunteer work within (non-profit) organizations, associations and institutions with a social interest in which KAS BANK employees are actively involved. Projects are nominated by employees of the bank, looking at input from the Amsterdam, Frankfurt and London offices.

In 2019, an amount of EUR 12,000 was awarded for amongst others the following charity projects: an association that provides Santa Clause celebrations for underprivileged children; associations that fight for cancer and brain research; an animal shelter; buddy project for underprivileged youth.

The KAS BANK Study Fund supports initiatives aimed at stimulating scientifically talented young people up to 30 years of age. The fund supports young people whose education specializes in financial services and / or European Security Services. In 2019, the KAS BANK Study Fund provided two students a scholarship. The KAS BANK Study Fund awarded EUR 5,000 in 2019.

Financial Performance

The acquisition by CACEIS had a significant impact on our financial performance in 2019. Mainly because of high transaction and integration costs and several opening balance adjustments due the acquisition. Overall, we had a negative net result over 2019 of EUR 19.0 million (2018: EUR 8.1 million) and a positive operational net result of EUR 2.0 million (2018: EUR 8.1 million).

Results

(IN MILLIONS OF EUROS)	2019	2018	CHANGE	%
Operating income	82.5	100.1	-17.6	-18%
Operating expenses	-80.5	-90.6	10.1	-11%
Impairment results	0.4	0.5	-0.1	-30%
Tax expense	-0.4	-1.9	1.5	-79%
Operational net result	**2.0**	**8.1**	**-6.1**	**-76%**
Transaction/integration costs	-14.3	-	-14.3	0%
Opening balance adjustment	-10.1	-	-10.1	0%
Tax expense	3.4	-	3.4	0%
Net result	**-19.0**	**8.1**	**-27.1**	**-334%**

In 2019, operating income decreased with 18% to EUR 82.5 million (2018: EUR 100.1 million). The impact on our topline of the earlier lost customers is visible. The topline decrease is further caused by the result of the divestment in a Dutch Mortgage Fund in 2018 (EUR 10.5 million). Operating expenses decreased with 5% because of less projects and a lower average number of internal and external FTEs.

The transaction and integration costs amount to EUR 14.3 million. The transaction costs relate to the amounts paid to advisors who supported us in the transaction with CACEIS.

The integration costs concern the costs directly related to the integration with CACEIS, a large part of these costs relate to the restructuring provision made.

The adjustments of the opening balance as per 30 September 2019 (acquisition date) concerns mainly the accelerated depreciation of IT related assets and projects. The tax ‘expense’ on the non-operational costs is negatively impacted by the write-off of a German tax asset (tax loss carry forwards) as part of the opening balance adjustments.

Operating income

(IN MILLIONS OF EUROS)	2019	2018	CHANGE	%
Net interest result	13.0	9.8	3.2	32%
Net commission result	53.3	59.5	-6.2	-10%
Result on investments	15.9	30.5	-14.6	-48%
Share of result of associates	0.0	0.0	0.0	27%
Other income	0.4	0.3	0.1	31%
Total income	**82.5**	**100.1**	**-17.6**	**-18%**

Interest

(IN MILLIONS OF EUROS)	2019	2018	CHANGE	%
Loans and deposits	7.5	2.0	5.5	275%
Bonds and non-trading derivatives (hedge)	5.5	7.8	-2.3	-30%
Total net interest result	**13.0**	**9.8**	**3.2**	**32%**

Net interest result increased by 32% to EUR 13.0 million (2018: EUR 9.8 million). As of May 2019, we gradually re-invest the proceeds of the sale of the mortgage fund (bonds) that we sold during 2018. We re-invest this in mortgages (loans), with a notional of EUR 225 million. As of the fourth quarter we invest part of our cash with central banks in repo transactions (approximately EUR 1 billion) with CACEIS, positively influencing our interest margin.

Commission

(IN MILLIONS OF EUROS)	2019	2018	CHANGE	%
Asset Servicing	31.5	32.9	-1.4	-4%
Transaction Servicing	17.0	18.6	-1.6	-9%
Treasury	4.8	8.0	-3.2	-40%
Total net commission result	**53.3**	**59.5**	**-6.2**	**-10%**

Net commission result decreased year-on-year by 10% to EUR 53.3 million (2018: EUR 59.5 million). We had inflow of new customers and cross sell to our current customer base. However, the negative impact of loss of customers in 2018 outweighed the positive inflow and cross sell effect. The loss of customers was amongst others due to the consolidation in the pension and insurance industry and resulted in a decrease in Assets under Administration (average 2019: EUR 351 billion; 2018: EUR 438 billion). At year-end the Assets under Administration amounted to EUR 361 billion (2018: EUR 388 billion).

Result on investment

(IN MILLIONS OF EUROS)	2019	2018	CHANGE	%
Trading – foreign exchange transactions	14.9	19.8	-4.9	-25%
Trading – securities and derivatives	0.2	-0.5	0.7	-144%
Investments – investment portfolio	0.8	11.2	-10.4	-93%
Result on investments	**15.9**	**30.5**	**-14.6**	**-48%**

Result on investments decreased by 48% to EUR 15.9 million (2018: EUR 30.5 million) mainly due to the divestment of EUR 300 million in a Dutch mortgage fund which contributed EUR 10.5 million in 2018. Lower volumes and decreasing spreads between the euro and relevant foreign currencies resulted in a negative development of the FX-results on customer transactions during 2019.

Operating expenses

(IN MILLIONS OF EUROS)	2019	2018	CHANGE	%
Personnel expenses	43.6	49.3	-5.7	-12%
General and administrative expenses – IT	26.1	27.6	-1.5	-6%
General and administrative expenses – other	7.8	11.6	-3.8	-33%
Depreciation and amortization	3.0	2.0	1.0	50%
Total operating expenses	**80.5**	**90.6**	**-10.1**	**-11%**

Personnel expenses

Personnel expenses decreased to EUR 43.6 million (2018: EUR 49.3 million). A lower average number of FTE (2019: 426; 2018: 455) and a slightly increase of the average personnel expense resulted in a decrease of expenses of internal FTEs with EUR 1.2 million (2019: EUR 41.1 million; 2018: EUR 42.3 million). The expenses for external employees decreased significantly with EUR 4.3 million to EUR 2.7 million (2018: EUR 7.0 million). In 2018, we had several strategic and improvement projects staffed with external employees.

General and administrative expenses, including depreciation and amortisation

General and administrative expenses, including depreciation and amortisation decreased by 10% to EUR 36.9 million (2018: EUR 41.2 million), mainly because of a lower number of projects and less consultancy costs. The line General and administrative expenses - other include the contribution to the single resolution fund and other regulatory costs (in 2019 as well in 2018 about EUR 2 million in total).

Depreciation and amortization increased to EUR 3.0 million (2018: EUR 2.0 million). The implementation of IFRS 16 'Lease accounting' as per 1 January 2019 resulted in transfer of expenses from General and administrative expenses (EUR 1.9 million) to Depreciation and amortisation (EUR 1.5 million) and Interest expenses (EUR 0.4 million).

Taxes

In 2019, KAS BANK publishes a negative result, resulting in a (deferred) tax asset. Because of the acquisition by CACEIS we had to write-off a German tax loss carry forward (EUR -1.2 million). Furthermore, we applied the Dutch tax rate in line with the expected realisation of the tax loss carry forward. This resulted in an effective underlying tax rate, which is currently 13.6% (2018: 19.3%).

Quality of the investment portfolio

(IN MILLIONS OF EUROS)	31.12.2019	PERCENTAGE OF PORTFOLIO	31.12.2018	PERCENTAGE OF PORTFOLIO
AAA - AA -	497	88%	821	83%
A + - A -	3	1%	28	3%
BBB + - BBB -	50	9%	73	7%
BB + BB -	-	0%	5	1%
Total bonds (rated)	**550**	**97%**	**927**	**67%**
Shares	30	3%	63	6%
Total investments	**580**	**100%**	**990**	**100%**

The table above shows the credit rating of the investment portfolio securities.

In the second half of 2019 we sold a large part of our investment portfolio, mainly ABS and RMBS, to align with the risk policies of CACEIS. The divestments have been reinvested in repo transactions with CACEIS. The remaining portfolio concerns mainly high-quality bonds with a 'AAA – AA'-rating. The shares are mainly related to short-term Money Market Funds.

Solvency

(IN MILLIONS OF EUROS)	31.12.2019		31.12.2018	
Solvency	CARRYING AMOUNT	RISK-WEIGHTED VALUE	CARRYING AMOUNT	RISK-WEIGHTED VALUE
Loans and advances to banks	2,201.8	30.0	1,950.0	23.0
Loans and advances to customers	556.5	120.0	467.1	38.8
Trading assets	157.5	124.5	230.5	20.5
Investment securities	580.1	87.9	990.1	171.9
Other assets	58.3	41.0	127.0	80.1
Total	**3,554.2**	**403.4**	**3,764.7**	**334.3**

Other off-balance sheet exposure		194.1		208.9
Total of the risk weighted items	**3,554**	**597.5**		**543.2**

CAPITAL AND RATIOS	CAPITAL	RATIO	CAPITAL	RATIO
Loans and advances to banks	189.7	32%	203.2	37%

The acquisition by CACEIS has changed the composition of our balance sheet: the cash from the partial sale of our investment portfolio (investment securities) and part of the cash with the central bank have been transferred to CACEIS via repo transactions (loans and advances to banks). Our capital ratio at 31 December 2019 was 32% (31 December 2018: 37%) reflecting our strong financial position. The average capital ratio in 2019 was 33% (2018: 33%).

Liquidity

(IN MILLIONS OF EUROS)	31.12.2019	31.12.2018	CHANGE	%
High quality liquid assets	1,180.0	2,030.0	-850.0	-42%
Net cash outflow < 30 days	306.2	852.0	-545.8	-64%
Liquidity coverage ratio	385%	238%		

The high level of liquidity is demonstrated by the Liquidity Coverage Ratio, which is the outcome of the high-quality assets divided by the net cash outflow within 30 days. As per 31 December 2019, this ratio is 385% (31 December 2018: 238%). The regulatory minimum Liquidity Coverage Ratio is 100%.

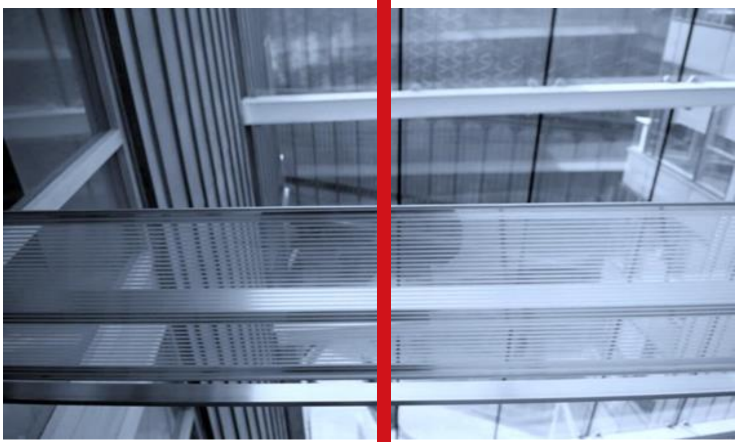
Outlook

Our outlook is positive, we benefit from the acquisition by CACEIS and we notice an increasing interest in our services by (large) institutional relations. In 2020 we expect that additional integration costs will impact our result.

The Corona virus highly impacts the day to day live in The Netherlands. The business continuity plans of KAS BANK have been activated and clients are continuously serviced.

We expect to become a branch of CACEIS by 2020 and then fully integrate into CACEIS organisation. Due to the volatile markets we don't express a financial outlook.

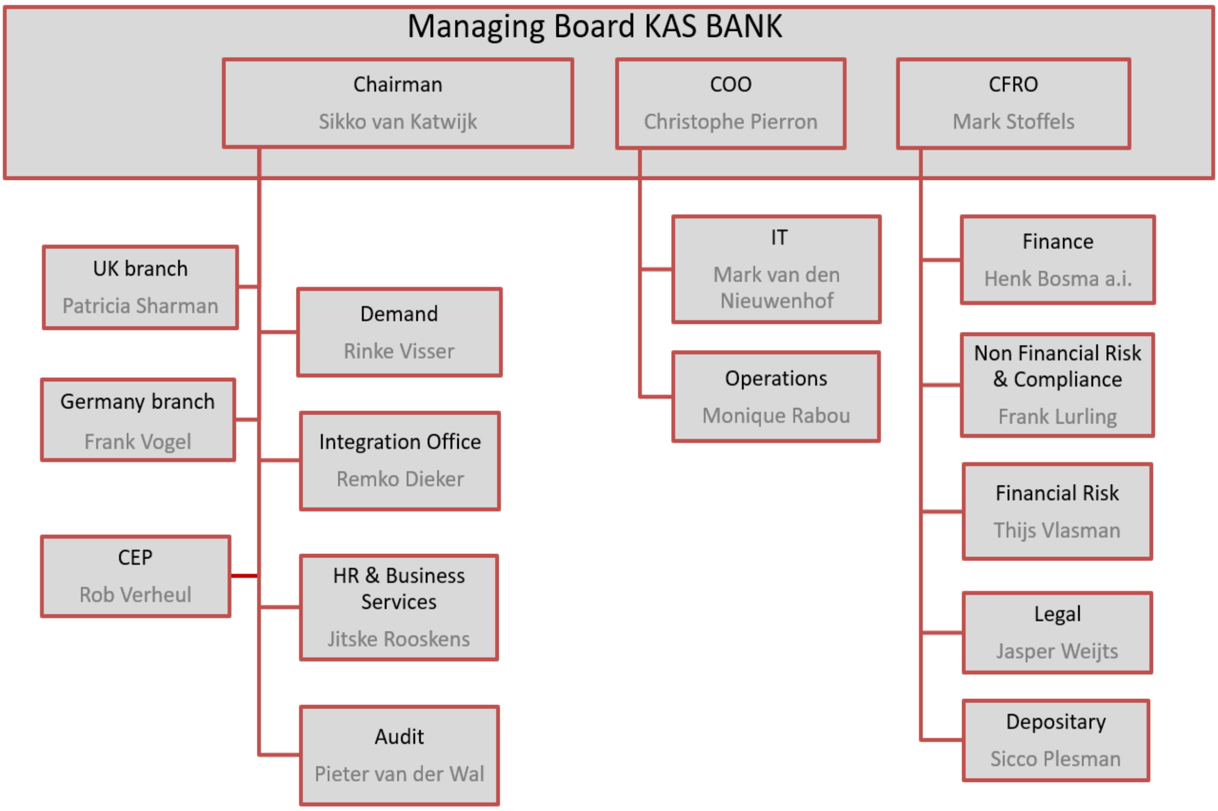
Corporate Governance



- Corporate Structure
- Managing Board
- Supervisory Board
- General meetings of shareholders
- Corporate Governance
- Remuneration

Corporate Structure

KAS BANK is a public limited liability organization incorporated under Dutch law. We have a two-tier board consisting of a Managing Board and a Supervisory Board. As a two-tier organization, we are subject to the provisions of Book 2, Title 4, Section 6, of the Dutch Civil Code (in Dutch: structuurvennootschap). The organization is managed by a Managing Board consisting of three members. In the performance of its duties the Managing Board is guided by the interests of the organization and the business associated therewith, taking into due consideration the interests of all (internal and external) stakeholders of the organization. Their powers, obligations and responsibilities are included in the organization's Articles of Association (in Dutch: statuten) and the by-laws of the Managing Board (in Dutch: reglementen) – which are published on the organization's website.



Managing Board

The members of the Managing Board are appointed and may be dismissed by the Supervisory Board. The Supervisory Board is required to notify the General Meeting of Shareholders of a proposal to appoint a Managing Board member and shall consult the General Meeting of Shareholders of a proposal to dismiss a Managing Board member. The Works Council is given an opportunity to state its position on a proposal to appoint or dismiss a member of the Managing Board. Certain management decisions are subject to the prior approval of the Supervisory Board or the General Meeting of Shareholders.

Like all employees at KAS BANK, all newly-appointed Managing Board members must take the bankers' oath immediately following their appointment. A member of the Managing Board shall be appointed for a term of four years each.

The Managing Board has instated a Business Committee consisting of the Managing Directors and the Managing Board members. The Business Committee is responsible for decision making on a more strategic and tactical level.

The organization seeks to avoid any kind of conflict of interest between the organization and the members of its Managing Board. Prior approval from the Supervisory Board is for example required for transactions that could potentially lead to (material) conflicts of interest between the organization and a member of the Managing Board.

If a (potential) conflict of interest arises between the organization and a member of its Managing Board, the organization shall act in accordance with the 'best practice' provisions as included in the Corporate Governance Code.

No conflicts of interest arose between the organization and the Managing Board members during the year to which this report relates.

Supervisory Board

KAS BANK's Supervisory Board is charged with supervising (the execution and implementation of) the strategy of the Managing Board, as well as the ordinary course of business of the organization. In the performance of its duties, the Supervisory Board is guided by the interests of the organization and the business associated therewith, taking into due consideration the relevant interests of all stakeholders of the company. The Supervisory Board 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 organization.

The Supervisory Board's duties and responsibilities are set out in the 'Rules governing the Supervisory Board' (in Dutch: Reglement Raad van Commissarissen). These Rules include its relations with the Managing Board, the General Meeting of Shareholders, the Works Council and the Business Committee. The Rules are posted on the company's website. Applicable procedures are also included in the Articles of Association of the company.

The Supervisory Board has formulated a (membership) profile to define the Supervisory Board's size and composition. The Supervisory Board is composed in such a way that the required expertise, background, competencies and independence are present to be able to carry out its duties properly. The Supervisory Board members must always be able to operate independently of – and may adopt a critical attitude towards – one another, the Managing Board and any other relevant parties.

A permanent education program is organized for the Supervisory Board to maintain the required level of expertise and knowledge for its members, and to improve such expertise and knowledge where necessary. An introduction program is organized for new Supervisory Board members, who will also take the bankers' oath immediately upon their appointment.

Members of the Supervisory Board are appointed by the General Meeting of Shareholders upon recommendation of the Supervisory Board. The General Meeting of Shareholders and the Works Council have the right to recommend candidates to be proposed as member of the Supervisory Board in conformity with the Supervisory Board's profile published on the bank's website. The Works Council may object to a proposed recommendation by the Supervisory Board.

A member of the Supervisory Board may be appointed twice for a term of four years each, and (with additional explanations) for two additional terms of two years each. In certain instances (such as neglect of duties, or material changes to relevant circumstances) the Supervisory Board may request one of its members to be suspended or dismissed by the Enterprise Division of the Court of Amsterdam (in Dutch: Ondernemingskamer).

The organization seeks to avoid any kind of conflict of interest between the organization and the members of its Supervisory Board. Prior approval from the Supervisory Board is for example required for transactions that could potentially lead to (material) conflicts of interest between the organization and a member of the Supervisory Board. If a (potential) conflict of interest arises between the organization and a member of its Supervisory Board, the organization shall act in accordance with the provisions on preventing conflicts of interest in the Corporate Governance Code and in the Rules governing the Supervisory Board.

No conflicts of interest arose between the organization and Supervisory Board members during the year to which this report relates.

General meeting of Shareholders

KAS BANK encourages full shareholder participation at the General Meeting of Shareholders. KAS BANK actively invites shareholders and depositary receipt holders to attend the General Meeting of Shareholders and minimizes voting right restrictions. Subject to certain conditions, a holder of shares or depositary receipts representing one per cent (1%) of the then issued capital can have an item placed on the agenda of the General Meeting of Shareholders. At least one General Meeting of Shareholders is held each year.

General Meeting of Shareholders and Shareholder Structure

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 (in Dutch: Stichting Administratiekantoor Aandelen KAS BANK). 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 set out in Dutch law and in the Articles of Association. Its principal powers include:

- Approving decisions that result in a material change to the identity or character of the organization or its operations;
- Adopting (a change to) 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;
- Casting a vote of no confidence in the Supervisory Board;
- Adopting the organization's financial statements;
- Approving the proposed profit allocation (distributed to shareholders, added to reserves);
- Discharging the Managing Board of liability resulting from the performance of its management duties;
- Discharging the Supervisory Board of liability resulting from the performance of its supervision duties;
- Appointment/discharge of external auditors; and
- Resolving to amend the organization's Articles of Association, to undertake a legal merger or demerger, or to wind up the organization (on the joint proposal thereto from the Managing Board and the Supervisory Board).

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

Remuneration policy

The Managing Board's remuneration policy is adopted by the General Meeting of Shareholders based on a Supervisory Board proposal. 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.

Financial reporting

The organization'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 confirmation from the Supervisory Board, to the General Meeting of Shareholders for adoption.

The Managing Board submits a written report on the general course of affairs of the organization 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 and approved is attended by the organization's external auditor.

At the annual General Meeting of Shareholders, the Managing Board renders account for its management of the organization over the past financial year and the Supervisory Board renders account for its supervision of the organization.

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

Amendment of the Articles of Association

Resolutions amending the organization'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 General Meeting of Shareholders, a new meeting must be organized, taking place not less than three and not more than five weeks after the first meeting. At this new General Meeting of Shareholders, a resolution can be passed regardless of the represented share capital. The notice of the General Meeting of Shareholders will mention the 'Amendment of the Articles of Association' as the subject of the meeting. A copy of the proposed amendments will be published and made available for inspection at the organization's office, and copies are made available free of charge.

Capital Structure

With reference to the joint press releases dated 25 February, 25 March, 26 July and 17 September 2019 and the offer memorandum, KAS BANK and CACEIS jointly announced that all offer conditions have been satisfied or waived. CACEIS declared the offer unconditional.

CACEIS holds 97.4% of the aggregate issued and outstanding share capital of KAS BANK N.V. on a fully diluted basis. CACEIS initiated the statutory squeeze-out procedure in an expeditious manner in order to obtain 100% of the Securities.

The last trading date of the securities on Euronext Amsterdam was on 4 November 2019 and listing and trading of the securities were terminated as of 5 November 2019.

KAS BANK's Registrar Office

Stichting Administratiekantoor Aandelen KAS BANK (KAS BANK Registrar's Office) administers and manages almost all ordinary shares in the organization's issued capital. With the cooperation of the organization, KAS BANK Registrar's Office exchanges ordinary shares for depositary receipts with limited exchangeability.

KAS BANK 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 prevents a chance majority of those entitled to exercise voting rights from unduly influencing the decision-making process during the Meeting of Shareholders.

The KAS BANK Registrar's Office Executive Committee consists of three independent members:

- Mr. Jan Nooitgedagt (chairman),
- Ms. Miriam van Dongen
- Mr. Jan van Rutte.

Executive Committee members are appointed by the Executive Committee itself, in consultation with the Managing Board and Supervisory Board.

KAS BANK's Registrar Office for preference shares

Due to the acquisition of KAS BANK by CACEIS the Stichting Preferente Aandelen KAS BANK (KAS BANK's Registrar Office for preference shares) ceased to exist.

Corporate Governance

KAS BANK is required to comply with applicable (governance) codes and regulations, which includes, the Banking Code and CRD IV. This section explains how KAS BANK applies these codes and regulations. Since the delisting of KAS BANK we do not have to comply with the Dutch Corporate Governance Code anymore.

Corporate governance statement

KAS BANK published a corporate governance statement on its website, pursuant to Section 2a of the Decree on additional requirements for annual reports of 1 April 2009:
https://www.caceis.kasbank.com/nl/over-ons/investor-relations/corporate-governance/

Corporate governance code

On 8 December 2016, the Dutch Corporate Governance Code Monitoring Committee (the "Committee") presented the amended Dutch Corporate Governance Code (the "2016 Code") to the Dutch Minister of Economic Affairs.

Since the delisting of KAS BANK, we do not have to comply with the Dutch Corporate Governance Code. However, it is KAS BANK's philosophy to comply with this code of conduct.

Dutch Banking Code

The Dutch Banking Code (in Dutch: Code Banken) published by the Dutch Banking Association came into force on 1 January 2010 and applies to all banks in the Netherlands. A revised version applies as of 2015.

The Dutch Banking Code aims to strengthen corporate governance within the banking system, improve risk management and auditing, and to limit excessive remuneration. As such, it is a form of self-regulation and reflects the responsibility Dutch banks took following the financial crisis.

The Dutch Banking Code can be found on the Dutch Banking Association website (www.nvb.nl). KAS BANK supports the self-regulation of this code and strives to meet and respect all aspects of it.

KAS BANK has published a report on its website which sets out the way in which it applies the Dutch Banking Code and indicating its compliance for all principles. The report (in Dutch: Invulling Code Banken) can be found at https://www.caceis.kasbank.com/nl/over-ons/investor-relations/corporate-governance/

Banker's Oath, Moral and Ethical Declaration

Under the new bankers' oath regulation, otherwise known as the 'Regulation on oath or solemn affirmation for the financial sector (Financial Supervision Act 2013)', bankers must take an oath confirming that they will carry out their jobs with integrity, put their customers' interest first, and thus ensure confidence in the banking sector. All new employees and the newly appointed members of both the Supervisory Board and the Managing Board have all taken the bankers' oath this year.

Self-assessments

Both, the Supervisory Board as well as the Managing Board didn't perform explicitly a self-assessment. Both Boards together evaluate their roles in the transaction process with CACEIS.

Remuneration

The primary objective of our remuneration policy is to enable KAS BANK to recruit and retain highly qualified and expert employees, thereby enforcing our specialist role. The remuneration policy forms an integral part of KAS BANK's strategy and maintains a sustainable balance between short-term and long-term value creation, considering the interest of all the stakeholders.

Remuneration policy

The remuneration policy is aimed at helping to create positive results for the organization – in line with its objectives in terms of risk and returns, customer satisfaction, operational excellence and innovation. It also aims to help employees develop and maintain the competencies necessary. Finally, the remuneration policy aims to demonstrate commitment to improving the results of the organization.

Managing Board

The Supervisory Board compares the remuneration of the Managing Board every four years against developments in the market. The remuneration package for the Managing Board consists of the following components:

- Annual base salary;
- Annual variable remuneration (limited to 20% of the base salary) (with deferred pay-out, if applicable);
- Contribution to the pension scheme;
- Other entitlements.

Performance of the members of the Managing Board is measured during a one-year performance period by means of organization-wide financial and non-financial performance indicators.

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

Senior Management

KAS BANK has applied the Korn Ferry (formerly Hay Group) job evaluation system to the Senior Management functions. This method considers the necessary knowledge and skills, complexity and accountability, and categorizes the jobs into job levels. The maximum salaries for each job level is benchmarked at the median level of the financial institutions 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 of the members of Senior Management is measured during a one-year performance period by means of both individual indicators and organization-wide financial and non-financial performance indicators.

Other employees

The organization also applied the Korn Ferry job evaluation method for other roles in the organization. All jobs are evaluated and categorized into job levels. Each job level is linked to a salary range. The ranges are properly balanced and aligned with the salary of the Managing Board. 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 of other employees is measured during a one-year performance period by means of both individual and team indicators. Variable remuneration is based on performance and organization-wide financial and non-financial performance indicators.

Details on identified staff

We continue to adhere to all relevant remuneration restrictions. These rules apply not only to the Managing Board, but also to those staff whose professional activities could have a material impact on the organization's risk profile (i.e. Identified Staff). Within the organization 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.

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 a base salary, variable remuneration (capped at 20% of base salary), pension arrangements and some other arrangements (e.g. a car leasing scheme and a mortgage scheme).

The Supervisory Board compares the remuneration of the Managing Board every four years against developments in the market and receives advice from the Supervisory Board's Nomination & Remuneration Committee.

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, based on similar positions within and outside of the financial sector:

- 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 the organization 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 to assess conformity with comparable positions within and outside of the financial sector in accordance with the Dutch Banking Code. 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.

In 2017 the remuneration package was assessed against the cross-industry reference group by an external reward consultant (Focus Orange). The assessment does not provide a direct reason for adjusting the remuneration policy, given that the fixed salary is in line with the market and the total remuneration is slightly behind the market.

Variable remuneration – increased focus on non-financial performance

The performance criteria are aligned to long-term value creation for all stakeholders by containing strategic development, risk appetite, financial goals and operational development. The performance criteria are linked to three targets. The weight of all elements is equal:

- Meeting the budget requirements: this target is determined every year based on two quantitative criteria; return on equity and an efficiency ratio. Both criteria are given equal weight.
- Strategic progress: this target is determined every year based on several quantitative and qualitative criteria. These are related to the sustainable development of the market position and progress in risk management, administrative organization, customer satisfaction, etc.
- Operational progress: this target is determined every year based on several quantitative and qualitative criteria. These are related to the operational development and progress in employee satisfaction, ISAE 3402.

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

- Achieving less than 66.7% 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.

The total variable remuneration will be fully paid in Share Linked Instruments of Credit Agricole (SLICA). Members of the Managing Board may sell SLICAs granted to fulfil the tax obligations with respect to these SLICAs. If the variable remuneration does not exceed EUR 10,000 the SLICAs will be fully paid at once. If the variable remuneration exceeds EUR 10,000 the SLICAs will be vested. The first vesting will be 60% of the granted SLICAs. Thereafter, a three-year pro rata deferral period applies. A retention period of two years after the vesting period applies.

Pension scheme

The pension scheme for the Managing Board is based on a defined contribution system. The scheme is in line with market practice and is based on the tax scales. The contribution is determined based on net contributions, considering cost and contribution mark-up. Costs and contribution mark-ups are paid by the organization.

The members of the Managing Board receive compensation because of new legislation, pursuant to which pension premiums on salaries that exceed the maximum fiscal threshold 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 for a severance payment limited to one year of their respective base salary.

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 a clawback on (a part of) the variable remuneration allocated to a member of the Managing Board if it has occurred without legal basis. This may include where variable remuneration turns out to have been awarded based on inaccurate data (including in relation to achieving underlying objectives or other circumstances on which the variable remuneration depends).

2019 Remuneration Managing Board

The Managing Board remuneration is in accordance with the remuneration policy. Note 42 of the Financial Statements in this report shows the figures related to the remuneration of the Managing Board.

Annual base salary

The annual base annual salary for the chairman, Sikko van Katwijk, is EUR 350,000. For the CFRO, Mark Stoffels, the base annual salary is EUR 325,000. Christophe Pierron, COO, has deviating remuneration package from the regular remuneration package for members of the Managing Board. He is seconded from CACEIS Bank Luxembourg for a period of two years under which he receives a remuneration of EUR 237.500 per year. This compensation covers his base salary, pension and lease car. In addition, KAS BANK pays his Dutch housing expenses.

To obtain a representative view in relation to current market levels, the base salary for Managing Board members was related to and measured against a selection of two market reference groups in 2017. These groups were carefully selected and analyzed 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 15 companies. The base salary remains within the boundaries set out in the remuneration policy as approved by the General Meeting of Shareholders. The total remuneration is below the median level for the reference group.

Variable remuneration

Variable remuneration is linked to three objectives with respect to the annual budget and the achievement of strategic and operational targets. In the event of an 'at target' performance, the variable remuneration for members of the Managing Board is 16% of their respective base salary. 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 66.7% of the set targets have been achieved. In 2019, the Managing Board achieved a score of 68.5% of their targets related to quantitative and qualitative criteria. The qualitative criteria for 2019 focused principally on strategic targets and operational targets. The quantitative targets counted for one-third, while the qualitative targets counted for two-thirds. Based on the above, more than 50% of the variable remuneration is based on non-financial performance criteria.

In 2019, no clawback was applied to vested variable remuneration from any of the members of the Managing Board. The Supervisory Board decided that there was no reason to apply a collective or individual malus with respect to the vesting of previous tranches of deferred variable compensation.

Pay ratio

In the remuneration policy of the Managing Board pay-ratios within the organization are considered. Hereunder you will find the development of the pay-ratio of the chairman of the board versus the average wage of other employees excl. members of the Management Board) over the last three years (total remuneration allocated):

(IN THOUSANDS OF EUROS)	2019	2018	2017
Chairman of the Managing Board	376	403	390
Average salary of all employees	70	64	63
Pay ratio	5.4	6.3	6.2

The amounts in the table above, include the fixed salary and variable remuneration. The fixed salary is based on a 40 hours workweek, reference date 31 December of year. The variable remuneration is based on the amount related to the remuneration year. The pay of the Chairman of the Managing Board includes the fixed salary and the performance based variable pay.

Remuneration policy for identified staff (excluding Managing Board)

The salary for Identified Staff is based on the Korn Ferry job evaluation method by which jobs are evaluated and categorized into job levels. Each job level is linked to a salary range. These ranges are properly balanced and aligned with the salary of the Managing Board.

Benchmark surveys are periodically conducted by remuneration experts in which jobs within the organization are compared with similar positions at other banks. All salary proposals for senior managers are prepared by Human Resources (both during recruitment and the annual (remuneration) evaluation) and are approved by the Managing Board. Benchmarking in 2019 shows that the salaries are in line with the market.

Variable remuneration for identified staff

The variable remuneration of Identified Staff is aligned with the targets of the Managing Board and based on achieving both individual and organization 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 SLICAs and half in cash, in cases where 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 SLICAs 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 SLICAs vested to fulfil the tax obligations with respect to the granted SLICAs. Variable remuneration may be reclaimed if it has been based on inaccurate data (including in relation to achieving underlying objectives or other circumstances on which the variable remuneration depends).

33Considering applicable legislation, the variable remuneration awarded to employees with control functions (Risk Management, Compliance, and Finance) is based on the achievement of the objectives that are linked to their control functions. This is independent of the results of the business units they oversee. The remuneration of employees with control functions is such that they should not be exposed to stimuli that may conflict with their independent advisory role.

Clawback and malus

The Managing Board has the discretionary power to lower any variable remuneration to a suitable amount if, in its opinion, the remuneration would be unacceptable under the principle of reasonableness and fairness. This may include where variable remuneration turns out to have been awarded based on inaccurate data (including in relation to achieving underlying objectives or other circumstances on which the variable remuneration depends).

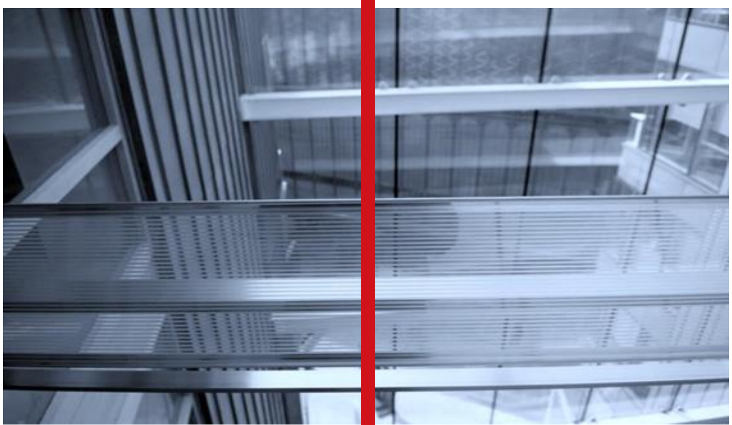
The malus assessment is conducted by Human Resources and Compliance & Non-Financial Risk-management and any outcome is subject to the approval of the Managing Board. During this malus assessment, it is assessed whether any new information is available which should lead to a lower variable remuneration.

2019 Remuneration for identified staff (excl. Managing Board)

In 2019, there were 39 employees that classified as Identified Staff (excluding members of the Managing Board) and were eligible for variable remuneration. These employees received in total a base salary of EUR 4.5 million and a variable remuneration of EUR 236 thousand, of which 33 thousand will be paid in financial instruments. The total variable remuneration for all employees (excluding members of the Managing Board) related to the year 2019 amounts to EUR 1.1 million. In 2019, no employee received a remuneration of EUR 1 million or more.

The Managing Board decided that, based on 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 in 2019, or to the vesting of previous tranches of deferred variable compensation.

Risk Management



- Risk Management

Risk Management

At KAS BANK, risk management is an integral part of doing business. It helps us define the scope and boundaries of our activities in accordance with our risk appetite as defined by the Managing Board and approved by the Supervisory Board.

Risk profile

The overall risk appetite of KAS BANK is low. This is in line with the interests of our stakeholders and derived from the corporate strategy. We manage risk pro-actively to protect, secure and improve customers' assets and data.

The organization is in the middle of an integration into the CACEIS Group. While implementing the CACEIS risk standards, we will respect our long term believe of protecting, securing and improving customer's assets and data. This started in 1806 and remains a key characteristic. Now and in the future.

Risk catergory	Key risks - GENERAL RISKS	key risk appetite
Business	• Business	Low
	- Business model	
	• Strategic	Low
	- Environment	
Financial	• Credit	Low
	- Counterparty	
	- Investment	
	- Concentration	
	• Market	Low
	- Interest rate risk	
	- Currency risk	
	- Market volatility	
	• Liquidity	Low
	- Liquidity mismatch	
	- Asset quality	
	- Asset encumbrance	
non-Financial	• Operational	Low
	- Operational risk	
	- Legal risk	
	• IT Risk	Low
	• Outsourcing	Low
	• Business Continuity	Low
Compliance	• Compliance	Low
	- Compliance	
	- Integrity	

Risk appetite

The risk appetite is aligned with the organization's strategy and is embedded in the organization through a combination of qualitative and quantitative risk tolerances (thresholds). The low risk appetite and derived tolerances apply to all risk categories. These tolerances represent the downward variation in profit or value that the organization is able to take in order to continue to meet our targets under normal, as well as stressed market and macro-economic conditions. A clear risk appetite ensures that limits and thresholds can be defined, implemented, and enforced. Our Risk Appetite Statement is derived from our strategy and consists of the following three risk domains which are vital to our organization:

Financial Position

A sound financial position is essential for the bank. Solvability, profitability and liquidity need to meet minimum levels in the interest of all stakeholders, including customers, shareholders, counterparties and regulators.

Asset and Data Safety

Key to KAS BANKs business model is being a trustworthy partner for its customers. Safeguarding customer's assets and data has always been a focal point. This started in 1806 with vaults and physical assets and evaluated into the digital environment as we know it today.

Reputation

As for most banks and the banking system, reputation is a crucial part of doing business. KAS BANK is a specialist, focusing on in-depth knowledge of the industry and our customer's needs, with reliable processes and long-lasting relationships.

Our risk appetite is annually evaluated by the Managing Board and reconfirmed by the Supervisory Board. The risk appetite and risk profile reflect the interest of our stakeholders, and it therefore applies throughout all of the organization's domestic and international legal entities. In fact, it is a key aspect of how we safeguard the assets and data of our customers. Risk management procedures are aimed at protecting stakeholder value.

Monitoring the risk appetite

Establishing clear and consistent risk limits, thresholds and definitions throughout the organization is a key step in implementing an effective risk management framework. This approach to risk fosters a broader risk-return culture as it stimulates management to evaluate our day-to-day activities and promotes a healthy risk management culture, by proactively monitoring and managing risks. KAS BANK makes use of a system of qualitative and quantitative statements within the three components of the risk appetite to monitor, asses, report and when necessary steer on the risks we value the most. Managing our risk profile includes compliance with all relevant regulatory requirements. The organization strives to apply all relevant and common best practices (e.g. Basel committee, ISO, EBA, COBIT, ITIL, etc.). We monitor and manage risk tolerance on complementary levels:

- On an Integrated Risk Management level through an overall risk appetite, tolerance, monitoring and reporting;
- On a strategic level through disciplined management of the business model and mix;
- Through management of capital and liquidity.

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

Top and emerging risks 2019

In 2019, there was increasing social, macro-economic, geopolitical and climatological commotion, resulting in returning volatility in the financial markets. The industry was and is facing more unpredictable times with Brexit, (trade) wars, elections, implementation of new regulation and technological advancements.

The interconnectedness of this implies enhanced and systemic risks that will impact the future landscape of banking and associated risk management issues. KAS BANK has a solid process in place to identify, prioritize, monitor and report the relevant developments in the banking industry, our customers' industries, and the field of risk management.

In 2019, persistently low interest rates further posed a challenge to financial institutions, including KAS BANK. The policy of the European Central Bank to keep its key rate at 0.00%, and a negative level of the deposit facility continued the downward pressure on the profitability of European financial institutions. The market keeps a close watch on the interest rates policy of the European Central Bank. The organization's interest rate risk is mitigated by its contract structure and its wholesale customer base.

At KAS BANK, the potential impact of changing and accumulating rules and regulations is a constant focus point. It calls for an active dialogue with market participants and regulators. CRR II/CRD V, the Banking Resolution and Recovery Directive (BRRD), the Single Supervisory Mechanism (SSM), EMIR, MiFID II, GDPR, IRRBB and IFRS are all examples of global or European initiatives for strengthening banks and further reforming the industry.

The accelerating changes and new regulations set by the European Central Bank, the European Commission and local regulators may also limit financial institutions in their day-to-day business. We continuously monitor these regulatory changes, proposals and best practices and react accordingly. Impact can be expected for (non-)financial aspects.

For financial institutions like KAS BANK, IT network quality and information security are crucial for day-to-day business. Virtually all the organization's processes depend on the robustness and reliability of the IT-infrastructure. Banks must therefore be aware of the risks related to IT-infrastructure dependence and should have the appropriate risk mitigating tools in place.

We have a dedicated IT and IT risk management function that manages relevant risks, including (cyber) threats. The partnership with our IT outsourcings partner Atos, contributes to control and mitigate the numerous challenges and risks within the IT environment and makes the organization more risk sensitive and resilient. Outsourcing the IT has increased the outsourcing risk, which is duly controlled by a dedicated department, strict procedures and legal arrangements.

In this changing banking industry, the risk of a customer or counterparty not being able to meet its contractual or other agreed obligations (credit risk) remains a focus point. The organization has a strict policy concerning counterparty credit risk. In principle all loans are granted against collateral of good quality. A close monitoring of counterparties, including concentration risk, and the continuous improvement of the credit risk monitoring process remains essential. The organization has a strict and dynamic process of accepting customers and counterparties and setting appropriate credit risk limits.

Main developments 2019	Actions KAS BANK
Integration with CACEIS Group following the settlement of the acquisition	Structured risk analysis on project risk and operational risk performed, risk events identified, and controls implemented Risk Management keeps a close watch on operational impact of the projects.
Alignment with CACEIS Group standards on risk reporting	KAS BANK set up data flows with the CACEIS group for enhanced risk monitoring and tailored its risk reporting to adhere to CACEIS standards.
Risk Management function and structure where planned aligned with the new organizational structure	Advantage has been taken from implementing Group risk processes and delegations, including e.g. implementation of new (Group limits to investment portfolio and market risk indicators.
Better in-control by higher monitoring efficiency	Reduced manual interference by straighter though processing, robotization and standardization.
Focus on integrated risk and business risks	Risk management is an integrated part of all processes and increased its focus on strategic initiatives and projects (integration).
Continuous improvement of the maturity level of Risk Management	Keeping risk management developments, skills and knowledge in line with market standards by keeping an eye on external developments in the field of risk management.

Top risks 2020

In 2020, on all levels, many efforts have to be put in a successful integration within the CACEIS group. KAS BANK is aware of the potential impact of such a project on both the organization and the related operational risk. Therefore, dedicated and structured project management is in place, risks have been identified and monitored, including proper controls.
The risk management team is closely involved in monitoring the organization's integration, the operational risk team critically investigates the continuing level of operational service.

On the geopolitical and economical side, we foresee risks for the Eurozone with the reduction of the Quantitative Easing program from the European Central Bank, which could impact interest rates and liquidity. We also keep a close watch on the implementation of the Brexit deal.

Higher global trade tensions between large economies as well as political developments in Emerging Markets may also give rise to uncertainty in the markets. More public attention will be paid to the impact of climatological change, e.g. ESG criteria.

General risks for 2020 include cyber threats, compliance, data security and protection, disruptive fintech technology that could impact the business model of banks, enforcement of legislation, financial crime, a broad (housing) market correction, reorganizations due to automation and the strive for cost efficiency in the banking industry, lower world production and/or consumption due to public health issues, (the threat of) terrorism and fake news. These general risks can affect both the organization and its customers financially and non-financially. Being aware of them and anticipating in actions, is part of the organization's risk management framework.

Macro-economic and geopolitical risks and developments		
IDENTIFIED RISKS	**DESCRIPTION**	**MITIGATES**
Low interest rates	Downward pressure on profitability due to low interest rates and negative deposit facility. Uncertainty on ECB policy.	Amongst others mitigated by the short duration of the balance sheet, due to contract structure and hedging together with contacts which facilitates negative interest to be charged to clients.
Market volatility	(Returning) volatility in currency rates, stock prices and commodities influence investment portfolios and the business model.	Continuously assess the impact of market events and actively manage and monitor exposure.
Geopolitical risks	Intensifying protectionist measures and (threat of) terrorism.	Continuously assess the impact of market events and actively monitor exposure.
Economical risks	Follow-up of the Brexit procedure, impact of global health issues and related logistic impediments.	Continuously assess the impact of economic events and actively manage and monitor exposure.
Macro-prudential, regulatory and legal risks to business model		
Regulatory developments (CRR II, CRD IV, BRRD, SSM, EMIR (Refit), AIFMD, MiFID II, GDPR, IRRBB, IFRS, etc.)	New regulations may limit financials in their day-to-day business.	Continuously monitor and react to amendments to relevant regulations. We benefit from being part of a larger group.
Risks and developments related to business operations, governance and internal control systems		
Increasing dependence on IT infrastructure and developments	An increased dependence on IT (infrastructure) comes with risks.	Work with partners to manage IT developments in a timely and efficient fashion. Dedicated departments manage the partnerships with IT risk managers.

Risk Management Governance

The organization's risk governance is structured around three lines of defense. The allocation of responsibility for risk management is structured accordingly, with the Managing Board bearing ultimate responsibility for the organization and oversight of the (integrated) risk management framework. To ensure a focus on all material risk categories that the organization is exposed to, it distinguishes between three separate categories:

- Strategic risk, including business risk;
- Financial Risks, consisting of credit risk, market risk and liquidity risk;
- Non-financial risks, including operational risk, outsourcing and IT risks and responsible for the network of risk coordinators (first line/business).

Three lines of defence

In relation to governance, KAS BANK aims to establish the following preconditions:

- Clear standards with respect to governance;
- Clear roles and responsibilities;
- Well-prepared and balanced decision making with an eye for economic, operational, risk and compliance aspects;
- Documentation and communication of decisions;
- Follow up and monitoring of timely and correct implementation.

In order to realize structural and continuous improvement in these areas, KAS BANK has implemented the Three Lines of Defense model as its organizational model for managing risks. This model is an established internal control and risk management approach that helps strengthen, clarify and coordinate governance, internal control and risk management roles and responsibilities.

WHO	RESPONSIBILITY
First line of defense	***Risk Ownership***
Business	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.
Second line of defense	***Risk monitoring and control***
Risk Management and Compliance	Risk analysis, policy preparation and coordination of efforts to control the risks. It also monitors the first line risk owners, with a remit that generally extends across the bank. The Managing Board is responsible for formulating risk policy objectives. This policy is used as the basis for setting a series of limits and guidelines for managing risks throughout the bank.
Third line of defense	***Risk assurance***
Internal Audit	Conducting operational, IT, compliance and audits as a means of independent and objective assessments of the effectiveness of internal controls.

Next to the strengthening of the use of the 3LoD model, special attention is paid to culture and conduct, including risk awareness courses for all employees.

Committee structure

We have established committees for risk management purposes and to support effective decision-making. 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.

At the Supervisory Board level, the Audit Committee and the Risk Committee monitor the Managing Board's compliance with the organization's risk management policy and procedures. The Risk Committee focuses on aspects of internal risk management and control systems within the organization from both a banking operations perspective, including credit-, liquidity-, market risks, operational and compliance risks. Meetings of the Risk Committee are attended by the Managing Board and the Managing Directors of Risk Management.

Risk policies

Risk policies are approved by the bank's Enterprise Risk Management Committee. A balance sheet policy is implemented by the Asset and Liability Committee. The Audit and Risk Committees of the Supervisory Board monitor compliance with the organization's risk management policy and risk procedures.

Risk awareness

Risk- and compliance awareness is recognized as an important element in staff performance. We continued our attention to enhancing risk- and quality awareness through training and professional staff development.

Financial risk

The organization's main financial risks are (counterparty) credit risk, market risk (including interest rate and forex risk) and liquidity risk. A more comprehensive qualitative and quantitative description of these risk areas is included in the financial statements on page 80.

Credit risk

Credit risk is defined as the risk that a customer or counterparty may fail to meet its contractual or other agreed obligations. The organization's credit risk is in line with our risk profile. In principle, no credit facility is granted without sufficient collateral of superior quality (credit on securities). Credit positions of customers are strictly limited. A dynamic system of advance conditions and haircuts is in place, which takes into consideration relevant market developments. Credit quality, concentration risk and counterparty monitoring are based on market factors (where applicable) and soft factors (e.g. information obtained in meetings and other contacts with customers and counterparties). Credit risk may also arise from our investment portfolio. A strict mandate is applicable to the investments in this portfolio, so that only investments are allowed which are investment grade, have an appropriate duration and a high liquidity.

Market risk

Market risk refers to the current and prospective volatility in the organization's financial positions (which include purchases and investments that are included on the organization's balance sheet – such as the investment portfolio). In 2019 market risk remained within the limits of the relevant Value-at-Risk, stress testing limits and scenario analysis limits. The organization has a strict market risk policy resulting in a set of controls and checks performed before entering a position.

Interest rate mismatch related to the balance sheet was kept at levels below the Price Value of a Basis Point (PV01) limit, with no stress limit breaches and duration of the equity in the order of one year. We keep our interest rate mismatch very low, in line with our risk appetite. In 2019 the organization charged negative interest rates to deposits of its customers.

Our currency risk is very limited and monitored strictly by applying, amongst others, a Value at Risk limit. Because of our limited currency exposure and risk, we have a very low sensitivity to EUR/GBP and EUR/USD volatility.

Liquidity risk

Liquidity risk is defined as the risk that the organization will not be able to meet both expected and unexpected current and future cash flows and collateral needs, without affecting either daily operations or the financial condition of the organization.

The organization always strives to maintain a comfortable liquidity position. Liquidity buffers are managed by treasury balance sheet management, under the responsibility of the Assets and Liability

Committee, and such buffers are maintained well above internally set levels. Charging negative interest rates have had no direct effect on the liquidity buffer. The liquidity surplus is considered sufficient – i.e. to be within the organization's risk appetite – to cover day-to-day (intraday) events. The Basel III Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are monitored according to the most recent market practices in the Asset & Liability Committee. We are continuously refining the tools we use to manage and monitoring of liquidities.

Non-financial risk

The organization's key principles for operational risk management is being 'in-control', thereby offering our customers maximum security. We focus on operational excellence attained by activities in areas such as an established risk self-assessment process and the use of risk coordinators for all processes, resulting in fewer errors and claims and an increased efficiency.

Operational risk

Operational risk is defined as the risk that losses will occur due to weaknesses or failures in internal processes and/or systems, human errors, or outside events. Examples of operational risks include IT problems, shortcomings in the organizational structure, the absence of (or inadequate) internal controls, human error, fraud and external threats.

Awareness and management commitment are fundamental to identifying and analyzing operational risks and implementing adequate internal control measures. Risk Management is supported by first line experts (risk coordinators) in the field of systems organization processes and internal control, as well as risk managers within the Risk Management department. Risk Management also performs second line monitoring to strength the effectiveness of our control framework. The Internal Audit department has a monitoring role involving operational audits and audits the performance of Risk Management. The organization's operational risk function is based on the principles of the operational risk framework.

Operational loss data collection

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

Scenario analysis

We examined a variety of stress testing scenarios to evaluate the hypothetical effects that operational risks may have on the organization's capital and liquidity. Exceptional but still plausible scenarios, based on extrapolated losses and publicly known external events, were selected and examined. The organization reassesses the stress testing framework at least once every year and makes appropriate changes where applicable. The conclusions from this stress testing is that our capital position is sufficient to absorb expected losses, including operational risks under the various stress scenarios.

IT risk

IT risk is defined as the risk of improper operations of (business or IT) processes within KAS BANK due to insufficient confidentiality, integrity and availability of IT systems. IT risk includes all types of risks related to using and managing information technology. In IT risk management, the area of cyber security remains high on the agenda. To be prepared for threats from hackers and other cybercrimes, we performed hacker tests and strengthened response plans to cybercrime. In this perimeter, we benefit from our established partnership with Atos, who have at their disposal a vast source of knowledge, experience and resources with respect to IT-operations.

Information Security

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

The Information Security Officer is responsible for coordinating all the organization'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 principles and guidelines. Our internal control framework is in line with the DNB Information Security Framework. The organization evaluates its requirements regarding Confidentiality, Integrity and Availability (CIA) for all applications every year.

ISAE 3402

The organization 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.

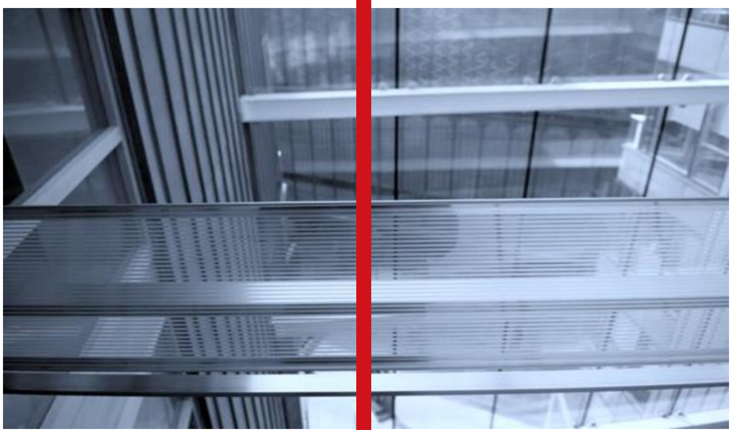
Business Continuity Management

The organization has a business continuity function for managing continuity risk. It is responsible for operational recovery and resolution plans. Continuity is of great importance in the context of financial services. It is essential for the operation of payment and securities systems that banks are always able to continue their core operational activities. Business continuity management is therefore an integral part of the organization’s business model. We follow the best practice guidelines recommended by the Business Continuity Institute when implementing and fulfilling business continuity management. In 2019 disaster and recovery tests were successfully organized – and led to a positive result.

Compliance risk

The organization’s compliance function provides support in managing compliance risks (including integrity risks) by embedding and improving compliance arrangements at all levels and throughout all structures. The objective of the compliance function is to promote compliance with assurance standards, 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.

Leadership



- Managing Board
- Supervisory Board
- Report of the Supervisory Board
- Report of the Registrar's Office

Managing Board

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

Current principal position	Chairman of the Managing Board
Previous principal position	Various management roles Transaction Banking Citigroup; Managing director KAS BANK UK branch; Chief Commercial Officer of KAS BANK
Responsibilities	Demand, Corporate, Internal Audit, Human Resources and Works Council, UK and German branch Integration Management Office
First appointed	2009 as member and 2015 as Chairman
Current term expires	2023
Nationality	Dutch

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

Current principal position	Member of the Managing Board, Chief Financial & Risk Officer
Previous principal position	Various management roles Operations, Investment Management Services & Internal Audit Department; Managing Director Finance & Control KAS BANK
Responsibilities	Finance, Risk Management, Compliance and Depositary Control
First appointed	2016
Current term expires	2024
Nationality	Dutch

C. (Christophe) P.P. Pierron (1966), Chief Operating Officer

Current principal position	Member of the Managing Board, Chief Operating Officer
Previous principal position	IT roles at various international financial companies; Deputy Managing Director at CACEIS Luxembourg branch
Responsibilities	IT, Operations and Treasury
First appointed	2019
Current term expires	2023
Nationality	French

Supervisory Board

P. (Peter) J.C. Borgdorff (1953), 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	Non-Executive Member of the Supervisory Board of Nibud; Executive Lecturer at Nyenrode Business University; Member of the Central Complaints Committee Stichting De Opbouw
First appointed	2014
Current term expires	2023
Nationality	Dutch

P. (Pauline) J.E. Bieringa (1959), Vice-Chairman

Current principal position	Managing Director Public Finance at BNG Bank N.V.
Previous principal position	Managing Director ING BHF Bank AG
Other positions	Chairman of the Supervisory Board of LSP Life Sciences Fund N.V.; Member of the Board Stichting Berenschot Beheer
First appointed	2013
Current term expires	2021
Nationality	Dutch

J. (Hans) H.G. Snijders (1956)

Current principal position	None
Previous principal position	CEO Achmea Investment Management
Other positions	Chairman of the Supervisory Board Syntrus Achmea Real Estate & Finance; Chairman of the Supervisory Board Rabobank PeelNoord; Board member Pension fund Bouwnijverheid; Chairman Supervisory Board Commanderij College
First appointed	2016
Current term expires	2021
Nationality	Dutch

Supervisory Board

J. (Jean-François) M.D. Abadie (1956)

Current principal position	Chief Executive Officer of CACEIS SA and CACEIS Bank SA
Previous principal position	Head of Global Operations of Credit Agricole CIB
Other positions	None
First appointed	2019
Current term expires	2023
Nationality	French

J (Joseph) Saliba (1957)

Current principal position	Deputy Chief Executive Officer of CACEIS SA and CACEIS Bank SA (Development and Production)
Previous principal position	Chairman of NOVamsys
Other positions	None
First appointed	2019
Current term expires	2023
Nationality	French

C. (Catherine) C.P. Duvaud (1964)

Current principal position	Deputy Chief Executive Officer of CACEIS SA and CACEIS Bank SA (Steering and Control)
Previous principal position	Chief Compliance Officer and member of the Executive Committee of Credit Agricole CIB
Other positions	None
First appointed	2019
Current term expires	2023
Nationality	French

Report of the Supervisory Board

As Supervisory Board we supervise and advise the Managing Board with respect to the policy, strategy and general course of affairs of KAS BANK. Furthermore, we fulfill the role of employer of the Managing Board. We are guided by the interests of the company and consider the relevant interests of all stakeholders. In this report, we account for the fulfillment of our responsibilities and tasks in the past year.

Successful acquisition of KAS BANK by CACEIS

The most significant event for KAS BANK in 2019 was the successful acquisition of KAS BANK by CACEIS. The Supervisory Board was closely involved in the acquisition process from the very beginning with particular attention for the interest of the company and its business and the interests of the customers, the employees and the shareholders.

On 25 February 2019, KAS BANK and CACEIS announced that they had reached conditional agreement on a public offer in cash on the entire issued and outstanding ordinary shares of KAS BANK at an offer price of EUR 12.75 per share on a 'cum dividend' basis. The offer represented a premium of 110% over the last closing price before the offer. The Supervisory Board and the Managing Board unanimously supported and recommended the offer. A merger of the businesses presents opportunities for growth and profitability for KAS BANK and adds to the European strategy of CACEIS.

The offer was formally launched on 26 July 2019 when the offer memorandum was published. On 23 September 2019 CACEIS announced that 95.3% of KAS BANK shares had been acquired by CACEIS and declared the offer unconditional. By the end of December 2019, 97.4% of KAS BANK shares had been acquired by CACEIS. CACEIS has started the statutory squeeze-out procedure in order to obtain 100% of the shares.

An Extraordinary General Meeting of Shareholders was held on 12 September 2019 to discuss the offer in accordance with article 18, paragraph 1, of the Takeover Decree (in Dutch: Besluit openbare biedingen Wft). Formal resolutions in connection with the Offer were proposed to the Securityholders who voted in favor of these resolutions. The resolutions covered the amendment of the Articles of Association, the appointment of three new members of the Supervisory Board, the resignation and discharge of two members of the Supervisory Board, the implementation of a possible demerger and liquidation scenario, and the cancellation of the treasury shares held by KAS BANK. All resolutions became unconditional upon the offer declared unconditional and completion of the transaction on 27 September 2019 (settlement date).

In the Extraordinary General Meeting of Shareholders dated 7 November 2019, the shareholders voted in favor of the resolution to cancel all preference shares.

The last trading date of the securities of KAS BANK on Euronext Amsterdam was 4 November 2019 and the listing was terminated as of 5 November 2019.

Involvement of the Supervisory Board

In several extra meetings and weekly conference calls, the Supervisory Board closely monitored the process and negotiations in its supervising and advisory role and was regularly and in-depth informed and updated on, and involved in, the progress in the negotiations and preparations of all relevant documents, such as the merger protocol, the integration plan, the financial and non-financial covenants, the fairness opinions and the offer memorandum.

The Supervisory Board sought extensive legal and financial advice and has considered all aspects of the transaction with CACEIS, including strategic, financial, operational and social points of view. The Chairman of the Supervisory Board was an observing member of the Steering Committee of KAS BANK which met every week as of November 2018. A delegation of the Supervisory Board met with CACEIS in Paris to discuss governance aspects of the offer.

The Supervisory Board also discussed the consequences of the offer and subsequent acquisition on different occasions with the Dutch Central Bank.

The Supervisory Board has been closely involved in the non-financial covenants with respect to the business, employees, governance and integration of KAS BANK within CACEIS, which will apply during the period starting on the settlement date and ending one year after the transformation into a branch of CACEIS.

Customers

The Supervisory Board considered that the customers of KAS BANK will benefit from the critical size of the combination of CACEIS and KAS BANK with more than EUR 3.9 trillion assets under custody, a solid capital position and an extended product range. The competitive strengths of KAS BANK and the investment and innovation power in the market for asset servicing will increase, as scale and a strong balance sheet are increasingly important factors. All of KAS BANK's current customers will be serviced locally, in the Netherlands, the UK and Germany.

Employees

Respecting the existing rights, benefits, pension rights, (collective) agreements and social plan applicable to the employees, as well as the existing arrangements with the Works Council, trade unions and employee consultation processes was very important for the Supervisory Board. CACEIS has ensured to respect these aspects and to improve the employees' career opportunities, personal development and training possibilities.

Shareholders

The Supervisory Board paid careful attention to the interests of the shareholders and concluded that the Offer price is in the best interest of the shareholders. To substantiate this, Rabobank issued a fairness opinion to the Managing Board and the Supervisory Board of KAS BANK, and ABN AMRO issued a separate fairness opinion to the Supervisory Board of KAS BANK stating that the offer price is fair, from a financial point of view, to the shareholders. Both opinions were issued on 24 February 2019.

Acquisition in the best interest of KAS BANK and the stakeholders

The Supervisory Board has ascertained that the acquisition of KAS BANK by CACEIS is in the best corporate interest of KAS BANK and in the best interest of all its stakeholders. CACEIS supports the strategy of KAS BANK and KAS BANK will act as CACEIS global Centre of Excellence for the pension fund business. The combination makes CACEIS a leading asset service provider in the Netherlands and allows KAS BANK to export its expertise in servicing institutional investors to all the European markets CACEIS is currently servicing.

It is the strong conviction of the Supervisory Board that the acquisition will create value through substantial potential synergies. KAS BANK and CACEIS are both institutions involved in the same activities, but in different markets, targeting the institutional investors and financial institutions segments and focusing on the development of new technologies and digital processes. There will be excellent complementarity in customers, markets and knowledge.

The Supervisory Board supports the offer and recommends the offer to the shareholders of KAS BANK within the conditions as set out in the merger protocol and in the position statement and published in the offer memorandum.

The Supervisory Board considered that the members of the Supervisory Board do not have a conflict of interest within the meaning of the Dutch Civil Code with the Company in relation to the transaction with CACEIS.

Performance 2019

2019 was an extraordinary year, also on the financial performance. The income level decreased because of the earlier announced attrition of some larger customers. In 2019, cost level increased because of costs concerning the transaction and subsequent integration. The Supervisory Board discussed extensively the bank's financial performance also in the light of the takeover.

Review on the priorities for 2019

KAS BANK's main priority for 2019 was to successfully complete the strategic discussions with CACEIS and to enter into a sustainable strategic transaction in the best interest of the company and its stakeholders to strengthen the opportunities for future growth and profitability of KAS BANK. On 23 September 2019 CACEIS declared the offer for KAS BANK unconditional.

Strategy

The Supervisory Board assessed the strategic rationale of the Offer and considered that the combination of KAS BANK and CACEIS would lead to a new and strong position in the Dutch market for asset servicing. It will lead to an enhanced position of CACEIS as service provider to European institutional investors, respecting KAS BANK’s position as specialized securities service provider for more than two decades. CACEIS will offer a solid financial position and business continuity, and support business development, evolving KAS BANK into CACEIS’ Dutch branch.

The Supervisory Board ascertained that CACEIS supports the strategy of KAS BANK's business. KAS BANK will act as CACEIS' global center of excellence for pension fund business, defending, expanding and innovating CACEIS's pension fund offering in the Netherlands and across other international markets. KAS BANK will operate as CACEIS' Dutch business base, keeping the customer base materially intact and respecting and improving the customer service levels.

Strategy meetings

All meetings of the Supervisory Board in 2019 were dedicated, at least for a significant part, to the public offer by CACEIS and the strategic impact on KAS BANK and its stakeholders, as described in more detail above.

Risk appetite

KAS BANK’s risk appetite statement is subject to the annual approval of the Supervisory Board. The Supervisory Board reaffirmed the risk appetite for 2019. In its meetings, the Supervisory Board discusses the developments and shifts in the different risk areas such as business risk, financial risk and non-financial risk and monitors the actual risk profile by means of a dashboard. It is the Supervisory Board’s opinion that a risk appetite protects the bank's reputation, safeguards the continuity of the bank (even under stress) and guarantees the interests of all stakeholders and their long-term relationship with KAS BANK. A low risk appetite is paramount for the long-term success of the bank. As of the last quarter of 2019 the overall risk profile of the bank significantly improved as a result of the acquisition by CACEIS.

Conduct and culture

In 2019, conduct and culture is addressed as part of the organization’s development and change agenda. Cultural features were discussed as part of the acquisition and the Supervisory Board is convinced that the acquisition brings together two specialist firms with similar cultures and business focus. The Supervisory Board regularly discusses cultural and social issues with the Managing Board, such as the improvement and risk awareness training programs for management, employees and teams.

Corporate governance

It was agreed between KAS BANK and CACEIS that KAS BANK will evolve into the CACEIS’ Dutch branch and that local Dutch management and expertise will be maintained. The Managing Board and Supervisory Board will be maintained until the Dutch branch has been launched successfully (branch conversion).

It was also agreed that, following completion of the transaction on 27 September 2019, the Supervisory Board of KAS BANK will consist of six members; three new members from CACEIS and three continuing members. The three continuing members will be the Independent Supervisory Board Members. A new member of the Managing Board is appointed since one member of the Managing Board stepped down in 2019.

Following completion of the transaction on 27 September 2019, the Supervisory Board consists of the following members:

- Mr. Peter Borgdorff, chairman
- Ms. Pauline Bieringa, vice-chairman
- Mr. Hans Snijders
- Mr. Jean-François Abadie
- Ms. Catherine Duvaud
- Mr. Joseph Saliba

The members mentioned under 1 to 3 are the Independent Supervisory Board Members, the members mentioned under 4 to 6 are the new Supervisory Board members from CACEIS.

Following the stepping down of Managing Board member Mr. Jaap Witteveen as of 1 August 2019 and the notification of the intended appointment of Mr. Christophe Pierron in the Extraordinary General Meeting of Shareholders dated 7 November 2019, the Managing Board consists of the following members:

- Mr. Sikko van Katwijk, chairman
- Mr. Mark Stoffels, CFRO
- Mr. Christophe Pierron, COO.

The Supervisory Board will be maintained until transformation of KAS BANK into the Dutch branch of CACEIS, after which the Supervisory Board will be dissolved. Upon dissolution of the Supervisory Board, CACEIS will install an Advisory Board. The Independent Supervisory Board Members will become the members of the Advisory Board and will be tasked with monitoring compliance with the Integration Plan and the Non-Financial Covenants (NFC) during the NFC period. The Advisory Board will dissolve one year after the transformation of KAS BANK into the Dutch branch office of CACEIS.

The Dutch Corporate Governance Code applied to KAS BANK until 5 November 2019, the date of termination of the bank's listing on Euronext Amsterdam. Information on how the bank applied the provisions of the Corporate Governance 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 applied the provisions of the Corporate Governance Code.

Permanent Education

Subjects of permanent education were Sourcing/Third Party Administrator (TPA), outsourcing to Atos, impact of privacy regulations (GDPR), Human Resources developments and corporate governance developments. Senior management regularly gives presentations in the various meetings of the Supervisory Board and its sub-committees. Commercial and strategic updates were given in every regular Supervisory Board meeting. In connection with the takeover by CACEIS, presentations in the various meetings of the Supervisory Board were also given by the legal and financial advisors, Stibbe and RABO Bank.

Supervisory Board Meetings

During 2019 the Supervisory Board held twelve meetings and fourteen telephone calls with the Managing Board. The Steering Committee met fifteen times. In all meetings and calls, the strategic transaction with CACEIS was the key item.

The Supervisory Board held eight meetings without the Managing Board, mainly to prepare the meetings with the Managing Board regarding the CACEIS transaction and related issues, such as the adjustment of the contracts of the Managing Board members, the retention of the Managing Board members and the stepping down of Mr. Jaap Witteveen. Other points of discussion were the functioning of the Supervisory Board and its members, the functioning of the Managing Board and its members, and the cooperation between the Boards. Once a year, there is also a meeting between the Supervisory Board, the internal auditor and the external auditor. Supervisory Board members participated twice in the Works Council's consultative meeting to discuss the general affairs of the company.

In 2019 the attendance at the meetings of the Supervisory Board and its Committees was almost 100%. Mr. Peter Borgdorff was absent during four meetings due to hospitalization and Ms. Petri Hofsté was absent during one meeting.

Profile of the Supervisory Board

The Supervisory Board formulated a membership profile that defines its size and composition and that is posted on the company's website. The Supervisory Board members should have specific education, background, expertise and experience relating to entrepreneurship, banking, IT/operations and innovation, risk management and control systems, financial accounting and control, remuneration, human resources management, sustainability and corporate social responsibility, the workings of institutional investors and financial institutions and the (European) securities services industry and investment management. The Supervisory Board has more than one financial expert.

To ensure that the required expertise and skills are adequately covered, the Supervisory Board has prepared a suitability matrix. This matrix provides an analysis of experience, competence and knowledge for each Supervisory Board member. The matrix is reviewed periodically. In case of vacancy in the Supervisory Board, an individual job profile based on the membership profile and suitability matrix is drawn up.

Supervisory Board Composition

As of 27 September 2019 (Settlement Date), the Supervisory Board consists of six members. A brief overview of the personal details of the Supervisory Board members is enclosed in this Annual Report. The three continuing members of the Supervisory Board (the Independent Supervisory Board Members) are independent within the meaning of provision 2.1.8 of the Dutch Corporate Governance Code. The members of the Supervisory Board retire by rotation. The full rotation schedule is published on the company's website. There are no former members of the Managing Board in the Supervisory Board. The members of the Supervisory Board receive no profit-related remuneration. None of the members of the Supervisory Board holds KAS BANK shares or options.

According to the rotation schedule, Mr. Peter Borgdorff and Ms. Petri Hofsté stepped down in the Annual General Meeting of Shareholders held on 24 April 2019. Mr. Borgdorff and Ms. Hofsté both have been members of the Supervisory Board for four and a half years and both were eligible and available for reappointment as members of the Supervisory Board. The Annual General Meeting of Shareholders, following the proposal of the Supervisory Board, reappointed Mr. Peter Borgdorff and Ms. Petri Hofsté as of 24 April 2019 for a period of four years.

Effective as of 27 September 2019 (Settlement Date), Ms. Petri Hofsté and Ms. Tanja Nagel stepped down as members of the Supervisory Board. Ms. Hofste was a member of the Supervisory Board for five years and Ms. Tanja Nagel was a member of the Supervisory Board for one and a half years. The Supervisory Board expresses its gratitude to Ms. Petri Hofsté and Ms. Tanja Nagel for their valuable contribution and dedication to the company during their term of service.

The Supervisory Board nominated Mr. Jean-François Abadie, Ms. Catherine Duvaud Mr. Joseph Saliba for appointment as new members of the Supervisory Board. The Extraordinary General Meeting of Shareholders appointed the new members effective as of the settlement date (27 September 2019) and for a period of four years. Neither the Extraordinary General Meeting of Shareholders nor the Workers Council nominated any other candidates.

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. This objective has been achieved.

Supervisory Board Committees

The Supervisory Board has formed three committees: Risk Committee, Audit Committee and Appointments & Remuneration Committee. Each committee advises the Supervisory Board and prepares the decision making by the Supervisory Board on the specific areas of the Committees. The duties and the working method of the Supervisory Board and the Committees are set down in regulations which can be found on the company's website.

Risk Committee

The Risk Committee assists and advises the Supervisory Board in monitoring the company's risk management and related internal risk control and monitoring systems, in monitoring the risk appetite and risk strategy, and in monitoring the information and communication technology and cyber security.

In 2019, the members of the Risk Committee were:

- until 27 September 2019, Mr. Hans Snijders (chair), Ms. Petri Hofsté, Ms. Pauline Bieringa and Mr. Peter Borgdorff;
- as of 27 September 2019, Ms. Pauline Bieringa (chair), Hans Snijders, Ms. Catherine Duvaud and Mr. Joe Saliba.

The other members of the Supervisory Board have a standing invitation to participate in the Committee's meetings.

The Risk Committee held six meetings in 2019. The attendance rate was almost 100%. Mr. Peter Borgdorff was absent during one meetings and Ms. Petri Hofsté was absent during one meeting. Other participants of the meetings of the Risk Committee are the Managing Director Compliance and Non-Financial Risk Management and the Managing Director Financial Risk Management.

The Risk Committee discussed the management's assessment of the key risks, the risk appetite and the translation of the risk appetite into concrete risk limits and measures to monitor and mitigate the different types of risk such as business risk, financial risk and non-financial risk. An important topic was the risk analysis of the transaction with CACEIS, e.g. running the business and integration efforts at the same time. The risk profile of the bank is monitored through the integrated risk management framework and quarterly reports from the financial and non-financial risk and compliance departments. The Risk Appetite Statement is assessed and adopted by the Supervisory Board.

Annually recurring items in the Risk Committee meetings were the internal liquidity adequacy assessment process (ILAAP), the internal capital adequacy assessment process (ICAAP) and stress testing, and the recovery plan.

All relevant topics discussed by the Risk Committee were reported to the Supervisory Board, with the Supervisory Board approving those topics as required from a governance perspective. The chairman of the Risk Committee held regularly meetings with the CFRO.

Audit Committee

The Audit Committee assists and advices the Supervisory Board in monitoring the integrity of the financial statements, in monitoring the compliance with regulatory requirements, in monitoring the effectiveness of the internal risk management and internal control systems and in monitoring the independence and performance of the internal and external auditors.

In 2019, the members of the Audit Committee were:

- until 27 September 2019, Ms. Petri Hofsté (chair), Mr. Hans Snijders and Ms. Tanja Nagel;
- as of 27 September 2019, Mr. Hans Snijders (chair), Ms. Pauline Bieringa, Ms. Catherine Duvaud and Mr. Joe Saliba.

The other members of the Supervisory Board have a standing invitation to participate in the Committee's meetings.

In 2019 the Audit Committee held eight meetings. All meetings were attended by all committee members and by the external auditor. Other participants of the meetings of the Audit Committee are the members of the Managing Board, the internal auditor and the Managing Director Finance & Control. Two private sessions were held with the external auditor.

The Audit Committee was closely involved in the advanced publication of the 2018 figures as a result of the Offer by CACEIS. The Audit Committee discussed the (quarterly) financial performance, the capital and liquidity ratio's, the budget for the upcoming years and the interim and annual financial statements. Key audit matters, as included in the auditor's report, were a main topic. The Audit Committee reviewed the press releases related to the interim and annual financial performance.

In addition, the Audit Committee discussed the reports of the external auditor, the management letters and specific audit reports of the internal auditor and the relevant correspondence between the bank and the regulators. The Audit Committee discussed and approved the internal audit plan. During 2019 the Audit Committee paid attention to the bank's follow up on control deficiencies in the area of for example regulatory reporting and data quality.

All relevant topics discussed by the Audit Committee were reported to the Supervisory Board, with the Supervisory Board approving those topics as required from a governance perspective. The chairman of the Audit Committee held regularly meetings with the CFRO and the internal and external auditor.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee assists and advises the Supervisory Board in defining the selection criteria and appointment procedures for members of the Supervisory Board and the Managing Board. It also advises and prepares decision making relating to appointments and reappointments of Managing Board members and Supervisory Board members. The Nomination & Remuneration Committee submits proposals to the Supervisory Board relating to the remuneration policy and the remuneration of the individual members of the Managing Board.
In 2019, the members of the Nomination & Remuneration Committee were:

- until 27 September 2019, Ms. Pauline Bieringa (chair), Mr. Peter Borgdorff and Ms. Tanja Nagel;
- as of 27 September 2019, Mr. Peter Borgdorff (chair), Ms. Pauline Bieringa and Jean-François Abadie.

The Nomination and Remuneration Committee held four meetings in 2019. The Chairman of the Managing Board and the Managing Director Human Resources are participants in the meetings of the Committee. The Committee assessed individual Managing Board member performance and prepared the determination of the variable remuneration for Managing Board members. The Managing Board's targets for 2019 were discussed and proposed by the Committee. The 2019 Remuneration report was prepared by the Committee.

The Committee prepared the retention bonus for the Managing Board and the adjustment of the contracts (in Dutch: Overeenkomsten van Opdracht) of the members of the Managing Board to bring these contracts in line with the new governance as a result of the transaction with CACEIS. Preliminary work was undertaken to fulfil the upcoming vacancies in 2019 and subsequent reappointments, resignations and new appointments in the Supervisory Board as a result of the transaction with CACEIS. The Committee prepared and advised the Supervisory Board with regard to the vacancies in the Managing Board in 2019 and 2020 and the reappointment of Mr. Sikko van Katwijk in 2019 and Mr. Mark Stoffels in 2020, as well as the appointment of Mr. Christophe Pierron as new member of the Managing Board.

The Committee also tested the way the remuneration policy is implemented against the Regulations on Sound Remuneration Policy (in Dutch: Regeling beheerst beloningsbeleid Wft 2017). Various Human Resources developments, including conduct and culture, absenteeism and retention, as well as the internal pay ratio were discussed.

Cooperation with the Managing Board

Taking into account the own roles and responsibilities in the strategic transformation process with CACEIS, the cooperation between Supervisory Board and Managing Board was open and direct, pro-active, critical and always respectful. At the end there is one common objective to be reached: a successful transition of KAS BANK into the CACEIS organization. The Supervisory Board is grateful for the efforts of the Managing Board, the Managing Directors and all employees to make the transaction a success.

The Chairmen of the Supervisory Board and Managing Board regularly met outside of formal meetings. The other Supervisory Board members and Managing Board members also met frequently outside the meetings. Supervisory Board members regularly met with Managing Committee members and attended presentations by the Managing Board to the employees, the bank's seminars for its customers and other formal and informal occasions.

Remuneration policy Managing Board

The Supervisory Board decided to award a retention bonus to the Managing Board of 15% of the fixed annual salary under the condition of the public offer of CACEIS for KAS BANK becoming unconditional (in Dutch: gestanddoening van het openbaar bod) and under the condition that the Managing Board is still in active duty until the moment of the public Offer of CACEIS for KAS BANK becoming unconditional. DNB approved this retention bonus. The public Offer of CACEIS became unconditional on 23 September 2019 and two members of the Managing Board were still in active duty. Mr. Sikko van Katwijk and Mr. Mark Stoffels received the retention bonus.

As far as Identified Staff (including the Managing Board) received or will receive KAS BANK securities as variable remuneration which are still in deferral or in lock up, these securities are converted into share-linked instruments of CACEIS, which instruments are linked to the share price of Credit Agricole.

The 2019 remuneration report is incorporated in this Annual Report and will also be posted on the company's website. This report is prepared by the Supervisory Board and explains how the remuneration policy for the Managing Board has been applied over the past year.

Dialogue with Works Council

The Supervisory Board seeks active and open dialogue with the Works Council. Supervisory Board members attend the meetings of the Managing Board with the Works Council twice a year in different composition.

In addition to these meetings, ad hoc bilateral contacts also occur between Works Council and Supervisory Board representatives to discuss strategic issues and the composition of the Managing Board and Supervisory Board. The Supervisory Board attaches great value to a good relationship with the Works Council.

The Works Council was closely involved in the acquisition of KAS BANK by CACEIS, not only in its advisory and approving role but also to provide the Works Council with important information regarding the negotiations and appointments with CACEIS. The Supervisory Board held intensive talks with the Works Council about the intentions of CACEIS, the new strategy, the social impact of the conversion and integration and all other aspects relevant to the Work Council.

Priorities 2020

The main priority for 2020 is a successful conversion and integration of KAS BANK into the CACEIS Group in the best interest of both KAS BANK and CACEIS and its stakeholders to strengthen the opportunities for future growth and profitability of KAS BANK as part of the CACEIS Group. The Supervisory Board, and after the dissolution of the Supervisory Board the Advisory Board, will closely monitor the integration process and the Non-Financial Covenants in its supervising and advisory role.

Adoption of financial statements, dividend proposal and discharge from responsibility

The Supervisory Board hereby presents the annual report and financial statements for the 2019 financial year, as prepared by the Managing Board. The Supervisory Board has discussed the 2019 financial statements with the Managing Board and the independent auditor, PricewaterhouseCoopers Accountants N.V., who issued an unqualified opinion. The Supervisory Board members have signed the financial statements in conformity with their statutory obligation under Section 2:101 (2) of the Dutch Civil Code. We recommend that the General Meeting of Shareholders adopt the financial statements for 2019, including the proposed profit appropriation and the dividend proposal for 2019, at the General Meeting of Shareholders to be held on 19 May 2020. Furthermore, we propose that the General Meeting of Shareholders discharge the members of the Managing Board from responsibility for their management and the Supervisory Board from responsibility for their supervision in the 2019 financial year.

Conclusion

We would like to thank our customers for their trust and loyalty to KAS BANK, our shareholders for their support and commitment, and our management and employees for their hard work, continued efforts and unwavering commitment to the company in 2019, which was a year of great importance for the future of KAS BANK.

Amsterdam, 16 March 2020

The Supervisory Board,

Mr. Peter Borgdorff, chairman

Ms. Pauline Bieringa, vice-chairman

Mr. Hans Snijders

Mr. Jean-François Abadie

Ms. Catherine Duvaud

Mr. Joseph Saliba

Report of the Registrar' Office

On 25 February 2019, KAS BANK and CACEIS announced that they agreed on a recommended public offer in cash for all shares in KAS BANK. On 23 September 2019, the offer was declared unconditional and by the end of October 2019, 97.3% of the Securities in KAS BANK had been committed to CACEIS. As of 5 November 2019, the listing of the depositary receipts on Euronext Amsterdam was terminated and Stichting Administratiekantoor Aandelen KAS BANK ('Registrar's Office') exchanged all depositary receipts held by CACEIS for the corresponding ordinary shares in the capital of KAS BANK and transferred these ordinary shares to CACEIS. CACEIS has started the statutory squeeze out procedure in order to obtain 100% of the shares.

The purpose of the Registrar's Office is to administer and manage ordinary shares in the capital of the Company, to issue exchangeable depositary receipts and to exercise the voting rights and all other rights attached to these shares, under the terms and conditions as laid down in the trust conditions of the Registrar's Office ('Trust Conditions'). With the termination of the listing, the conversion and cancellation of the depositary receipts and the transfer of the ordinary shares to CACEIS, the Registrar's Office is no longer needed. It is expected that the Registrar's Office will cease its activities and will be dissolved in 2020.

The offer by CACEIS for KAS BANK was explained to the Executive Committee in several meetings and on several occasions. The Managing Board of the Company and the chairman of the Supervisory Board, as well as the financial and legal advisors of the Company, explained the strategic rationale of the Offer, the decision-making process, the conditions of the offer, the considerations regarding all stakeholders. The Committee was provided with all relevant documents and information, and the Committee carefully prepared its decision-making, e.g. regarding the cancellation of the depositary receipts and transfer of the ordinary shares to CACEIS. The Committee carefully considering the interests of the depositary receipt holders, the Company, its related enterprise and all other stakeholders.

After careful assessment of the fairness opinions from Rabobank and ABN AMRO, indicating that the offer price of EUR 12.75 to be paid to the shareholders is fair from a financial point of view, the Executive Committee had no reason to doubt that the offer price is a fair price to the depositary receipt holders.

The Committee sought external legal advice on the question whether or not the offer should be discussed with the depositary receipt holders in a separate meeting of depositary receipt holders. It was advised that a separate meeting was not necessary.

The Executive Committee attended the Annual General Meeting of Shareholders on 24 April 2019 and the Extraordinary General Meetings of Shareholders on 12 September 2019 and 7 November 2019. The Executive Meeting discussed the topics on the agendas for these meetings and decided, based on the explanatory notes and information from the Company, to vote in favor of all the resolutions on the agendas, considering the interests of depositary receipt holders, the company, its related enterprise and all other stakeholders.

In the Annual General Meeting of Shareholders on 24 April 2019, the shareholders and depositary receipt holders present in the meeting represented 23.9% of all votes, compared to 32.2% in the previous year, and the Registrar's Office represented 76.1% of all votes, compared to 67.8% in the previous year. In the Extraordinary General Meeting of Shareholders on 12 September 2019, the shareholders and depositary receipt holders present in the meeting represented 33.9% of all votes and the Registrar's Office represented 66.1% of all votes. In the Extraordinary General Meeting of Shareholders on 7 November 2019, the shareholders and depositary receipt holders present in the meeting represented 95.7% of all votes and the Registrar's Office represented 4.3% of all votes. The total number of ordinary shares in the issued capital of the Company decreased in 2019 at 14,782,346. At year-end, the Registrar's Office had 385,132 ordinary shares under administration, for which CACEIS started the squeeze out procedure.

The administrative procedures regarding the Registrar’s Office are performed by the Company. The Registrar’s Office expenses for 2019 amounted to approximately EUR 25,000. These expenses were mainly related to the remuneration of the members of the Executive Committee. 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 2019, it was the turn of Mr. Jan van Rutte to retire by rotation. Mr. Jan van Rutte, first appointed in 2015, has offered himself for reappointment. The Executive Committee informed the holders of depositary receipts regarding the vacancy arising on the Executive Committee, inviting them to nominate a candidate. Since no nominations were received, the Executive Committee reappointed Mr. Jan van Rutte, with effect from 1 July 2019, and for a four years term.

The chairman of the Executive Committee receives an annual fee of EUR 10,000, excluding VAT, and the other members receive EUR 7,500, excluding VAT, for their services to the Registrar’s Office. The members of the Executive Committee are all independent and not associated with the Company within the meaning of Article 4, paragraph 2 of the Articles of the Registrar’s Office.

A list of positions held by the members of the Executive Committee is available for inspection on the website of the Registrar’s Office.

Amsterdam, 16 March 2020

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

Executive Committee,

Mr. Jan Nooitgedagt, chairman (2021)

Mr. Jan van Rutte (2023)

Ms. Miriam van Dongen (2021)

KAS BANK N.V. Annual Financial Statements 2019

Consolidated Financial statements

Consolidated Statement of Profit or Loss

(IN THOUSANDS OF EUROS)	Note	2019	2018
Operating income			
Interest income from financial assets using the effective interest method	1	26,677	29,433
Other interest income	1	168	237
Interest expense	2	13,891	19,833
Net interest result		**12,954**	**9,837**
Commission income	3	65,183	75,482
Commission expense	3	11,921	15,949
Net commission result		**53,262**	**59,533**
Net trading income	4	15,134	19,244
Net investment income	5	761	11,240
Share of result of associates	19	28	-22
Other income	6	394	242
Total operating income		**82,533**	**100,074**
Expenses			
Personnel expenses	7	53,062	49,305
General and administrative expenses	8	45,692	39,185
Depreciation and amortisation	9	5,916	2,013
Total operating expenses		**104,670**	**90,503**
Credit impairment losses	36	-112	-518
Total expenses		**104,558**	**89,985**
Result before tax		**-22,025**	**10,089**
Tax expense	10	-3,015	1,946
Net result for the period		**-19,010**	**8,143**
Earnings per share	11	-1.29	0.55

The notes on pages 77 to 114 are an integral part of these consolidated financial

Consolidated Statement of Comprehensive Income

(IN THOUSANDS OF EUROS)		2019	2018
Net result for the period		**-19,010**	**8,143**
Items that may be reclassified to profit or loss			
	Net gains and losses on investments in debt instruments measured at FVOCI	2,834	-9,044
	Net gains and losses on financial assets measured at FVOCI reclassified to proft or loss on disposal	-489	-8,365
Items that will not be reclassified to profit or loss		**2,345**	**-17,409**
Items that will not be reclassified subsequently to profit or loss			
	Net gains or losses on investments in equity instruments designated at FVOCI	1,631	559
	Items that will not be reclassified to profit or loss	**1,631**	**559**
Other comprehensive income, net of tax		**3,976**	**-16,850**
Total comprehensive income, net of tax		**-15,034**	**-8,707**

The notes on pages 77 to 114 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position (Before profit appropriation)

(IN THOUSANDS OF EUROS)	Note	31.12.2019	31.12.2018
Assets			
Cash and balances with central banks	12	810,042	1,604,801
Loans and advances to banks	13	1,391,733	345,235
Loans and advances to customers	14	556,484	461,782
Trading assets	15	156,186	230,491
Hedging derivatives	16	1,287	-
Financial assets at fair value through profit or loss	17	26,050	64,581
Financial assets at fair value through other comprehensive income	18	554,088	925,515
Investments in associates	19	163	135
Current tax assets		6,251	1,805
Property and equipment	20	12,589	2,018
Intangible assets	21	5,225	9,612
Deferred tax assets	22	6,875	9,990
Other assets	23	27,235	108,731
Total assets		**3,554,208**	**3,764,696**
Equity and liabilities			
Deposits from banks	24	139,974	118,375
Deposits from customers	25	3,004,094	3,143,673
Trading liabilities	15	161,491	229,595
Hedging derivatives	16	5,043	1,756
Current tax liabilities		255	-
Deferred tax liabilities	22	779	495
Other liabilities	26	40,142	53,691
Total liabilities		**3,351,778**	**3,547,585**
Issued capital	28	14,783	15,699
Treasury shares	29	-	-21,670
Share premium		20,310	21,569
Revaluation reserve	30	2,889	-1,087
Other reserves	31	183,458	194,457
Net result for the period		-19,010	8,143
Total equity		**202,430**	**217,111**
Total equity and liabilities		**3,554,208**	**3,764,696**
Contingent liabilities	33	894	1,327
Irrevocable facilities	34	3,100	1,100

The notes on pages 77 to 114 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(IN THOUSANDS OF EUROS)	Issued Capital	Treasury Shares	Share Premium	Revaluation Reserve	Other Reserves (Incl. Profit for the Period)	Total Equity
Balance as at 1 January 2018	**15,699**	**-21,866**	**21,569**	**25,096**	**192,594**	**233,092**
Changes on initial application of IFRS 9	-	-	-	-9,086	8,904	-182
Restated balance at 1 January 2019	**15,699**	**-21,866**	**21,569**	**16,010**	**201,498**	**232,910**
Net result for the period	-	-	-	-	8,143	8,143
Other comprehensive income	-	-	-	-16,850	-	-16,850
Total comprehensive income for the period	**-**	**-**	**-**	**-16,850**	**8,143**	**-8,707**
Dividends	-	-	-	-	-7,356	-7,356
Purchase/sale of treasury shares	-	196	-	-	-196	-
Share-based payments	-	-	-	-	-	-
Other changes in equity	-	-	-	-247	511	264
Balance as at 31 December 2018	**15,699**	**-21,670**	**21,569**	**-1,087**	**202,600**	**217,111**
Balance at 1 January 2019	**15,699**	**-21,670**	**21,569**	**-1,087**	**202,600**	**217,111**
Net result for the period	-	-	-	-	-19,010	-19,010
Other comprehensive income	-	-	-	3,976	-	3,976
Total comprehensive income for the period	**-**	**-**	**-**	**3,976**	**-19,010**	**-15,034**
Cancellation of own shares (Treasury shares)	-916	21,670	-1,259	-	-19,495	-
Purchase/sale of treasury shares	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
Other changes in equity	-	-	-	-	353	353
Balance as at 31 December 2019	**14,783**	**-**	**20,310**	**2,889**	**164,448**	**202,430**

The notes on pages 77 to 114 are an integral part of these consolidated financial statements.

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Consolidated statement of Cash Flows

(IN THOUSANDS OF EUROS)		2019	2018
Cash flows from operating activities			
Net result for the period		-19,010	8,143
Adjustments for non-cash items included in net result			
Share of result of associates	19	-28	22
Depreciation and amortisation	9	5,916	2,013
Credit impairment losses	36	-112	-518
Tax expense	10	-3,015	1,982
Change in restructuring provision	26	7,267	-
Change in provision relating to legal procedures	26	-620	-600
Unrealised gains / (losses)		-2,412	-837
Changes in operating assets and liabilities			
Loans to banks (not on demand) and deposits from banks	13, 24	-986,805	-103,156
Loans to customers	14	-92,271	477,141
Trading assets and liabilities	15	6,201	-2,333
Hedging derivatives	16	2,000	-270
Deposits from customers	25	-139,579	-311,489
Other assets/liabilities	23, 26	57,722	-2,785
Taxes		-	-6,529
Other movements		-11,486	-5,031
Net cash inflow from operating activities		**-1,176,232**	**55,753**
Cash flows from investing activities			
Investments in financial assets through other comprehensive income	18	-258,705	-449,676
Investments in financial assets through profit or loss	17	-14,247	-60,579
Divestments and redemptions of financial investments	17, 18	696,226	558,377
Purchases of property and equipment		-	-618
Sale of property and equipment		-	-
Purchases of intangible assets	21	-2,034	-7,698
Total net cash (outflow) from investing activities		**421,240**	**39,806**
Cash flows from financing activities			
Dividend paid to KAS BANK's shareholders		-	-7,356
Interest and redemption of Lease obligation (IFRS 16)		-1,310	-
Total net cash (outflow) from financing activities		**-1,310**	**-7,356**
Net increase (decrease) in cash and cash equivalents		-756,302	88,203
Cash and cash equivalents at the beginning of the financial year		1,689,536	1,601,333
Cash and cash equivalents at end of year		**933,234**	**1,689,536**

The notes on pages 77 to 114 are an integral part of these consolidated financial statements.

Significant Accounting Policies

KAS BANK N.V. is a public limited liability company, incorporated under Dutch law and registered in Amsterdam, the Netherlands (Registration Chamber of Commerce: 33001320). KAS BANK N.V. is owned by CACEIS since September 2019. KAS BANK is founded in 1806 and its statutory seat is Amsterdam, De Entrée 500. KAS BANK's consolidated financial statements for the period ending 31 December 2019 include the parent company and its subsidiaries, together referred to as 'KAS BANK'.

KAS BANK is a European specialist for custody, securities administration, and risk- and reporting services and operating under the trade name CACEIS Investor Services. Our focus lies in securities services for professional investors from the pensions and securities industry.

KAS BANK has branches in Amsterdam, London and Frankfurt am Main.

The annual financial statements have been drawn up by the Managing Board. The Supervisory Board advises and proposes that shareholders adopt the 2019 financial statements at the General Meeting of Shareholders on 19 May 2020.

Basis of preparation

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. The financial statements are presented in euros, which is the reporting currency of KAS BANK.

Historical cost convention

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

- Fair value is used for:
  - Trading assets and liabilities;
  - Hedging derivatives;
  - Financial assets at fair value through profit or loss;
  - Financial assets at fair value through other comprehensive income.
- A mix of valuation methods is used for:
  - Share-based payments;
  - Investments in associates. which valuation is based on the equity method.

New and amended standards adopted by KAS BANK

IFRS 16 Lease accounting

KAS BANK has adopted IFRS 16 using the modified retrospective approach from 1 January 2019 and has not restated comparatives for the 2018 reporting period, as permitted under specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing requirements are therefore recognized in the Statement of financial position as per 1 January 2019.

On adoption of IFRS 16, KAS BANK's leases will be recognized in the Statement of financial position with exemptions for short-term and leases of low-value assets. KAS BANK, as a lessee, is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment relating to that lease recognized in the statement of financial position as at 31 December 2018. The lease liability in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases' are measured at present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The incremental borrowing rate used by KAS BANK is the average borrowing rate of European banks with an A-rating. KAS BANK applied an incremental borrowing rate between 0% and 2.4% depending on the maturity of the contract.

The implementation of IFRS 16 did not have any impact on the size of the shareholders equity and a non-significant effect on the income statement.

Reference is made to note 20 for an overview of the capitalized right-of-use assets and note 26 for the corresponding lease liability, as well as the movements during financial year 2019.

Implemented amendments with non-significant impact on the preparation of the annual report 2019

The following standards were implemented during 2019 but do not have significant impact on the preparation of the annual report of 2019.

- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19: Plan Amendment Curtailment of Settlement
- Amendments to IAS 28: Long-term interests in Associates and Joint-Ventures
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9: Prepayment Features with Negative Compensation

New standards, amendments and interpretations not yet effective

The following amendments to IFRS have been issued by the IASB but are not yet effective or are not endorsed by the EU.

- IFRS 17 Insurance Contracts
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 Business Combinations
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current

KAS BANK expects that the new standards, amendments and interpretations not yet effective will not have significant impact on the equity and results of KAS BANK in the future.

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 consider recent trends, environmental factors and statistics. Actual outcomes may differ from estimates and judgmental decisions. The applied estimates are reviewed every reporting period. The most significant areas requiring estimates and judgmental decisions are the measurement of:

- Deferred tax assets and liabilities – including an estimate of the period in which the asset is recoverable, an estimate about taxable income in the future and the timing of the in- or outflows.
- Provisions, among which restructuring provisions including a judgement about the timing, nature and amount of the potential outflow. Inputs relating to restructuring provisions are for example the number of FTE covered by the plan and the compensation arrangements.
- The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

Principles of consolidation and equity accounting

Subsidiaries

The consolidated financial statements incorporate the financial statements of KAS BANK – the parent company – and entities controlled by the bank (its subsidiaries) for the year ended 31 December 2019. Subsidiaries are entities which are controlled by KAS BANK. Control of an entity exists when 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 influence over the company. Subsidiaries are fully consolidated from the date at which control is transferred to the group and are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between subsidiaries are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by KAS BANK. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and statement of financial position respectively.

During the year 2019 KAS BANK liquidated almost all of its subsidiaries. At the end of 2019 the only remaining major subsidiary is KAS Trust & Depositary Services B.V. KAS Trust & Depositary Services B.V. has a statutory seat in Amsterdam and KAS BANK N.V. holds 100% of the shares. KAS Trust & Depositary Services B.V. has merged with KAS BANK N.V on February 20, 2020.

Associates

Associates are all entities over which KAS BANK has significant influence but no control or joint control. This is generally the case where KAS BANK holds between 20% and 50% of the voting rights. As per 31 December 2019 the entity BTN Förvaltning AB is recognized as an associate. BTN Förvaltning AB is a company incorporated and organized under the laws of Sweden and registered in Stockholm, Sweden.

Equity method
Associates are accounted based on the equity method. An equity accounted investment is initially recognized at cost and subsequently changed by the share of KAS BANK in the net results after acquisition. The share in the net result is recognized in the statement of profit or loss of KAS BANK. Dividends received from an associate is recognized as a reduction in the carrying amount of the investment. The carrying amount of an equity-accounted investment is tested for impairment on reporting date.

Segment reporting
KAS BANK's products and services primarily focus on three core client segments: Pension funds, Insurance companies and Funds, Wealth Management and Transaction Banking. KAS BANK does not report assets and liabilities on the level of the above mentioned core segments. KAS BANK distinguishes in its internal management information Core segments, Treasury activities and Other. The segment reporting reflects this structure and is based on the management information submitted to the Managing Board, based on which the Managing Board evaluates the performance of the segment and allocates resources.

A geographical segment is defined by the location where the revenues are generated. The geographical segments are the Netherlands, the United Kingdom and Germany.
Segment information is based on the same accounting policies as applicable for KAS BANK's consolidated statement of financial position and statement of profit or loss.

Foreign currency translation
Transactions in foreign currencies are translated into the functional currency using the exchange rates 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 recognized in the income statement as 'Net trading income'. KAS BANK has no non-monetary assets and liabilities denominated in foreign currencies.

Revenue recognition
Revenues and expenses are recognized 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 recognized based on an accrual basis using the effective interest rate method. Fees earned for the provision of services over a period of time are accrued over that period.

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 recognized amounts and there is an intention to settle on a net basis or to realize 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.

Tax
The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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 recognized at nominal value. A deferred tax asset is recognized 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 offset where there is a legally enforceable right to offset such assets and liabilities and they relate to the same entity.
KAS BANK N.V. forms a tax group with its subsidiaries for both corporate tax and VAT.

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 statement of the profit or loss and changes in the statement of financial position which do not result in actual cash flows during the year. Cash and cash equivalents comprise balances which are callable on demand.

Summary of significant accounting policies

Financial assets and liabilities – Measurement Methods

Amortized cost and effective interest rate

Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amounts and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets.

Initial recognition and measurement

All financial assets and liabilities are initially recognized on trade date, i.e. when KAS BANK becomes a party to the contractual provisions of the instrument. At 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. After initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognized in the profit or loss when an asset is newly originated.

Financial assets – Classification and subsequent measurement

KAS BANK classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost

The classification requirements for debt and equity instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depends on:

(i) KAS BANK's business model for managing the asset, and

(ii) The cash flow characteristics of the asset

Based on these factors KAS BANK classifies debt instruments into one of the following three measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is included in 'Interest income from financial assets using the effective interest method'.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the asset cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Fair value movements in the carrying amount are recognized in OCI, except for the recognition of impairment gains or losses and interest revenue are recognized in profit or loss. In case the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Net investment income'. Interest income from these financial assets is included in 'Interest income from financial assets using the effective interest method'.
- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit and loss and presented in the Statement of profit or loss within 'Net trading income' in the period in which it arises.

Business model: the business model reflects how KAS BANK manages the assets in order to generate cash flows. That is, whether KAS BANKs objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Business models are determined at a portfolio level. Factors considered by KAS BANK in determining the business model for a portfolio of assets include experience on how the cash flows for these assets were collected, and is furthermore based on the level of sales, risk management, management compensation and performance evaluation.

SPPI – Solely Payments of Principal and Interest: Where the business model is to hold assets to collect contractual cash flows and sell, KAS BANK assesses whether the financial instruments' cash flows represent solely payments of principal and interest ('the 'SPPI test'). In making this assessment, KAS BANK considers whether the contractual cash flows are consistent with a basic lending arrangement in which consideration for the time value of money and credit risk are typically the most significant interest components. Instruments not meeting the SPPI requirements are mandatorily measured at FVTPL.

Equity instruments

KAS BANK has elected for an irrevocable designation of its current equity investments within the investment portfolio at fair value through other comprehensive income. As a result of this election the fair value gains and losses are recognized in OCI and are not reclassified to profit or loss, on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as 'Net investment income' where KAS BANK's right to receive payments is established.

Financial assets – Impairment

KAS BANK assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instrument assets carried at amortized cost and FVOCI and its off-balance sheet items as loan commitments and financial guarantee contracts. KAS BANK recognizes a loss allowance for expected credit losses at each reporting date. The measurement of ECL reflects:

- An unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Credit risk is defined as the risk of suffering financial loss, should a client or counterparty may fail to meet its contractual or other agreed obligations. A credit facility is only granted to a client where sufficient high-quality collateral is available. Furthermore, credit positions to clients are strictly limited. The estimation of credit exposure for risk management is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as outlined below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored;
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired;
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

Financial instruments in Stage 1 have their Expected Credit Loss (ECL) measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

KAS BANK measures ECL under IFRS 9 using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). The PD of financial instruments measured at amortized cost is determined on a collective basis (grouping of exposures based on shared risk characteristics) based on the average of external ratings weighted to maximum counterparty limit. The PD is, in the absence of sufficient historical losses, determined by an Expert Board. This approach implies a through the cycle PD/LGD calculation, corresponding with the current Risk Management method. At reporting date, the Expert Board, will assess the applicability of the through the cycle calculation by a point-in-time calculation.

The Expert Board is an internal committee, chaired by the CFRO, and includes executive staff members of Financial Risk Management, Finance, and Treasury.
The PD of debt instruments measured at FVOCI is based on external rating agency credit grades. These published grades are continuously monitored and updated. The PD is assessed per asset type and will be confirmed by the Expert Board.

The assessment of the PDs by the Expert Board is amongst others based on future economic conditions both on macro and microlevel and specific client behavior.

Significant increase in credit risk

On reporting date KAS BANK assesses if a significant increase in credit risk is applicable within the various portfolios. If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

KAS BANK uses a blend of quantitative, qualitative and backstop criteria to assess if a financial instrument has experienced a significant increase in credit risk. As a qualitative criterium KAS BANK determines if the remaining Lifetime PD at the reporting date has increased, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognized. As qualitative criteria KAS BANK includes amongst others information about increases within credit spreads, forbearance, changes in the value of collateral or signs about cashflow or liquidity problems. A backstop is applied, and the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

KAS BANK has used the low credit risk exemption for all financial instruments in the year ended 31 December 2019.

Default and credit-impaired assets

KAS BANK defines a financial instrument in default (Stage 3 of ECL) when the borrower is more than 90 days past due on its contractual payments or other circumstances require an earlier Stage 3 loan provision. In the assessment of a defaulted financial instrument KAS BANK also includes information about the solvency position of the borrower. An instrument is considered no longer to be in default when it no longer meets any of the default criteria for a consecutive period of six months.

Measuring ECL – model

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation.
- EAD is based on the amounts KAS BANK expects to be owed at the time of default.
- Loss Given Default (LGD) represents KAS BANKs expectation of the extent of loss on a defaulted exposure.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment.

Collateral

KAS BANK employs a range of policies and practices to mitigate credit risk. These include the adjustment of applicable limits, haircuts and/or collateral eligibility. KAS BANK receives collateral in the form of cash or securities. KAS BANK has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

Write-off policy

KAS BANK writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where KAS BANKs recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Financial liabilities – Classification and subsequent measurement

Financial liabilities are classified and subsequently measured at amortized cost, except for Financial liabilities at fair value through profit or loss. The classification Financial liabilities at fair value through profit or loss is applied to Trading liabilities and Hedging derivatives. Trading liabilities include derivatives.

Derivatives and hedging activities

KAS BANK has elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

KAS BANK holds derivative financial instruments 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. Derivatives used for hedge accounting are classified as Hedging derivatives within the Statement of Financial Position. Derivatives held for trading are classified within the Statement of Financial Position as Trading assets or Trading liabilities.

All derivatives are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. 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 collateralized.
- Exchange traded options and futures are valued using quoted prices from recognized market date providers.
- Forward foreign exchange contracts are valued using an implied forward rate and discounted using a risk-free rate.

Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Gains or losses arising from changes in the fair value of derivatives are recognized as ‘Net trading income’ (derivatives held for trading) or as ‘Interest income or expense from financial assets using the effective interest method' (derivatives held as hedging instrument).

A part of the derivatives classified as held for trading relates to derivatives which the bank engages in with the clients. All risks of these positions are fully covered by collateral posted by the clients and by back-to-back transactions with other financial institutions. For equity derivatives KAS BANK acts as General Clearing Member. In these cases, KAS BANK also guarantees the obligations toward the clearing institution of the relevant derivatives exchange.

Hedge accounting

KAS BANK uses derivatives to manage interest rate risk exposures. 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, hedging instrument, to hedge the fair value movements, of the hedged item, resulting from interest rate risk.

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 the hedge is 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 recognized in the Statement of Profit or Loss through the actual hedge adjustment. Ineffectiveness outside the 80%-125% bandwidth is recognized by not posting a hedge adjustment to the hedged item.

Property and equipment

Property and equipment is initially measured at cost, and subsequently measured at historical cost less accumulated depreciation and impairment losses. Depreciation is recognized in the Statement of Profit or Loss 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.

Lease accounting – right-of-use assets and lease liabilities

As described before KAS BANK has changed its accounting policy for leases where KAS BANK is the lessee. The new policy is described in the paragraph 'New and amended standards adopted by KAS BANK' and the impact of the change is presented in note 20 (right of use assets) and note 26 (Lease liability).

KAS BANK leases various offices, equipment and vehicles. Rental contracts are typically made for fixed period of 5-10 years and may have extension options. Until the 2018 financial year, leases were – based on the lease contracts – mainly classified as operating leases. From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by KAS BANK.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset or similar value to the right-of-use assets in a similar economic environment with similar terms, security and conditions.

The Right-of-use assets are depreciated over the asset's useful life. Payments associated with for short-term leases of equipment, vehicles and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items as office furniture.

Lease in the comparative figures

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. Capitalized 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 recognized in the Statement of Profit or Loss on a straight-line basis over the term of the lease. If an operating lease contract is terminated before expiry, any penalties are recognized in the period in which the lease contract is terminated.

Intangible assets
Computer software
Purchased software and costs for own developed are capitalized if these costs are directly related to the development of identifiable software and will generate future economic benefits for KAS BANK for more than one year. The capitalized development costs concern directly attributable costs, including the costs of staff employed on the development of the software. Capitalized development costs and purchased software are recognized at cost less accumulated depreciation and impairment losses. Depreciation of the capitalized development costs and purchased software is recognized in the Statement of Profit or Loss over the estimated useful life.

Provisions
A provision is recognized in the Statement of Financial Position 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 recognized in the Statement of Profit or Loss and the carrying amount is recognised in the Statement of Financial Position as ‘Other liabilities’. A provision for restructuring costs is recognized only when there is a constructive obligation. 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.

Shareholders’ equity
Issued capital
KAS BANK’s authorized capital comprises ordinary shares. Up to 2019 the capital also consists of issued cumulative preference shares. However, these issued preferences shares were bought back during financial year 2019. The cumulative preference shares were recognized in the Statement of Financial Position as ‘Other liabilities’.

Treasury shares
Own equity instruments of KAS BANK which are acquired by KAS BANK or by any of its subsidiaries (treasury shares) are deducted from equity and accounted for at weighted average cost. The treasury shares owned by KAS BANK as of 31 December 2019 were cancelled.

Dividends
Dividends on ordinary shares are recognized 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 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’. The UK pension plan is carried out by a trust.

(Collective) Defined Contribution plans
Relating to (collective) defined contribution plans KAS BANK pays an annual contribution determined by a fixed method. KAS BANK does not have a legal or constructive obligation to pay any further contributions. Contributions are recognized directly in the Statement of Profit or Loss as Personnel expenses, in the year to which they relate. Actuarial and investment risk are for the account of the participants of the plan.

Defined benefit plans
The pension obligations of defined benefit plans are determined individually. Defined benefit plan pension commitments are calculated using estimates of the rights vested in employees in exchange for their services in the reporting period and previous periods. These pension commitments are discounted at the yield on high grade corporate bonds that have maturity dates matching those when the benefits become payable. The calculation is performed annually by an actuary. The net benefit expense is recognized in the Statement of Profit or Loss as ‘Personnel expenses’. The net benefit obligation or receivable is recognized in the Statement of Financial Position as part of ‘Other assets’ or ‘Other liabilities. Actuarial gains and losses result from changes in actuarial assumptions and differences between the actuarial assumptions at the beginning of the year and end of the year are recognized in the statement of profit or loss.

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, considering mortality risk, the probability of employees remaining in service and participating in the plans. The liability is discounted to present value and recognized in the Statement of Financial Position as ‘Other liabilities’. Expenses are recognized in the Statement of Profit or Loss as ‘Personnel expenses’.

Share-based payment transactions

A part of the remuneration to members of the Managing Board and identified staff in exchange for services rendered may be paid in shares or share-linked instruments.
Until 2018 the share-based payments were based on KAS BANK shares, however as a result of the takeover by CACEIS the share-based plans are converted to Credit Agricole S.A. share-linked instruments which will be settled in cash at the end of the holding period. The cost of the services received is measured at the fair value of the instruments granted on the grant date. The fair value is recognized in the Statement of Financial Position as 'Personnel expenses' and allocated over the vesting period. The Credit Agricole S.A. share-linked instruments are deferred. First release is after one year (60%) and the three years thereafter the release is 13,3% per annum. After the deferral the lock-up is two years (Managing Board) or one year (part of Identified staff). During the deferral period and the lock-up the fair value of the instruments will be fluctuated. These fluctuations will be recorded in the Income statement during the deferral/lock up period at the time they occur.

Short-term employee benefits

Short-term employee benefits relate to periodically paid remuneration and variable remuneration accounted for in 'Personnel expenses' in the Statement of Profit or Loss in the period when the related service is rendered. A liability is recognized in the Statement of Financial Position 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.

Commission result

Commission income relates to activities as custody, settlements and fund accounting. Commission income is recognized based on accrual accounting, meaning that in cases where the services are not yet invoiced the income attributable to the reporting period is allocated based on an accrual entry.
No other revenues applicable based on IFRS 15 are recognized in the Statement of profit or loss. Income based on financial instruments is based on IFRS 9.

Commission expense relates to the purchase of services as custody and settlement delivered by subcontractors. These expenses are recognized based on accrual accounting.
Commission is based on the service labelled as Asset Servicing, Transaction Servicing or Treasury.
The revenue recognition of contractual services provided by KAS BANK and the determination of the transaction price and the allocation to the reporting period is in line with IFRS 15.

Securities lending and borrowing transactions

Securities lending and borrowing transactions are usually collateralized by securities or cash. The related securities in the borrowing or lending transaction are not recognized (borrowing transactions) or derecognized (lending transactions) in the Statement of Financial Position.

Non-cash collateral (e.g. securities) received or paid is also not recognized respectively derecognized from the Statement of Financial Position. Cash collateral received or paid is recognized in the Statement of Financial Position as cash advanced (included in due from banks and loans) or received (due to banks or due to customers). Interest received or paid are recognized on an effective interest basis and recorded as interest income or interest expense.

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 recognized in the Statement of Financial Position, as they are not the assets KAS Trust.

Assets under Custody

The majority of the non-derivative securities in custody at KAS BANK are pursuant to the Securities Giro Act (in Dutch: '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 recognized in the Statement of Financial Position 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 recognized in the Statement of Financial Position (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 recognized in the

Statement of Financial Position as ‘Trading assets or Trading liabilities.

Note to the reader

Certain figures in this report may not tally exactly due to rounding. In addition, certain percentages in this document have been calculated using rounded figures.

For purpose of comparison some 2018 figures might be adjusted.

Note to the consolidated statement of Profit or Loss

1. Interest income

(IN THOUSANDS OF EUROS)	2019	2018
Interest income from:		
Loans and deposits	19,381	18,587
Financial assets at fair value through profit and loss	168	237
Financial assets at fair value through other comprehensive income	7,296	10,846
Total	**26,845**	**29,670**

2. Interest expense

(IN THOUSANDS OF EUROS)	2019	2018
Interest expense on loans and deposits	11,865	16,517
Interest expense on trading assets/ liabilities and hedging derivatives	2,026	3,316
Total	**13,891**	**19,833**

The interest expense on trading liabilities and hedging derivatives includes a positive amount of EUR 6k (2018: EUR 63k negative) related to ineffectiveness. This ineffectiveness relates to fair value hedge accounting relations with debt securities included in the investment portfolio.

3. Net commission result

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

(IN THOUSANDS OF EUROS)	2019	2018
Asset Servicing	36,118	39,661
Transaction Servicing	22,277	26,580
Treasury	6,788	9,240
Total commission income	**65,183**	**75,482**
Asset Servicing	5,610	6,767
Transaction Servicing	5,493	7,907
Treasury	818	1,274
Total commission expense	**11,921**	**15,949**

4. Net trading income

(IN THOUSANDS OF EUROS)	2019	2018
Foreign exchange transaction results	14,896	19,770
Fair value movement of financial assets at fair value through profit / loss	158	-740
Sale of financial assets at fair value through profit or loss	279	66
Result from fair value hedge accounting	-278	-
Change in fair value of trading assets/ liabilities and hedging derivatives	79	148
Total	**15,134**	**19,244**

5. Net investment income

(IN THOUSANDS OF EUROS)	2019	2018
Sale of financial assets at fair value through OCI	652	11,153
Dividends	109	87
Total	**761**	**11,240**

6. Other income

(IN THOUSANDS OF EUROS)	2019	2018
Other items	394	242
Total	**394**	**242**

7. Personnel expenses

(IN THOUSANDS OF EUROS)	2019	2018
Salaries	29,148	27,682
Pension costs	5,394	6,049
Social security costs	4,593	4,918
Temporary staff	3,175	6,999
Addition to restructuring provision	8,592	-
Share-based payments for variable remuneration	-	144
Other personnel expenses	2,160	3,513
Total	**53,062**	**49,305**

AVERAGE NUMBER OF FTEs	2019	2018
Netherlands	404	425
Germany	13	14
United Kingdom	9	9
Total	**426**	**448**

8. General and administrative expenses

(IN THOUSANDS OF EUROS)	2019	2018
Information technology	33,584	27,630
Consultancy fees	4,364	1,987
Accommodation expenses	1,711	2,843
Travelling expenses	889	731
Audit fees	990	634
Other general and administrative expenses	4,154	5,360
Total	**45,692**	**39,185**

The increase of the general and administrative expenses is mainly related to the cost of the transaction and the integration with CACEIS.
See note 44 for audit fees of the statutory auditor.

Included in the information technology expenses is a derecognition of other assets relating to prepaid IT-outsourcing costs amounting to EUR 5.9 million.

9. Depreciation and amortisation

(IN THOUSANDS OF EUROS)	2019	2018
Property and equipment	590	594
Intangible Assets	3,789	1,419
Right of use assets	1,537	-
Total	**5,916**	**2,013**

Due to the acquisition of KAS BANK by CACEIS a part of the intangible assets is accelerated depreciated as the useful life decreased.

10. 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)	2019	%	2018	%
Result before tax	-22,025		10,089	
Tax expense at statutory tax rate	-5,506	25.0	2,522	25.0
Changes in deferred tax due to tax rate adjustmen	1,308	-5.9	-	-
Changes in deferred tax other	1,158	-5.3	-	-
Non-deductible items	25	-0.1	-487	-4.8
Differences in current tax rates	-	-	-89	-0.9
Total	**-3,015**	**13.7**	**1,946**	**19.3**

11. Earnings per share

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

(IN THOUSANDS OF EUROS)	2019	2018
Net result attributable to KAS BANK shareholders	-19,010	8,143
Issued capital	14,783	15,699
Treasury shares	-	-922
Number of outstanding Shares	**14,783**	**14,777**
Earnings per share (in euros)	**-1.29**	**0.55**

Notes to the consolidated Statement of Financial Position - Assets

12. Cash and balances with central banks

This balance sheet item includes cash on hand and demand deposits with central banks. The minimum reserve requirement with the Dutch central bank is also included within cash and balances with central banks. As per year end 2019 and 2018 KAS BANK meets the requirements related to the minimum reserve requirement.
The cash balance with central banks and the due on demand positions from banks are together the total cash shown in the cash flow statement.

13. Loans and advances to banks

The table below shows the amount loans and advances to banks split by type and maturity.

As per 31 December 2019 the outstanding amount of reverse repurchase agreements relates for EUR 1.159.862 to transactions with CACEIS as counterparty.

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

(IN THOUSANDS OF EUROS)	2019	2018
Current account	123,192	85,172
Deposits	6,818	13,942
Reverse repurchase agreements	1,262,172	246,644
Loss allowance	-449	-523
Balance as at 31 december	**1,391,733**	**345,235**

Due on demand	123,192	85,172
Not due on demand (maturity less than one year)	1,268,990	260,586
Loss allowance	-449	-523
Balance as at 31 december	**1,391,733**	**345,235**

14. Loans and advances to customers

The table below shows the outstanding amount of loans and advances to customers. The current accounts, deposits, reverse repurchase agreements and mortgage loans are collateralized by customer securities or individual properties (note 36).

(IN THOUSANDS OF EUROS)	2019	2018
Current account	345,538	323,943
Deposits	11,559	8,378
Reverse repurchase agreements	-	134,922
Mortgage loans	2,788	2,798
Mortgage fund	204,512	-
Loss allowance	-7,913	-8,259
Balance as at 31 december	**556,484**	**461,782**

Due on demand	345,538	323,943
Not due on demand	218,859	146,098
Loss allowance	-7,913	-8,259
Balance as at 31 december	**556,484**	**461,782**

The balance of loans and advances to customers decreased by EUR 0.5 billion (2018: EUR 0.6 billion) because of the offsetting of deposits for several clients (note 25 and 36).

KAS BANK invested EUR 205 million in a mortgage fund consisting of Dutch residential mortgages. The investment in the mortgage fund is recognized at amortized cost. The interest rate risk of this investment is hedged. The carrying amount of EUR 204.5 million includes EUR 1.2 million negative to offset the fair value movements of the hedge. The fair value of the mortgage fund amounts EUR 220.1 million as per 31 December 2019.

Except for the mentioned mortgage fund the fair value of the other lines under Loans and advances to customers do not materially deviate from the carrying amount, due to the short-term nature of its related assets.

15. Trading assets and liabilities

This balance sheet item includes derivatives that are not used within a hedge accounting relationship. The table below shows the fair value of the trading assets and liabilities, together with their notional amount.

(IN THOUSANDS OF EUROS) 31.12.2019	Notional amount	Fair value assets	Fair value liabilities
Forward foreign exchange contracts	113,171	290	461
Foreign exchange swaps	8,489,753	47,768	50,841
Future contract		-	2,061
Interest Rate Swaps		-	-
Exchange traded derivatives held on behalf of clients	7,770,610	108,128	108,128
Total		**156,186**	**161,491**

(IN THOUSANDS OF EUROS) 31.12.2018	Notional amount	Fair value assets	Fair value liabilities
Forward foreign exchange contracts	224,050	1,480	807
Foreign exchange swaps	6,943,309	26,401	27,089
Future contract		512	-
Interest Rate Swaps	696,000	56,747	56,348
Exchange traded derivatives held on behalf of clients	8,467,452	145,351	145,351
Total		**230,491**	**229,595**

16. Hedging derivatives

KAS BANK uses fair value hedge accounting based on the requirements as set out within IAS 39 to hedge the fair value movements, relating to changes in applicable market interest rates, of designated financial assets. These instruments are so called hedging items. As at 31 December 2019, EUR 336 million (2018: EUR 286 million) of the investment portfolio) and EUR 205 million (2018: nil) of a mortgage portfolio, classified as Loans are designated as hedged item in a fair value hedge relationship (note 18). The derivatives used within these hedge relationships are so called hedged instruments. The table below presents the fair value of these hedged instruments together with their notional amount.

(IN THOUSANDS OF EUROS)			
31.12.2019	Notional amount	Fair value assets	Fair value liabilities
Interest Rate Swaps used within a Fair value hedge relation	468,200	1,287	5,043
Total		**1,287**	**5,043**

(IN THOUSANDS OF EUROS)			
31.12.2018	Notional amount	Fair value assets	Fair value liabilities
Interest Rate Swaps used with a Fair value hedge relation	284,600	-	1,756
Total		**-**	**1,756**

17. Financial assets at fair value through profit or loss

The table below shows the outstanding amount of the financial assets at fair value through profit or loss. The debt instruments included in this portfolio can't be classified as Financial assets at fair value through other comprehensive income or Loans measured at amortized cost.

(IN THOUSANDS OF EUROS)	2019	2018
Carrying amount as at 1 January	64,581	-
Reclassified as a result of the introduction of IFRS 9	-	59,656
Purchases	14,247	60,579
Sales	-55,190	-54,914
Redemptions	-	-
Movement in fair value	2,412	-740
Balance as at 31 december	**26,050**	**64,581**

18. Financial assets at fair value through other comprehensive income

The table below shows the movement of the financial assets at fair value through other comprehensive income.

(IN THOUSANDS OF EUROS) 2019	Debt instruments	Equity instruments	Total
Balance as at 1 January	922,106	3,409	925,515
Purchases	258,705	-	258,705
Sales	-502,332	-	-502,332
Movements in fair value	9,974	1,082	11,056
Redemptions	-138,704	-	-138,704
Loss allowance	-152	-	-152
Balance as at 31 December	**549,597**	**4,491**	**554,088**

(IN THOUSANDS OF EUROS) 2018	Debt instruments	Equity instruments	Total
Balance as at 1 January	1,093,117	33,009	1,126,126
Reclassified as a result of the introduction of IFRS 9	-29,641	-30,015	-59,656
Purchases	449,676	-	449,676
Sales	-510,320	-329	-510,649
Movements in fair value	-12,471	744	-11,727
Redemptions	-68,196	-	-68,196
Loss allowance	-59	-	-59
Balance as at 31 December	**922,106**	**3,409**	**925,515**

At 31 December 2019, EUR 59 million (2018: EUR 41 million) of the debt instruments are pledged as collateral. EUR 335 million (2018: EUR 286 million) of the debt instruments is included as a hedged item in a fair value hedge relationship (note 16).

19. Investments in associates

The investment in associates relates to an investment in BTN Förvaltning AB. BTN Förvaltning AB is a company incorporated under the laws of Sweden and registered in Stockholm, Sweden. KAS BANK holds a stake of 20% in BTN Förvaltning AB. The table below shows the movement of the carrying value of the associate BTN Förvaltning AB.

(IN THOUSANDS OF EUROS)	2019	2018
Carrying amount as at 1 January	135	157
Share in net reslts	28	-22
Dividend	-	-
Balance as at 31 december	**163**	**135**

20. Property and equipment

(IN THOUSANDS OF EUROS) 2019	Right of Use Assets - Property	Computer equipment	Fixtures and Fittings	Technical installations	Total
Acquisition costs at 1 January	-	2,295	1,527	1,122	4,944
Addition due to introduction of IFRS 16	12,698	-	-	-	12,698
Investments	-	-	-	-	-
Divestments	-	-	-	-	-
Acquisition costs at 31 December	**12,698**	**2,295**	**1,527**	**1,122**	**17,642**
Accumalated depreciation as at 1 January	-	-1,806	-622	-498	-2,926
Depreciation for the year	-1,537	-218	-239	-133	-2,127
Divestments	-	-	-	-	-
Accumulated depreciation as at 31 December	**-1,537**	**-2,024**	**-861**	**-631**	**-5,053**
Balance as at 31 December	**11,161**	**271**	**666**	**491**	**12,589**

(IN THOUSANDS OF EUROS) 2018	Right of Use Assets - Property	Computer equipment	Fixtures and Fittings	Technical installations	Total
Acquisition costs at 1 January		1,823	1,411	1,092	4,326
Investments		472	116	30	618
Divestments		-	-	-	-
Acquisition costs at 31 December	**-**	**2,295**	**1,527**	**1,122**	**4,944**
Accumalated depreciation as at 1 January		-1,634	-353	-345	-2,332
Depreciation for the year		-172	-269	-153	-594
Divestments		-	-	-	-
Accumulated depreciation as at 31 December	**-**	**-1,806**	**-622**	**-498**	**-2,926**
Balance as at 31 December	**-**	**489**	**905**	**624**	**2,018**

21. Intangible assets

Software in development mainly includes purchased software components which will be reclassified to 'purchased software' after completion of the internal development and implementation.

Due to the takeover by CACEIS the useful life of part of the capitalized software is decreased resulting to an additional depreciation of EUR 2.2 million in 2019 and an additional divestment of 2.6 million.

The EUR 3.8 million of software in development end 2019 fully consists of purchased software licenses.

(IN THOUSANDS OF EUROS)

2019	Purchased software	Software in development	Total
Acquisition costs at 1 January	8,974	7,963	16,937
Additions	-	2,034	2,034
Reclassifcations	2,625	-2,625	-
Divestments	-	-2,632	-2,632
Acquisition costs at 31 December	**11,599**	**4,740**	**16,339**
Accummulated amortisation as at 1 January	-6,413	-912	-7,325
Amortisation charge for the year	-3,789	-	-3,789
Divestments	-	-	-
Accummulated amortisation as at 31 December	**-10,202**	**-912**	**-11,114**
Balance as at 31 December	**1,397**	**3,828**	**5,225**

(IN THOUSANDS OF EUROS)			
2018	Purchased software	Software in development	Total
Acquisition costs at 1 January	7,151	2,203	9,354
Additions	1,656	6,648	8,304
Reclassifcations	397	-860	-463
Divestments	-143	-28	-171
Acquisition costs at 31 December	**9,061**	**7,963**	**17,024**
Accummulated amortisation as at 1 January	-4,994	-912	-5,906
Amortisation charge for the year	-1,419	-	-1,419
Divestments	-	-	-
Accummulated amortisation as at 31 December	**-6,413**	**-912**	**-7,325**
Impairments as at 1 January	-87	-	-87
Impairments for the year	-	-	-
Impairments as at 31 December	-87	-	-87
Balance as at 31 December	**2,561**	**7,051**	**9,612**

22. Deferred tax assets and liabilities

(IN THOUSANDS OF EUROS)	2019	2018
Deferred tax assets	6,875	9,990
Deferred tax liabilities	-779	-495
Net	**6,096**	**9,495**

(IN THOUSANDS OF EUROS) 2019	01.01.2019	Income statement	OCI	31.12.2019
Financial assets through P&L	-	-	-	-
Financial assets through OCI	-495	-	-284	-779
Property and equipment	321	-	-	321
Tax loss carryforwards	9,659	-3,105	-	6,554
Other	10	-10	-	-
Total	**9,495**	**-3,115**	**-284**	**6,096**

In 2019 a deferred tax asset relating to tax losses of the German Branch amounting EUR 1.2 million was due to changed ownership fully written down. See for further details note 10.

(IN THOUSANDS OF EUROS) 2018	01.01.2018	IFRS 9 Reclass	Income statement	OCI	31.12.2018
Financial assets through P&L	-	70	-70		-
Financial assets through OCI	-	-8,163	6,010	-1,658	-495
Financial investments available-for-sale	-8,093	8,093	-	-	-
Property and equipment	346	-	-25	-	321
Tax loss carryforwards	8,054	-	1,605	-	9,659
Other	14	-	-4	-	10
Total	**321**	**-**	**7,516**	**1,658**	**9,495**

23. Other assets

(IN THOUSANDS OF EUROS)	2019	2018
Receivables	15,082	92,524
Accrued income and prepaid expenses	12,153	16,207
Balance as at 31 december	**27,235**	**108,731**

In 2019, the other assets did not include any amounts with a maturity date of more than one year.

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

Equity and Liabilities

24. Deposits from banks

(IN THOUSANDS OF EUROS)	2019	2018
Due on demand	46,551	112,276
Not due on demand	93,423	6,099
Balance as at 31 december	**139,974**	**118,375**

25. Deposits from customers

(IN THOUSANDS OF EUROS)	2019	2018
Current accounts	2,861,761	3,037,474
Saving deposits	1,093	1,736
Time deposits	141,240	104,463
Balance as at 31 december	**3,004,094**	**3,143,673**

The presented amount of 'Deposits from customers' is decreased with EUR 0.5 billion (2018: EUR 0.6 billion) because of the offsetting of loans and advances for a number of clients (note 14 and 36).

26. Other liabilities

(IN THOUSANDS OF EUROS)	2019	2018
Accrued expenses and deferred income	10,662	13,268
Lease Liability (IFRS 16)	10,226	-
Long-term employee benefits	1,240	1,237
Restructuring provision	10,900	3,663
Cumulative preference shares	-	-
Other liabilities	7,115	35,523
Balance as at 31 december	**40,143**	**53,691**

At 31 December 2019 KAS BANK has issued nil (2018: 25) of the authorized 12,500,000 cumulative preference shares. In 2018, 25 of these shares were registered in the name of 'Stichting Preferente Aandelen KAS BANK. The preference shares have a nominal value of EUR 1.00 per share. Based on IFRS the preference shares were classified as liability instead of equity.

At 31 December 2019 KAS BANK has a provision for legal proceedings of nil (31 December 2018: EUR 2.1 million).

The restructuring provision is related to the integration with CACEIS and will result in a decrease of the number of the employees.

The table below shows the changes in the restructuring provision in 2019, which is part of the other liabilities. The addition to the restructuring provision is related to the integration of KAS BANK into CACEIS and the optimization of the organization.

(IN THOUSANDS OF EUROS)	2019	2018
Balance as at 1 January	3,663	6,448
Additions	8,592	-
Used during year	-1,355	-2,785
Balance as at 31 december	**10,900**	**3,663**

27. Retirement benefit plan

KAS BANK sponsors pension plans in the Netherlands and the United Kingdom. The Dutch pension plan qualifies as a (collective) defined contribution plan. KAS BANK pays for the Dutch pension plan annual contributions determined by a fixed method and has no legal or constructive obligation to pay any further contributions. The Dutch pension plan is carried out by the company pension fund ‘Stichting Pensioenfonds van de KAS BANK’.

The plan of the UK employees is a defined benefit plan and is carried out in a Trust.

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 2019, the net pension expense recognized in the Statement of Profit or Loss amounted to EUR 0.1 million (2018: EUR 0.1 million).

The present value of the benefit obligation is EUR 10.2 million (2018: EUR 7.8 million). The plan assets showed a surplus after funding the minimum guarantee level. KAS BANK is not entitled to the surplus (asset ceiling) and values the surplus at nil.
In the Financial Statements the fair value of plan assets is equal to the present value of the benefit obligation. The balance sheet entries relating to the UK pension schema are classified as Long term employee benefits, part of Other liabilities.

The table below summarizes the assumptions used to determine the present value and movements in the pension obligation and plan assets and the components of net benefit expenses recognized in the Statement of Financial Position and the Statement of Profit or Loss.

ACTUARIAL ASSUMPTIONS	2019	2018
Discount rate	2.10%	3.00%
General wage inflation	2.40%	2.65%
Price inflation	2.40%	2.65%
Indexation	1.85%	2.00%
Life expectancy	25/26	11/12
-65 year old male/female at end of year	22/25	12/13
Duration	31	31

28. Issued capital

Number of shares	2019	2018
Authorised	25,000,000	25,000,000
Non-issued	10,217,346	9,300,983
Issued and fully paid	**14,782,654**	**15,699,017**

CACEIS owns 97.4% of the shares of KAS BANK N.V. The majority of the remaining part of the issued capital is registered in the name of 'Stichting Administratiekantoor 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.

29. Treasury shares

Number of shares	2019	2018
Opeining balance at 1 January at average of EUR 23.50 (2018: EUR 23.48)	921,934	931,291
Granted as share-based payment	-5,571	-9,357
Cancellation of treasury shares	-916,363	-
Closing balance at 31 December	**-**	**921,934**

30. Revaluation reserve

(IN THOUSANDS OF EUROS)	2019	2018
Balance as at 1 January	**-1,087**	**25,096**
Reclassified as a result of the implementation of IFRS 9 (net of tax)	-	-9,086
Unrealised results presented within other comprehensive income	5,953	-11,972
Reclassified to profit or loss	-652	-11,153
Reclassified to other comprehensive income	-	247
Reclassified to deferred tax	-1,488	2,993
Reclassified to current tax	163	2,788
Balance as at 31 December	**2,889**	**-1,087**

The revaluation reserve relates to unrealized fair value movements of Financial assets at fair value through other comprehensive income.

31. Other reserves (including net result for the period)

(IN THOUSANDS OF EUROS)	2019	2018
Balance as at 1 January	**202,600**	**192,594**
Effect of implementing IFRS 9	-	8,904
Net result of the period	-19,010	8,143
Cancellation of own Share	-19,495	-
Final dividend previous year (distributed in April)	-	-4,253
Interim-dividend (distributed in September)	-	-3,103
Transferred from revaluation reserve	-	247
Treasury shares	-	-196
Other movements	353	264
Balance as at 31 December	**164,448**	**202,600**

Other reserves include retained earnings and statutory reserves for internal developed software. A statutory reserve is a non-distributable reserve. Reference is made to the company Financial Statements.

32. 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 instrument's 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 data (fair value of foreign exchange derivatives).

(IN THOUSANDS OF EUROS)					
31.12.2019	Level 1	Level 2	Level 3	ECL	Total
Financial assets at fair value through profit or loss	26,050	-	-	-	26,050
Financial assets at fair value through other comprehensive income	473,578	79,483	1,238	-211	554,088
Trading assets	108,128	48,058	-	-	156,186
Hedging derivatives	-	1,287	-	-	1,287
Total financial assets	**607,756**	**128,828**	**1,238**	**-211**	**737,611**
Trading liabilities	108,128	53,363	-	-	161,491
Hedging derivatives	-	5,043	-	-	5,043
Total financial liabilities	**108,128**	**58,406**	**-**	**-**	**166,534**

(IN THOUSANDS OF EUROS)					
31.12.2018	Level 1	Level 2	Level 3	ECL	Total
Financial assets at fair value through profit or loss	64,581	-	-	-	64,581
Financial assets at fair value through other comprehensive income	629,873	289,982	5,719	-59	925,515
Trading assets	145,863	84,628	-	-	230,491
Hedging derivatives	-	-	-	-	-
Total financial assets	**840,317**	**374,610**	**5,719**	**-59**	**1,220,587**
Trading liabilities	145,351	84,244	-	-	229,595
Hedging derivatives	-	1,756	-	-	1,756
Total financial liabilities	**145,351**	**86,000**	**-**	**-**	**231,351**

For transfers in and out of level 3 measurements see table below. KAS BANKs policy is to recognize transfers into and transfers out of fair value hierarchy levels at the end of the reporting period.

Reconciliation of fair value at level 3

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

(IN THOUSANDS OF EUROS)	2019	2018
Position as at 1 January	**5,719**	**351,886**
Reclassification to Level 2	-1,646	-
Purchases / (sales) of assets	-2,782	-339,590
Revaluation recognised in Other Comprehensive Income	-53	-6,577
Balance as at 31 December	**1,238**	**5,719**

The Level 3 valuations relate to both equity and debt instruments. For equity instruments the value is based on amongst others intrinsic value. For debt instruments value is based on non-daily market quotes.

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, loans and advances to banks and customers, deposits from banks and customers. The assessment of fair value of these instruments is based on Level 2 inputs.

33. Contingent assets and liabilities

Contingent liabilities

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.

KAS BANK has an irrevocable payment commitment to the Single Resolution Board in Brussels. The Single Resolution Board provides credit institutions with the option to fulfil part of the obligation to pay the annual ex-ante contribution to the Single Resolution Fund through irrevocable payment commitments. To secure full and punctual payment, credit institutions need to constitute cash collateral and fully transfer legal ownership to the Single Resolution Board. As per 31 December 2019 KAS BANK has posted EUR 0.7 million of such collateral

34. Irrevocable facilities and off balance sheet commitments

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 drawing up.

35. Credit risk

Credit risk is the risk that counterparty fails to meet contractual or other agreed obligations. KAS BANKs credit risk may occur in providing loan services to clients, appointing network connections or partners and in treasury transactions. Credit risk may also occur, due to concentrations in counterparties, countries, segments and asset classes.

Many employees, especially in Client Management, Treasury and Risk, are involved in credit risk management.

Credit risk concerns the following parties:

- Clients;
- Treasury counterparties (including in investment portfolios);
- Sub-custodians;
- Central counterparties.

Credit risk is divided into four elements:

- *Probability of default*: likelihood over a specified period, that a borrower will not be able to make scheduled repayments;
- *Concentration risks*: refers to disproportionally large risk exposure to specific credit risks, due to inadequate diversification within the portfolio;
- *Loss given default*: is the total amount of loss for KAS BANK when a counterparty defaults on a loan, taking into account the collateral received;
- *Exposure at default*: is the total value KAS BANK is exposed to at the time of a loan's default.

KAS BANK's credit risk is structured by a framework of policies and procedures, monitoring and reporting and risk culture/awareness. The framework is linked to the strategy and Risk Appetite of KAS BANK and limit the bank's credit risks for example by ensuring that credit is covered by sufficient collateral. Credit risk is managed using the Three Lines of Defense model, and centrally controlled from Financial Risk Management.

KAS BANK uses an internal model for setting limits and determining the level of margin required in respect of security transactions. To fill the model, KAS BANK uses external information such as credit rating and credit default curves, as much as possible. If such external information is not available or deemed not sufficient a system based on quantitative criteria for monitoring credit risks on counterparties is applied. The internal ratings are reassessed periodically, on the basis of risk classification and developments in the markets or of client's activities

The main committees dealing with credit risk are:

- Enterprise Risk Management Committee, approving policies, guidelines and limits;
- Asset and Liability Committee, monitoring credit risk (and risk-return) and accepting exceptions within its mandate;
- Credit and Client Committee, approving medium and high-risk clients and credit facilities.

Exposures relating to security transactions, based on collateral

Exposure related to settlement and clearing facilities is in principle 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 Financial Risk Management and approved by the Enterprise Risk Management Committee. A basic requirement is that advance conditions only apply to securities matching KAS BANK's risk criteria.

The monitoring of outstanding settlement positions is based on a credit risk information system which quantifies the risks and assesses the collateral posted by the client. The monitoring system includes information of the real time financial position of the client.

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

Exposures 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. Front office submits a request for a limit. Financial Risk Management performs 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 portfolios. In addition, a credit exposure arises from securities borrowing and lending transactions, (reverse) repurchase transactions, exposures in money market instruments and derivatives.

Investment portfolios

KAS BANK limits the exposure to credit risk in its investment portfolios by investing in marketable, highly liquid, securities with an investment grade credit rating from Moody's Investors Service, Standard & Poor's and/or Fitch Ratings. Delegated by the Enterprise Risk Management Committee, the Asset & Liability Committee may approve exemptions of these minimum requirements.

The following table shows the credit rating (based on Standard & Poor's) of the investment and designated fair value portfolios:

(IN THOUSANDS OF EUROS)	2019	2018
AAA - AA -	496,736	821,114
A + - A -	2,938	27,813
BBB + - BBB -	50,035	73,238
BB + BB -	-	4,550
Shares	30,429	63,381
Total	**580,138**	**990,096**

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)	2019	2018
Banks	869,956	758,742
Other parties	137,641	94,946
Receivables in respect of securities lending	**1,007,597**	**853,688**
Securities	983,090	867,239
Cash	103,633	50,728
Collateral received	**1,086,723**	**917,967**
Banks	97,600	-
Other parties	997,179	845,504
Liabilities in respect of securities lending	**1,094,779**	**845,504**
Borrowers' repledged securities	918,250	887,891
Reverse repurchase agreements	109,866	104,236
Collateral paid	**1,028,116**	**992,127**

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 derecognized them.

In addition, KAS BANK recognizes 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 recognized by the bank, which instead records a separate asset for the cash collateral given.

(IN THOUSANDS OF EUROS)	2019	2018
Reverse repurchase agreements	1,262,172	381,566
Net	**1,262,172**	**381,566**

Bonds	276,017	246,850
Central counterparty - non ECB-eligible	-	100,000
Central counterparty - ECB eligible	986,155	35,000
Total collateral received	**1,262,172**	**381,850**

Exposure	**-**	**-**

Exposures from derivatives and money market instruments

The Enterprise Risk Management Committee assigns Limits for money market transactions and foreign currency positions for all counterparties. Exemptions or (temporary) proposals for increase of 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, including own book positions and client positions, are in majority entered into under a master agreement of the International Swaps and Derivatives Association (ISDA).

Master agreements provide that, if the master agreement is 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.

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.

(IN THOUSANDS OF EUROS)				
ECL Staging 2019	Stage 1	Stage 2	Stage 3	Total
Cash and balances with central banks	810,042	-	-	810,042
Loans and advances to banks	1,391,746	-	437	1,392,183
Loans and advances to customers	556,524	-	7,873	564,397
Financial assets FVOCI - debt instruments	549,808	-	-	549,808
Off balance sheet commitments	4,153	-	-	4,153
Gross carrying amount	**3,312,273**	**-**	**8,310**	**3,320,583**
Loss allowance	-264	-	-8,310	-8,574
Carrying amount	**3,312,009**	**-**	**-**	**3,312,009**

Movement ECL 2019	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2018	163	-	8,678	8,841
Transfers between stages	-	-	-	-
Movements to P&L	101	-	70	171
Write-offs	-	-	-438	-438
Loss allowance as at 31 December 2019	**264**	**-**	**8,310**	**8,574**

(IN THOUSANDS OF EUROS)				
ECL Staging 2018	Stage 1	Stage 2	Stage 3	Total
Cash and balances with central banks	1,604,801	-	-	1,604,801
Loans and advances to banks	345,321	-	437	345,758
Loans and advances to customers	461,800	-	8,241	470,041
Financial assets FVOCI - debt instruments	922,165	-	-	922,165
Off balance sheet commitments	2,427	-	-	2,427
Gross carrying amount	**3,336,514**	**-**	**8,678**	**1,740,391**
Loss allowance	-163	-	-8,678	-8,841
Carrying amount	**3,336,351**	**-**	**-**	**1,731,550**

Movement ECL 2018	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2018	243	-	15,135	15,378
Transfers between stages	-	-	-	-
Movements to P&L	-80	-	-500	-580
Write-offs	-	-	-5,957	-5,957
Loss allowance as at 31 December 2018	**163**	**-**	**8,678**	**8,841**

Provisions and impairments

Clients with financial problems or uncollateralized debt positions past due are transferred to special credit monitoring. These clients are actively monitored by Financial Risk Management in order to manage both the relationship with the client and KAS BANK's risks.

In 2019 and 2018 KAS BANK did not utilize pledged collateral and had no assets that were past due. In both years received collateral mitigated credit risks. In 2019 and 2018, KAS BANK did not provide forbearance measures to clients.

(IN THOUSANDS OF EUROS) 31.12.2019	Cash and balance with central banks	Loans and advances to banks and customers	Finanical assets at FVOCI (debt instruments)
Carrying amount	810,042	1,948,217	549,749
Assets not impaired, not past due	810,042	1,948,270	549,960
Individually impaired assets (gross carrying amount)	-	8,310	-
Expected Credit Loss Stage 1	-	-53	-211
Expected Credit Loss Stage 2	-	-	-
Expected Credit Loss Stage 3	-	-8,310	-

(IN THOUSANDS OF EUROS) 31.12.2018	Cash and balance with central banks	Loans and advances to banks and customers	Finanical assets at FVOCI (debt instruments)
Carrying amount	1,604,801	807,017	922,106
Assets not impaired, not past due	1,604,801	807,121	922,165
Individually impaired assets (gross carrying amount)	-	8,678	-
Expected Credit Loss Stage 1	-	-104	-59
Expected Credit Loss Stage 2	-	-	-
Expected Credit Loss Stage 3	-	-8,678	-

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

(IN THOUSANDS OF EUROS)					
Offsetting financial assets and financial liabilities as at 31 December 2019	Gross amounts	Amounts that are set off	Net amouunts in the balance sheet	Related amounts not set off in the balance sheet*	Net amounts
Financial assets					
Loans and advances to banks	1,391,733	-	1,391,733	1,167,248	224,485
Loans and advances to customers	1,013,023	456,539	556,484	478,020	78,464
Trading assets and heding derivatives	157,473	-	157,473	156,863	610
Total	**2,562,229**	**456,539**	**2,105,690**	**1,802,131**	**303,559**
Equity and liabilities					
Deposits from banks	139,974	-	139,974	-	139,974
Deposits from customers	3,460,633	456,539	3,004,094	-	3,004,094
Trading liabilities and heding derivatives	166,534	-	166,534	164,574	1,960
Total	**3,767,141**	**456,539**	**3,310,602**	**164,574**	**3,146,028**

(IN THOUSANDS OF EUROS)					
Offsetting financial assets and financial liabilities as at 31 December 2018	Gross amounts	Amounts that are set off	Net amounts in the balance sheet	Related amounts not set off in the balance sheet*	Net amounts
Financial assets					
Loans and advances to banks	345,235	-	345,235	248,148	97,087
Loans and advances to customers	1,091,216	629,434	461,782	325,290	136,492
Trading assets and heding derivatives	230,491	-	230,491	235,345	-4,854
Total	**1,666,942**	**629,434**	**1,037,508**	**808,783**	**228,725**
Equity and liabilities					
Deposits from banks	118,375	-	118,375	-	118,375
Deposits from customers	3,773,107	629,434	3,143,673	-	3,143,673
Trading liabilities and heding derivatives	231,351	-	231,351	230,143	1,208
Total	**4,122,833**	**629,434**	**3,493,399**	**230,143**	**3,263,256**

** Bank and loan exposure is mainly covered by securities pledged as collateral. Derivatives exposure is covered by netting arrangements of the International Swaps and Derivatives Association (ISDA) or by margin. Margin mainly relates to derivatives held on behalf of clients. Reverse repurchases agreements are covered by the arrangements of the International Capital Market Association (IMCA). The fair value amounts of the collateral of loans and advances, deposits and derivatives are presented in the column headed "Related amounts not set off in balance sheet".*

Concentration risk

Credit risk 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 by Financial Risk Management of our client groups and client acceptance.

(IN THOUSANDS OF EUROS)					
31.12.2019	Central Government	Financial Institutions	Institutional Investors	Other	Total
Concentration by segment					
Cash and balances with central banks	810,042	-	-	-	810,042
Loans and advances to banks	-	1,391,733	-	-	1,391,733
Loans and advances to customers	7,620	-	545,422	3,442	556,484
Trading assets and hedging derivatives	-	54,006	94,902	8,565	157,473
Financial assets at fair value through other comprehensive income	-	432,804	120,067	1,217	554,088
Financial assets at fair value through proflit or loss	-	-	26,050	-	26,050
Total	**817,662**	**1,878,543**	**786,440**	**13,224**	**3,495,869**
31.12.2018					
Cash and balances with central banks	1,604,801	-	-	-	1,604,801
Loans and advances to banks	-	345,235	-	-	345,235
Loans and advances to customers	-	-	459,045	2,737	461,782
Trading assets and hedging derivatives	-	59,831	162,550	8,110	230,491
Financial assets at fair value through other comprehensive income	-	452,446	473,069	-	925,515
Financial assets at fair value through proflit or loss	-	4,550	50,640	9,391	64,581
Total	**1,604,801**	**862,062**	**1,145,304**	**20,238**	**3,632,405**

(IN THOUSANDS OF EUROS)				
31.12.2019	The Netherlands	Rest Eurozone	Other	Total
Concentration by region				
Cash and balances with central banks	810,042	-	-	810,042
Loans and advances to banks	1,079	1,366,312	24,343	1,391,733
Loans and advances to customers	522,804	33,558	122	556,484
Trading assets and hedging derivatives	89,699	66,782	992	157,473
Financial assets at fair value through other comprehensive income	149,193	404,894	-	554,088
Financial assets at fair value through profit or loss	1,055	24,930	65	26,050
Total	**1,573,872**	**1,896,476**	**25,522**	**3,495,869**
31.12.2018				
Cash and balances with central banks	1,604,801	-	-	1,604,801
Loans and advances to banks	32,463	246,850	65,922	345,235
Loans and advances to customers	316,085	145,337	360	461,782
Trading assets and hedging derivatives	159,976	63,839	6,676	230,491
Financial assets at fair value through other comprehensive income	228,670	369,413	327,432	925,515
Financial assets at fair value through profit or loss	9,391	50,640	4,550	64,581
Total	**2,351,386**	**876,079**	**404,941**	**3,632,406**

36. Market risk

Market risk concerns the risk of a change in the value of a financial instrument as a result of changes in market variables. In 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 the investment and trading portfolio.

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 amongst others a Value-at-Risk (VaR) model in combination with stress testing to monitor the market risks in the 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 foreign exchange book, mainly arising from client activity. The VaR of the foreign exchange positions is monitored 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 investment portfolios of KAS BANK. These portfolios may include positions in central governments and financial institutions. If the calculated VaR exceeds this signal value, the breach will be discussed in the Asset & Liability Committee. The Asset & Liability Committee decides on actions in case the VaR shows a level above EUR 7 million. Financial Risk Management monitors the VaR for the own investment 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 a VaR method as outlined above, KAS BANK complements the VaR analysis with a stress test. The stress test is a scenario analysis which takes into account extremely unfavorable market conditions (such as huge price swings in a stock market meltdown or losses in Residential Mortgage-Backed Security tranches).

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	2019	1.2	4.7	1.2	3.5
VaR total	2018	4.4	4.4	3.4	3.9
VaR trading	2019	0.0	0.7	0.0	0.4
VaR trading	2018	0.4	1.0	0,3	0.7

The VaR trading consists of the foreign exchange positions and financial assets/liabilities designated at fair value.

The VaR total relates to the whole investment portfolio of KAS BANK.

Currency risk

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

The effect of an increase 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.

(IN THOUSANDS OF EUROS) 31.12.2019	Assets	Liabilities	Net	Trading and Hedging derivatives	Remaining exposure
USD	251,832	338,761	-86,929	83,503	-3,426
GBP	22,171	367,466	-345,295	345,255	-39
CHF	30,411	30,907	-496	40	-456
SEK	4,272	8,202	-3,930	3,209	-722
JPY	35,706	35,182	524	-523	1
AUD	9,595	9,593	2	-2	0
CAD	7,338	7,334	4	2	7
Other	29,561	27,988	1,573	-2,519	-946
Total	**390,887**	**825,433**	**-434,547**	**428,966**	

(IN THOUSANDS OF EUROS) 31.12.2018	Assets	Liabilities	Net	Trading and Hedging derivatives	Remaining exposure
USD	256,239	628,890	-372,651	371,656	-995
GBP	187,005	352,854	-165,848	167,259	1,411
CHF	43,529	20,792	22,737	-22,499	238
SEK	16,470	5,728	10,741	-11,729	-987
JPY	5,541	24,718	-19,177	19,312	135
AUD	2,114	10,367	-8,253	8,491	238
CAD	4,455	6,342	-1,886	1,854	-32
Other	33,606	41,861	-8,255	9,638	1,383
Total	**548,960**	**1,091,551**	**-542,592**	**543,983**	

Interest rate risk

The interest rate risk concerns the risk that the fair value of future cash flows from a financial instrument fluctuates as a result of changes in the market rate of interest.

The interest rate risk in the regular 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 investment portfolio. The impact of interest rate fluctuations is determined on the level of the Statement of Financial Position using an interest rate model that predicts the effects for both the Statement of Profit or Loss and the market value of the shareholders' equity. The interest rate risk in the investment portfolio is monitored using VaR calculations.

The basic principles on which the interest rate risk is managed are included in the Statement of Financial Position 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. Financial Risk Management reports the results of the analyses to the Asset & Liability Committee on a quarterly basis.

Like most financial institutions KAS BANK faces a downward pressure on interest earnings due to low interest rates and a negative deposit facility. In line with our low risk appetite, interest rate mismatch is kept very low. This is the result of our contract structure with our wholesale client base and hedging. KAS BANK charges negative interest rates to its clients. The duration of the balance sheet is short, with all assets and liabilities having a (swapped) maturity less than or equal to three months. The main reference rates (base risk) are overnight EONIA (ESTER) and 3M Euribor. KAS BANK applies scenarios to stress its interest rate risk, no limits were breached.

37. Liquidity risk

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 an overview of the bank's liquidity position and ensures that sufficient liquidities are available at any time.

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 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 liquidity surplus is considered sufficient to cover the day-to-day events. The on demand liquidity deficit as shown in the table below is managed by the high quality of the investment portfolio and the repo transactions. The permanent high level was due to the stable character of the liquidity with a highly operational nature, the maintenance of the level of funds entrusted and the deliberate liquidity policy.
The liquidity based on the Liquidity Coverage Ratio (LCR) amounts 385% (2018: 238%).

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

(IN THOUSANDS OF EUROS)

Maturity calendar as of 31 December 2019	On demand	< = 3 months	> 3 months < 1 Year	> 1 year < 5 year	> 5 year	Non-maturity	Total
Assets							
Cash and balances with central banks	810,042	-	-	-	-	-	810,042
Loans and advances to banks	123,037	282,546	-	986,150	-	-	1,391,733
Loans and advances to customers	335,564	13,094	-	526	207,300	-	556,484
Trading assets and hedging derivatives	-	41,784	48,956	63,909	2,824	-	157,473
Financial assets at fair value through other comprehensive income	-	-	52,972	354,246	142,589	4,281	554,088
Financial assets at fair value through profit or loss	13,358	891	-	-	-	11,801	26,050
Total	**1,282,000**	**338,315**	**101,928**	**1,404,831**	**352,713**	**16,082**	**3,495,870**
Liabilities							
Deposits from banks	71,698	18,089	50,000	187	-	-	139,974
Deposits from customers	2,968,903	35,191	-	-	-	-	3,004,094
Total	**3,040,601**	**53,280**	**50,000**	**187**	**-**	**-**	**3,144,068**
Foreign exchange contracts							
- Incoming cash flow	-	8,514,320	47,829	-	-	-	8,562,149
- Outgoing cash flow	-	-8,516,177	-47,824	-	-	-	-8,564,001
- Interest contracts	-	-	-	-	-	-	-
- Incoming cash flow	-	242	6	789	197	-	1,234
- Outgoing cash flow		-1,478	-586	-5,539	-5,795	-	-13,398
Total	**-**	**-3,093**	**-575**	**-4,749**	**-5,597**	**-**	**-14,016**
Liquidity surplus (deficit)	**-1,758,601**	**281,941**	**51,354**	**1,399,895**	**142,604**	**220,594**	**337,786**

(IN THOUSANDS OF EUROS)

Maturity calendar as of 31 December 2018	On demand	<= 3 months	> 3 months < 1 Year	> 1 year < 5 year	> 5 year	Non-maturity	Total

Assets

Cash and balances with central banks	1,604,801	-	-	-	-	-	1,604,801
Loans and advances to banks	84,443	260,792	-	-	-	-	345,235
Loans and advances to customers	315,606	143,378	-	-	2,798	-	461,782
Financial assets at fair value through other comprehensive income	-	19,206	-	408,167	494,734	3,408	925,515
Financial assets at fair value through profit or loss	-	50,640	-	-	4,550	9,391	64,581
Total	**2,004,850**	**474,016**	**-**	**408,167**	**502,082**	**12,799**	**3,401,914**

Liabilities

Deposits from banks	118,375	-	-	-	-	-	118,375
Deposits from customers	3,037,191	106,482	-	-	-	-	3,143,673
Total	**3,155,566**	**106,482**	**-**	**-**	**-**	**-**	**3,262,048**

Foreign exchange contracts

- Incoming cash flow	-	7,136,115	7,446	-	-	-	7,143,561
- Outgoing cash flow	-	-7,138,814	-7,465	-	-	-	-7,146,279
- Inerest contracts	-			-	-	-	-
- Incoming cash flow	-	4,571	1,845	10,717	57,813	-	74,946
- Outgoing cash flow	-	-7,889	-2,718	-14,349	-57,698	-	-82,654
	-		-	-	-	-	-
Total	**-**	**-6,017**	**-892**	**-3,632**	**115**	**-**	**-10,426**

Liquidity surplus (deficit)	**-1,150,716**	**361,517**	**-892**	**404,535**	**502,197**	**12,799**	**129,440**

38. Capital management

In accordance with KAS BANK's low risk profile KAS BANK always maintains a strong capital base. The management, planning and allocation of capital is supervised on a tactical level by The Asset & Liability Committee and on a strategic level by the Enterprise Risk Management Committee. The main goals of these committees are to assess the impact of investments, new products and changes in regulations on, amongst others, capital, leverage- and liquidity ratios.

Present and future of capital requirements

KAS BANK monitors its capital by its own standards and by international, European and national standards. KAS BANK complies to rules regarding regulatory capital that are initiated by the Basel Committee on Banking Supervision and implemented on a European level by, amongst others, the Capital Requirements Directive (after: CRD) and Capital Requirements Regulation (after: CRR). The rules initiated by the Basel Committee on Banking Supervision are based on the three pillars as mentioned below:

- 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 analyze 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 'standardized' to 'advanced'. For credit risk and operational risk, KAS BANK adopted the standardized approach. In addition to this KAS BANK uses the VaR Method, the Financial Collateral Comprehensive Method and the Mark-to-Market Method. Beside these methods KAS BANK uses the external credit assessments from Moody's, Standard & Poors and Fitch.

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

Capital Number of shares	2019	2018
Share capital	14,783	15,699
Share premium	20,310	21,569
Treasury shares	-	-21,670
Eligible reserves	167,337	196,956
Regulatory adjustments	-13,004	-9,346
Common Equity Tier 1	**189,426**	**203,208**

The Capital Ratio as per 31 December 2019 amounts 31% (31 December 2018: 37%).

39. Segmented information

The table below reflects the structure of the internal management information provided to the Managing Board

(IN MILLIONS OF EUROS)	CORE			
2019	SEGMENTS	TREASURY	OTHER	TOTAL
Interest income and expenses	12.1	0.2	0.7	13.0
Commission income and expense				
Asset Servicing	29.7	-	0.8	30.5
Transaction Servicing	15.3	-	1.5	16.8
Treausury	4.6	1.3	0.1	6.0
Result of financial transactions	5.9	9.9	0.1	15.9
Other income	-	-	0.3	0.3
Total income	**67.6**	**11.4**	**3.5**	**82.5**
Operating expenses (direct)	31.3	1.2	1.5	34.0
Contribution	**36.3**	**10.2**	**2.0**	**48.5**
Operating expenses other	-	-	70.5	70.5
Result for the period before tax				**-22.0**

(IN MILLIONS OF EUROS)	CORE			
2018	SEGMENTS	TREASURY	OTHER	TOTAL
Interest income and expenses	11.1	-2.3	1.0	9.8
Commission income and expense				
Asset Servicing	32.3	-	0.5	32.8
Transaction Servicing	16.5	-	2.2	18.7
Treausury	6.3	1.5	0.2	8.0
Result of financial transactions	6.6	23.9	-	30.5
Other income	-	-	0.3	0.3
Total income	**72.8**	**23.1**	**4.2**	**100.1**
Operating expenses (direct)	34.4	1.3	1.6	37.3
Contribution	**38.4**	**21.8**	**2.6**	**62.8**
Operating expenses other	-	-	52.7	52.7
Result for the period before tax				**10.1**

The table below presents the country by country reporting

(IN MILLIONS OF EUROS)			
Country by country reporting	Operating income	Operating result before tax	Tax expense
2019			
Netherlands	74.2	-22.0	-3.0
United Kingdom	5.7	-	-
Germany	2.6	-	-
Belgium	-	-	-
Total	82.5	-22.0	-3.0
2018			
Netherlands	91.4	10.6	1.6
United Kingdom	5.6	-	-
Germany	2.1	-1.5	
Belgium	1.0	1.0	0.3
Total	100.1	10.1	1.9

The 25 largest clients of KAS BANK account for 42% (2018: 39%) of the total revenue. None of these clients (2018: none) account for more than 10% of the total revenue.

40. Related parties

KAS BANK identifies the parent company CACEIS, the ultimate parent company Credit Agricole and the group companies of both, the members of the Managing Board of KAS BANK (see note 42), the members of the Supervisory Board of KAS BANK (see note 44), the company pension fund 'Stichting Pensioenfonds van de KAS BANK' (see note 27) and the associate BTN Förvaltning AB as related parties. All transactions are at arms 'length.

The transactions with CACEIS mainly relate to reverse repurchase transactions (see note 13) and management fees.

41. Remuneration of the Managing Board

The table below presents the remuneration of the Managing Board. At 31 July 2019 Jaap Witteveen resigned and was replaced by Christophe Pierron at the first of November 2019. Christophe Pierron is employed by CACEIS. The cost of Christophe Pierron are charged by CACEIS to KAS BANK by means of a management fee. The salary costs of Christophe Pierron are not included in this paragraph and the description of the salary components is not applicable to Christophe Pierron. The management fee is included in the table below as other payments.

(IN THOUSANDS OF EUROS)					
Remuneration of the Managing Board	Base salary	Pension costs	Other payments	Shares	Total remuneration
2019					
Sikko van Katwijk	350	27	155	21	553
Mark Stoffels	325	18	116	19	478
Christophe Pierron	-	-	42	-	42
Jaap Witteveen	190	12	40	-	242
Total	865	57	353	40	1,315
2018					
Sikko van Katwijk	350	18	121	53	542
Jaap Witteveen	325	16	67	49	457
Mark Stoffels	323	14	57	49	443
Total	998	48	245	150	1,443

Base salary
The current base annual salary of the chairman, Sikko van Katwijk, is EUR 350,000 and EUR 325,000 for Mark Stoffels, the Chief Financial and Risk Officer.

Pension costs
The pension plan of the Managing Board is a defined contribution plan. The maximum salary in the Managing Board's defined contribution plan is capped at the fiscal maximum. To compensate the impact of this cap, the members of the Managing Board receive 'pension compensation'. This annual compensation is a percentage of their base salary minus the cap of EUR 107,593 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.

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

Claw back
In 2019 and 2018 KAS BANK has not clawed back remuneration of the Managing Board.

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

Number of shares	2019	2018
Sikko van Katwijk	-	4,057
Mark Stoffels	-	1,500

42. Share-based payments

Share plans
As part of the remuneration package KAS BANK has share plans for identified staff and members of the Managing Board. Identified staff are employees whose professional activities affect the risk profile of KAS BANK materially. Up to 2019 the share planes were based on the shares of KAS BANK N.V. As per October 2019, the variable remuneration is based on Credit Agricole S.A. share-linked Instruments. Outstanding positions in KAS BANK shares related to the share-based payments of the Managing Board and Identified staff were converted into Credit Agricole S.A. share-linked Instruments as per October 1, 2019. The conversion is based on the ratio of the price of the KAS BANK shares compared to the price of the share-linked instruments as per conversion date of October 1, 2019. After vesting and lock-up the settlement will be in cash – instead of the preceding share-based remuneration which was in stock. As per 31 December 2019 the rate of the Credit Agricole S.A. share-linked instruments amounts EUR 10.21 per instrument.

Identified staff
The variable remuneration for 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 cash at once and half in Credit Agricole S.A. share-linked instruments 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.
In case of payments based on the Credit Agricole S.A. share-linked instruments, the first vesting will be 60% of the granted instruments and thereafter a three-year pro rata deferral period is applicable. After the vesting or deferral period, a retention period of one year is applicable.

The identified staff may sell instruments vested in order to comply with tax obligations in respect of these instruments. 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.

Managing Board

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 Credit Agricole S.A. share-linked Instruments. The instruments are granted conditionally, based on a decision of the Supervisory Board. The first vesting will be 60% of the granted instruments and thereafter a three-year pro rata deferral period is applicable. After the vesting or deferral period, a retention period of two years is applicable.

The members of the Managing Board will receive an amount in cash at the start of the period in order to comply with tax obligations in respect of these instruments (a corresponding number of share-linked instrument has been settled at that time). 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.

Outstanding instruments

The following statement presents the vested but not yet settled outstanding instruments of the Managing Board and identified staff.

In the column outstanding as at 30 September 2019 the number relates to the shares of KAS BANK, in the last column this number is converted to Credit Agricole share-linked instruments.

	Grant date	Outstanding as at 31/12/2018	Conditionally granted[1)]	Settled	Forfeited	Outstanding as at 30/09/2019	After conversion to Credit Agricole Instruments as at 31/12/2019	Status
Managing Board								
Sikko van Katwijk	January 2013	1,430	-	1,430	-	-		Vested
	February 2015	534	-	534	-	-		Vested
	March 2017	1,714	-	571	-	1,143	1,429	Vested
	March 2018	5,324	-	2,994	333	1,997	2,496	Vested
	March 2019	-	4,556	-	-	4,556	5,695	
Mark Stoffels	March 2016	90	-	90	-	-		Vested
	March 2017	1,591	-	530	-	1,061	1,326	Vested
	March 2018	4,944	-	2,781	309	1,854	2,318	Vested
	March 2019	-	4,230	-	-	4,230	5,288	
Former Managing Board members	January 2013	2,314	-	2,314	-	-		Vested
	February 2015	1,262	-	1,262	-	-		Vested
	February 2016	705	-	705	-	-		Vested
	March 2017	1,591	-	530	-	1,061	1,326	Vested
	March 2018	4,944			4,944	-	-	
	March 2019		4,230	-	4,230	-	-	
Identified Staff	March 2016	1,225	-	1,225	-	-		Vested
	March 2018	1,274	-	424	-	850	1,063	Vested
	March 2019		2,874	1,725	-	1,149	1,436	Vested
Total		**28,942**	**12,500**	**17,115**	**15,212**	**9,115**	**11,394**	

43. 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)	2019	2018
Peter Borgdoff	55	50
Pauline Bieringa	49	47
Hans Snijders	51	51
Jean-Francois Abadie (as from 27 October 2019)	-	-
Joseph Saliba (as from 27 October 2019)	-	-
Catherine Duvaud (as from 27 October 2019)	-	-
Petri Hofsté (until 27 October 2019)	38	51
Tanja Nagel (as from 25 Apri 2018 until 27 October 2019)	36	36
Ron Icke (until 25 April 2018)	-	13
Total	**229**	**248**

The member of the supervisory board delegated by CACEIS will not receive a remuneration.

44. Independent auditors' fee

The following table presents the external independent auditor's fees to PricewaterhouseCoopers Accountants N.V. (PwC) recognized in the Statement of Profit or Loss as 'General and administrative expenses.

(IN THOUSANDS OF EUROS)			
Audit fee	PwC Auditors	Other PwC network	Total PwC network
2019			
Audit of the financial statements	574	-	574
Other audit assignments	123		123
Tax fees	-	-	-
Other non-audit assignments	-	-	-
Total	**697**	**-**	**697**
2018			
Audit of the financial statements	489	-	489
Other audit assignments	145		145
Tax fees	-	-	-
Other non-audit assignments	-	-	-
Total	**634**	**-**	**634**

Appropriation of the result for 2019

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 2019 result:

(IN THOUSANDS OF EUROS)	
Appropriation of the result to the consolidated income statement for 2019	
Result for the period	-19,010
Interim dividend	-
Proposed final dividend	-
Proposed additon to other reserves	**-19,010**

Subsequent events

On 20 February 2020 KAS BANK has merged with KAS Trust & Depositary Services B.V. KAS Trust & Depositary Services was a fully owned subsidiary, and as so is consolidated within these financial statements. The activities of KAS Trust & Depositary Services will be continued as a separate department of KAS BANK N.V. after the merger. The merger does not have impact on the shareholders equity and results in the future.

Amsterdam, 16 March 2020

The Managing Board:

Sikko van Katwijk, Chairman of the Managing Board

Mark Stoffels, Chief Financial & Risk Officer

Christophe Pierron, Chief Operations Officer

The Supervisory Board:

Peter Borgdorff, Chairman of the Supervisory Board

Pauline Bieringa, Vice-Chairman

Jean-Francois Abadie

Catherine Duvaud

Joseph Saliba

Hans Snijders

KAS BANK N.V. Company Financial Statements 2019

Company Statement of Profit or Loss

(IN THOUSANDS OF EUROS)	2019	2018
Income		
Interest income from financial assets using the effective interest method	26,161	29,739
Other interest income	168	237
Interest expense	13,376	19,710
Net interest result	**12,953**	**10,266**
Commission income	61,288	69,839
Commission expense	11,176	14,683
Net commission result	**50,112**	**55,156**
Results of subsidiaries	1,428	1,419
Net trading income	13,707	19,250
Net investment income	2,189	11,233
Share of result of associates	28	-22
Other income	394	242
Total operating income	**80,811**	**97,544**
Expenses		
Personnel expenses	52,015	48,127
General and administrative expenses	45,494	38,870
Depreciation and amortisation	5,916	2,013
Total operating expenses	**103,425**	**89,010**
Credit impairment losses	-112	-518
Total expenses	**103,313**	**88,492**
Result before tax	**-22,502**	**9,052**
Tax expense	-3,492	909
Net result for the period	**-19,010**	**8,143**

Company Statement of Comprehensive Income

(IN THOUSANDS OF EUROS)		2019	2018
Net result for the period		**-19,010**	**8,143**
Items that may be reclassified to profit or loss			
	Net gains and losses on investments in debt instruments measured at FVOCI	2,834	-9,044
	Net gains and losses on financial assets measured at FVOCI reclassified to proft or loss on disposal	-489	-8,365
Items that will not be reclassified to profit or loss		**2,345**	**-17409**
Items that will not be reclassified subsequently to profit or loss			
	Net gains or losses on investments in equity instruments designated at FVOCI	1,631	559
	Items that will not be reclassified to profit or loss	**1,631**	**559**
Other comprehensive income, net of tax		**3,976**	**-16,850**
Total comprehensive income, net of tax		**-15,034**	**-8,707**

Company Statement of Financial Position (before profit appropriation)

(IN THOUSANDS OF EUROS)	31.12.2019	31.12.2018
Assets		
Cash and balances with central banks	810,042	1,604,801
Loans and advances to banks	1,391,738	359,182
Loans and advances to customers	556,480	491,792
Trading assets	156,186	230,491
Hedging derivatives	1,287	-
Financial assets at fair value through profit or loss	26,050	64,581
Financial assets at fair value through other comprehensive income	554,088	925,515
Investments in associates	163	135
Current tax assets	6,251	2,553
Participating interest in group companies	9,471	-2,813
Property and equipment	12,589	2,018
Intangible assets	5,225	9,612
Deferred tax assets	7,351	9,980
Other assets	29,232	117,051
Total assets	**3,566,153**	**3,814,898**
Equity and liabilities		
Deposits from banks	139,974	118,556
Deposits from customers	3,016,274	3,188,409
Trading liabilities	161,491	229,594
Hedging derivatives	5,043	1,756
Current tax liabilities	255	-
Deferred tax liabilities	779	495
Other liabilities	39,907	58,977
Total liabilities	**3,363,723**	**3,597,787**
Issued capital	14,783	15,699
Treasury shares	-	-21,670
Share premium	20,310	21,569
Revaluation reserve	2,889	-1,087
Statutory reserve	-	1,290
Other reserves	183,458	193,167
Net result for the period	-19,010	8,143
Total equity	**202,430**	**217,111**
Total equity and liabilities	**3,566,153**	**3,814,898**
Contingent liabilities	894	1,327
Irrevocable facilities	3,100	1,100

Company Statement of Changes in Equity

(IN THOUSANDS OF EUROS)	Issued Capital	Treasury Shares	Share Premium	Revaluation Reserve	Statutory reserve	Other reserves (inc. net result for the period	Total Equity
Balance as at 1 January 2018	**15,699**	**-21,866**	**21,569**	**25,096**	**1,290**	**191,304**	**233,092**
Changes on initial application of IFRS 9	-	-	-	-9,086	-	8,904	-182
Restated balance at 1 January 2019	**15,699**	**-21,866**	**21,569**	**16,010**	**1,290**	**200,208**	**232,910**
Net result for the period	-	-	-	-	-	8,143	8,143
Other comprehensive income	-	-	-	-16,850	-	-	-16,850
Total comprehensive income for the periode	**-**	**-**	**-**	**-16,850**	**-**	**8,143**	**-8,707**
Dividends	-	-	-	-	-	-7,356	-7,356
Purchase/sale of treasury shares	-	196	-	-	-	-196	-
Share-based payments	-	-	-	-	-	-	-
Other movements	-	-	-	-247	-	511	264
Balance as at 31 December 2018	**15,699**	**-21,670**	**21,569**	**-1,087**	**1,290**	**201,310**	**217,111**
Balance at 1 January 2019	**15,699**	**-21,670**	**21,569**	**-1,087**	**1,290**	**201,310**	**217,111**
Net result for the period	-	-	-	-	-	-19,010	-19,010
Other comprehensive income	-	-	-	3,976	-	-	3,976
Total comprehensive income for the period	**-**	**-**	**-**	**3,976**	**-**	**-19,010**	**-15,034**
Cancellation of own shares	-916	21,670	-1,259	-	-	-19,495	-
Dividends	-	-	-	-	-	-	-
Purchase/sale of treasury shares	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-
Other movements	-	-	-	-	-1,290	1,643	353
Balance as at 31 December 2019	**14,783**	**-**	**20,310**	**2,889**	**-**	**164,448**	**202,430**

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 Statement of Financial Position as 'Participating interest in group companies'. Participating interests in group companies are accounted based on the net asset value. The share in the net result is recognized in the Statement of Profit or Loss as 'Results of subsidiaries'. The table below shows the movement of the carrying amount during the financial year.

(IN THOUSANDS OF EUROS)	2019	2018
Group companies		
Position as at 1 January	-2,813	41,188
Result of the year	1,428	1,419
Dividend distribution to shareholder	-2,225	-3,131
Establishment of new companies	-	100
Liquidation of group companies	13,081	-42,388
FX results	-	-1
Other	-	-
total group companies	**9,471**	**-2,813**

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

Expected Credit Loss

For expected credit losses relating to the company financial statements reference is made to the consolidated figures (note 36). Expected credit loss relating to group companies is eliminated both statements.

Statutory reserve

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

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. Reference is made to pages 61 to 120.

Amsterdam, 16 March 2020

The Managing Board:

Sikko van Katwijk, Chairman of the Managing Board

Mark Stoffels, Chief Financial & Risk Officer

Christophe Pierron, Chief Operations Officer

The Supervisory Board:

Peter Borgdorff, Chairman of the Supervisory Board

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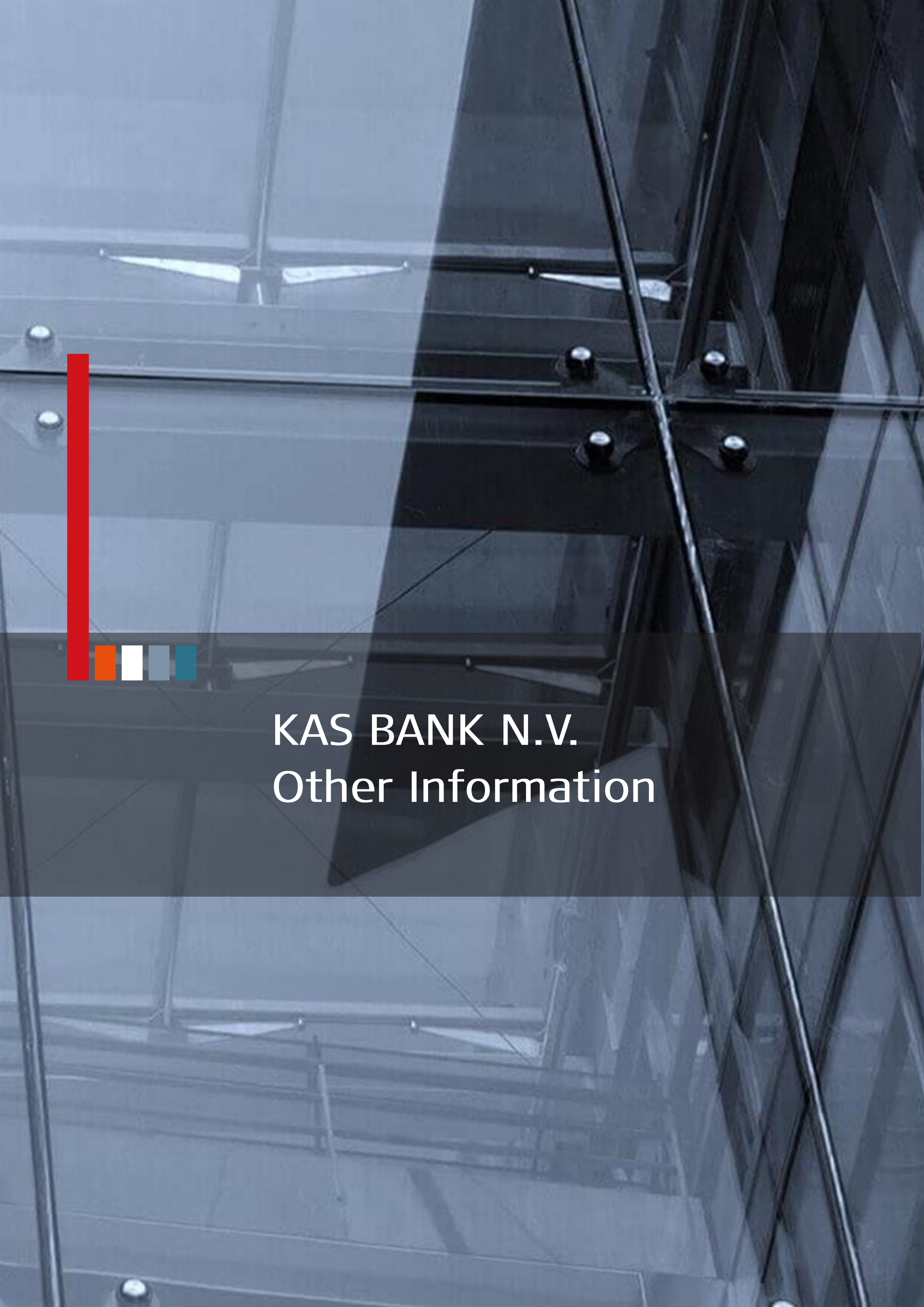
Joseph Saliba

Hans Snijders



KAS BANK N.V.
Other Information

Independent auditor's report

To: the general meeting and the supervisory board of KAS BANK N.V.

Report on the financial statements 2019

Our opinion

In our opinion:

- KAS BANK N.V.'s consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019 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;
- KAS BANK N.V.'s company financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 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 2019 of KAS BANK N.V., Amsterdam ('the Company'). The financial statements include the consolidated financial statements of KAS BANK N.V. and its subsidiaries ('KAS BANK' or 'the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the following statements for 2019: the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows; and
- the notes, comprising significant accounting policies applied and other explanatory information.

The company financial statements comprise:

- the company statement of financial position as at 31 December 2019;
- the following statements for 2019: the company statement of profit or loss, the company statement of other comprehensive income and the company statement of changes in equity; and
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework 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.

VP7RWH6AUDQ3-1388274464-339

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The basis for our opinion

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

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

Independence

We are independent of KAS BANK N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountants organisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

KAS BANK N.V. is a custodian bank that specialises in safekeeping and administration of securities and value-added risk and reporting services. KAS BANK N.V.'s business focus is on wholesale securities services to professional parties in the pension, insurance and asset management industry. The Group's main activities, where we focused on in our audit, comprise the asset servicing and transaction servicing activities, treasury, risk management and the IT environment.

The Group comprises several components and consequently we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations and the financial position of the Group.

In 2019, KAS BANK N.V. was acquired by CACEIS Bank S.A. ('CACEIS'). CACEIS in this acquisition acquired 97.07% of the issued and outstanding KAS BANK N.V. shares with the last public trading day on Euronext being 4 November 2019. The formal acquisition date was 27 September 2019.

The financial year 2019 was dominated by the CACEIS' acquisition of KAS BANK, who at the same time continued its efforts to transition its business model and further digitise and automate its operational processes. The Group's 2019 financial performance was considerably impacted by both acquisition related expenses as well as continuing competition and challenging market circumstances impacting revenues as well as resulting in an overall loss-making position. Considering this financial performance and the non-recurring acquisition related expenses, we decided from a materiality perspective to apply revenues as a benchmark rather than profit before tax ('PBT') as used as a benchmark in prior years. We refer to the materiality section in this report for further detail.

As part of our audit work and scoping we specifically considered the acquisition related matters and resulting impact on the financial results. Such as for example the impact of applying the purchase price allocation ('PPA') and the restructuring provision relating to the post acquisition organisational restructuring of the bank. We decided, given the considerable time and audit effort spent, to include the acquisition related matters impacting the bank's results as a key audit matter for 2019. We refer to the section 'Key audit matters' of this report for further details.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered those areas where the managing board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events and their inherent uncertainty. In the paragraph 'Critical accounting estimates and judgements' on page 68 of the financial statements the Group describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty.

Given the estimation uncertainty and the related higher inherent risks of material misstatement in the fair value measurement of the level 2 and level 3 financial instruments, we also considered the fair valued investments and derivates to be key audit matters as set out in the section 'Key audit matters' of this report.

As part of the bank's investment in a mortgage fund in 2019, a fair value hedge accounting model was designed and implemented. Considering the implicit complexity relating to hedge accounting models, the respective documentation formalities when applying hedge accounting and the fact that a new model was designed and implemented, we decided to include this as a key audit matter.

In prior year we included 'First time adoption of IFRS 9' as a key audit matter. This is not applicable for this financial year, coupled with the fact that the financial impact of IFRS9 on the Bank's financial results, given their business model and client base, is relatively limited. Last year we also included 'Business model developments and financial impact' as a key audit matter. This is also considered no longer a key audit matter, primarily in view of the acquisition by CACEIS and its impact on the bank's business model and its financial results. As documented above, we have included 'Financial impact of the acquisition by CACEIS' as a key audit matter this year.

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.

We ensured that the audit team was staffed to assure the appropriate skills and competences, which are needed for the audit of the bank. The audit team included financial instruments valuation specialists, hedge accounting specialists, IT specialists, share-based payments experts and tax specialists.

The outline of our audit approach was as follows:

Materiality

- Overall materiality: €825,000.

Audit scope

- Since the accounting and bookkeeping for all entities in the Group was performed at KAS BANK N.V., the group audit team performed all audit work.
- We place reliance on the ISAE 3402 type II report of KAS BANK N.V. for the operating effectiveness of internal controls in relation to the IT general controls for all systems that are relevant to our audit of the financial statements and some of the controls at operational process level.

Key audit matters

- Financial impact of the acquisition by CACEIS.
- Valuation of the investments portfolio.
- Application of fair value hedge accounting.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. 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, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€825,000 (2018: €500,000).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement we used 1% of total revenues.
Rationale for benchmark applied	We used total revenues as the primary benchmark. This in contrast to 2018 where we used (normalised) profit before tax. The Group's 2019 financial performance was considerably impacted by both acquisition related expenses as well as continuing competition and challenging market circumstances impacting revenues as well as resulting in an overall loss-making position. Considering this financial performance and the non-recurring acquisition related expenses we decided to apply total revenues as a benchmark. Using this benchmark is considered 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 total revenues are the most appropriate benchmark and is also considered a relevant and important metric for the financial performance of the Company in light of its current stakeholders.

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 €41,000 (2018: €25,000) 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.

All accounting and bookkeeping was performed centrally at KAS BANK N.V. group level. As a result, the group audit team performed the audit work for all selected KAS BANK entities with no involvement from other component auditors. In doing so, the audit team selected group entities and specific balances within the Group for which an audit of financial information was considered necessary. Due to this approach, the material and relevant line items and transactions were in scope of our audit. By performing the procedures above, we have obtained sufficient and appropriate audit evidence on the Group's financial information as a whole, to provide a basis for our opinion on the financial statements.

KAS BANK N.V. issues an ISAE 3402 type II report, which includes internal controls that were evaluated and reported upon by an external auditor. KAS BANK N.V. uses a considerable part of the systems and some of the controls on operational process level, for which KAS BANK N.V. issues an ISAE 3402 type II report to its clients. As a result, we place reliance on this ISAE 3402 type II report for the operating effectiveness of internal controls where it covers the IT general controls for relevant systems to our audit of the financial statements and some of the controls relevant to our audit on a (operational) process level. The report comprises, amongst other, a description of the design, existence and operating effectiveness of internal controls at KAS BANK N.V. and an assurance report thereon provided by an independent auditor based on generally accepted auditing standards. We have been involved in planning the ISAE 3402 work by the service provider auditor, discussed progress and interim findings of the service provider audit and finally evaluated the ISAE 3402 assurance report once it was issued. We obtained evidence on the competence, objectivity and independence of the service provider's auditor.

Based on our risk assessment and understanding of the Group, we identified those internal controls in the ISAE 3402 type II report which were relevant to our financial statements audit. We applied professional judgement to determine the extent of testing required over each balance in the financial statements, including the need to perform additional testing in respect of the controls described in the ISAE 3402 type II report together with our substantive work. Based on our analysis of the ISAE 3402 type II report and the additional testing of controls described in the ISAE 3402 type II report, we found that we could rely on the controls included in the ISAE 3402 for the purpose of our audit. Furthermore, for the purpose of our audit of the financial statements we determined the necessity of testing certain other controls that are implemented and not included in the ISAE 3402 type II report, and testing those when deemed necessary.

Our focus on the risk of fraud and non-compliance with laws and regulations

Our objectives

The objectives of our audit are:

In respect of fraud:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

In respect of non-compliance with laws and regulations:

- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with management with oversight by the supervisory board.

Fraud

As in all of our audits, in assessing the risks of material misstatement in the financial statements, 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. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks, performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias by KAS BANK N.V. Finally, we incorporated elements of unpredictability in our audit.

We refer to the key audit matters 'Financial impact of the acquisition by CACEIS' and 'Valuation of the investments portfolio' that are examples of our approach related to an area with higher risk due to accounting estimates where management makes significant judgements.

Laws and regulations

There is an industry risk that emerging compliance or litigation areas have not been identified and/or addressed by the managing board for financial statement purposes. This includes the consideration whether there is a need for the recognition of a provision or a contingent liability disclosure on the future outcome of legal or regulatory processes.

In line with Standard 250 we made a distinction between those laws and regulations which:

- have a direct effect on the determination of material amounts and disclosures in the financial statements. We obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements; and
- do not have a direct effect on the determination of material amounts and disclosures in the financial statements (e.g. Anti-Money Laundering and Anti-Terrorist Financing Act ('Wwft')), but where compliance may be fundamental to the operating aspect of the business, to the

Company's ability to continue its business or to avoid material penalties. As to the other laws and regulations, we inquired with management and/or those in charge with governance as to whether the entity is in compliance with such laws and regulations and inspected correspondence, if any, with relevant licensing and regulatory authorities.

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. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comments or observations we make on the results of our procedures should be read in this context.

Due to the nature and developments of the Group's business, we recognise that key audit matters we reported in our independent auditor's report on the financial statements 2019 may be long-standing and therefore may not change significantly year over year. As compared to last year and as already explained in the paragraph 'Our audit approach' above, we have changed last year's key audit matters relating to:

- The first-time adoption of IFRS 9 and the relating IAS 8 disclosures in this respect is no longer applicable and therefore is no longer considered a key audit matter.
- We excluded the key audit matter relating to the bank's business model, transition and resulting financial impact.
- We included a key audit matter relating to the financial impact of the acquisition by CACEIS.
- We included a key audit matter in relation to the fair value hedge accounting applied to the fixed rate debt instruments and the mortgage fund investment and consider the prior year key audit matter 'Valuation of derivative financial instruments' to be included in this matter.

Key audit matter	*Our audit work and observations*
Financial impact of the acquisition by CACEIS *Refer to note 21 Intangible assets on page 86, note 22 Deferred tax assets on page 88, note 23 Other assets on page 88 and note 26 Other liabilities on page 89.* In 2019, KAS BANK N.V. was acquired by CACEIS Bank S.A. ('CACEIS'). CACEIS acquired in this acquisition 97.07% of the issued and outstanding KAS BANK N.V. shares with the last public trading day on Euronext being 4 November 2019. The formal acquisition date was 27 September 2019. In relation to this acquisition CACEIS, in close cooperation with KAS BANK N.V., prepared a purchase price allocation ('PPA'). This PPA impacted the bank's financial position for a total of €11.9 million that may be split in the following components:	In our audit we assessed the financial impact of the acquisition by CACEIS, being defined for the purposes of this key audit matter as follows: • PPA quantification and financial impact through respective impairments of assets. • The completeness and accuracy of the restructuring provision following the restructuring as a result of CACEIS' post-acquisition integration plans. *PPA assessment* We assessed the PPA calculations and allocations through the following procedures: • Discussing and assessing the PPA with management and understanding the relevant components of the PPA. • Assessing the completeness of the respective components subject to the PPA and auditing the

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Key audit matter	Our audit work and observations
• Impairment of intangible fixed assets caused by a shortening of the useful life amounting to €4.8 million, split between a divestment of €2.6 million relating to software licences and €2.2 million relating to additional depreciation of capitalised software development costs. • Derecognition of other assets relating to pre-paid IT outsourcing costs amounting to €5.9 million. • Impairment of deferred tax asset relating to no longer recoverable German branch losses amounting to €1.2 million as a result of German tax laws which do not allow usage of recoverable losses in situations where the ownership of a company changes. Another financial impact of the acquisition is the recognition of an additional restructuring provision of €8.6 million increasing this provision to a total of €10.9 million as at 31 December 2019.	underlying calculations substantiating the intangible fixed assets and deferred tax positions. • For the impairment of the deferred tax asset of the German branch we involved our tax specialists to assess the impairment and confirm the non-recoverability of this asset. *Restructuring provision* The recorded restructuring provision was considered in our audit as follows: • We obtained contractual documentation and agreements in relation to the restructuring of the bank in light of the upcoming integration with CACEIS. • We discussed the documentation and agreements with management to assure our understanding of the impact of the agreements on the restructuring and the respective related provision. • We obtained detailed underlying specifications of respective staff involved and assessed relevant underlying contractual data to audit the detailed person-by-person calculations impacting the provision. • We obtained underlying documentation for the other components of the restructuring provision not directly relating to FTE restructuring such as directly attributable costs to the restructuring such as HR support. We found management's judgement and assessment to be supported by available evidence.
Valuation of the investments portfolio *Refer to note 17 Financial assets at fair value through profit and loss on page 83, note 17 Financial assets at fair value through other comprehensive income on page 84 and note 32 Fair value financial assets and financial liabilities on page 92 until page 94.* Investments at fair value consist 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 ('OCI') and in profit and loss. The valuation is performed by management using a fair value hierarchy: • Level 1: valuations based on quoted prices (unadjusted) in active markets. • Level 2: valuations based on other than quoted prices included within level 1 that are observable either directly or indirectly.	We performed the following substantive procedures to address the valuation of investments: • We tested the valuation of the entire portfolio of level 1 investments by agreeing the prices used in the valuation as at 31 December 2019 to market quotes from independent third-party sources (i.e. Bloomberg) through a pricing tool. • We assessed the methodology and appropriateness of the valuation models used by management to value investments. We found the methodology and models to be in line with market practices. • We tested the accuracy of key inputs used in the valuation, such as the expected cash flows, risk-free rates and credit spreads, by benchmarking them with external data and substantiating them with underlying contract data. We found our results to be consistent with those of management.

KAS BANK N.V. - VP7RWH6AUDQ3-1388274464-339

Key audit matter	*Our audit work and observations*
• Level 3: valuations based on unobservable inputs for the asset. The level 1, level 2 and level 3 investments amount to €499,628,000, €79,483,000 and €1,238,000 respectively as at 31 December 2019. The Company sold a substantial part of the fixed income debt instruments (level 1) in 2019 and invested the generated cash in reverse repos. The valuation of investments is inherently subject to management judgement, most predominantly for the level 2 and level 3 investments since these are valued using model valuations instead of quoted prices in an active market. Key inputs used in the model valuations of individual level 2 and level 3 investments are expected cash flows, risk-free rates and credit spreads. Given the level of judgement and the related estimation uncertainty involved in the valuation of level 2 and level 3 investments, combined with the magnitude of the amounts of the level 1 investments, any change in assumptions could have a considerable effect on the financial statements. Therefore, we determined this to be a key audit matter for our audit.	
Application of fair value hedge accounting *Refer to Significant accounting policies on page 73, note 2 Interest expense on page 77, note 4 Net trading income on page 78, note 16 Hedging derivatives on page 83.* The Company enters into interest rate swaps to hedge the interest rate risk in its portfolio of fixed rate debt investments and its new mortgage investment. For accounting purposes, the Company applies fair value hedge accounting. For the portfolio of fixed rate debt instruments and the new mortgage fund investment, the Bank applies fair value hedge accounting. In order to apply fair value hedge accounting, the Company has to comply with a number of requirements in EU-IFRS, including: • documenting the hedge relation in formal hedge documentation;	We, together with our valuation specialists, performed the following procedures to assess the appropriateness of the application of hedge accounting: • We tested, on a sample basis, whether the hedge documentation, as prepared by management, meets the requirements of IAS 39 Financial Instruments to assess whether both fixed rate debt instruments and interest rate swap instruments are eligible for hedge accounting. • We independently revalued the fair value of the interest rate swaps. • In relation to the fair value hedge accounting of the mortgage fund investment, we independently revalued the fair value of the synthetic loans. • We assessed management's prospective and retrospective effectiveness testing to determine whether the hedge relationships are effective and that the hedge effectiveness has been calculated accurately. We found the outcome of the effectiveness testing to be consistent with our own calculations and the methodology applied in line

Key audit matter	Our audit work and observations
• performing prospective and retrospective (quantitative) effectiveness testing; and • recording any resulting ineffectiveness in the income statement.	with the technical requirements. Furthermore, we have reconciled the net amount of hedge accounting ineffectiveness to the hedge adjustment recorded in the income statement.
Given the detailed formal and 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 hedge accounting to be a key audit matter for our audit. For the year ended 31 December 2019 the Company recorded a net hedge accounting ineffectiveness of €272,000 (negative).	We found the application of hedge accounting for the purpose of our audit of the financial statements to be appropriate and meeting the requirements of IAS 39 Financial Instruments.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Introduction.
- Strategy.
- Our Business Environment.
- Corporate Governance.
- Risk Management.
- KAS BANK's Leadership.
- The other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The managing board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were re-appointed as auditors of KAS BANK N.V. on 23 April 2019 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 24 April 2019 representing a total period of uninterrupted engagement appointment of six years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 44 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the managing board and the supervisory board for the financial statements

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
- 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 in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. 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 and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material 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.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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

Amsterdam, 16 March 2020
PricewaterhouseCoopers Accountants N.V.

C.C.J. Segers RA

pwc

Appendix to our auditor's report on the financial statements 2019 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 audit consisted, among other things, of the following:

- 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 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. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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.

Definitions of important terms

Assets under administration
Assets which are entrusted by clients to KAS BANK purely for custody or for which solely administrative services are performed. Clients take their own investment decisions, over which KAS BANK has no influence.

Assets under management
Assets deposited with KAS BANK by clients, breaking down into assets under discretionary management and assets under non-discretionary management.

Basel II
The Basel II Framework offers a new set of standards for establishing minimum capital requirements for banks. It was prepared by the Basel Committee on Banking Supervision.

Basel III
The new framework drawn up by the Basel Committee on Banking Supervision, which introduces a stricter definition of capital and several new ratios and buffers with which banks must comply. The gradual transition from Basel II to Basel III is taking place over a period of five years and stared in 2014.

Basis point
One hundredth of 1 percentage point.

Capital adequacy
Measure of a company's financial strength often expressed in equity as a percentage of balance sheet total.

Clearing
Refers to the clearing businesses of KAS BANK.

Credit rating
Assessment of a credit rating agency expressed in a combination of letters and/or figures indicating the creditworthiness of a country, company or institut

Credit Risk
The risk that loans are not repaid, not fully repaid, or not repaid on time. This is also including the settlement risk, i.e. the risk that counterparties do not fulfil their obligations in connection with, for instance, securities transactions.

Cryptocurrency
A cryptocurrency is a digital or virtual currency that uses cryptography for security.

CSR Policy
The policy where Corporate Social Responsibility goals are noted in extension of our mission

Defined benefit scheme
A scheme in which the company makes agreed contributions to a separate entity (a pension fund) to secure pension rights. The company is not obliged, either legally or effectively, to pay additional contributions if the pension fund does not have enough assets to cover all of its current and future obligations.

Earnings per share
Profit for the period excluding coupons attributable to AT1 capital securities (net of tax) and results attributable to non-controlling interests divided by the average outstanding and paid-up ordinary shares.

Effective interest rate
The rate that discounts estimated cash flows to the net carrying amount of the financial asset over the life of an instrument, or, where appropriate, over a shorter period.

Efficiency ratio
Operating expenses excluding impairments and result from the sale of private and public-sector loans and advances as a percentage of income from operating activities.

Employee engagement
A business management concept that describes the level of enthusiasm and dedication a worker feels toward his/ her job.

Energy Efficient Directive Audit
A four-yearly energy audit for companies with over 250 employees in the Netherlands.

Full time equivalent (FTE)
The ratio of the total number of paid hours during a period by the number of working hours in that period.

General Meeting
The body formed by voting shareholders and others with voting rights.

General Meeting of Shareholders
The General Meeting of Shareholders or, more commonly, Annual General Meeting of Shareholders or AGM, is the meeting of shareholders and others with meeting rights.

Hedge
Protection of a financial position – against interest rate risks in particular – by means of a financial instrument.

Interest rate risk
The risk that profit and equity are impacted by changes in interest rates, in particular in the event of an intentional or unintentional mismatch in the terms of funds lent and borrowed.

International Financial Reporting Standards
International Financial Reporting Standards are a set of international accounting standards stating how particular types of transactions and other vents should be reported in financial statements. The European Union requires that IFRS be used by all exchange-listed companies in the EU starting from 2005.

KAS BANK
KAS BANK N.V.

Liquidity Coverage ratio
The liquidity coverage ratio refers to highly liquid assets held by financial institutions to meet short-term obligations. The ratio is a generic stress test that aims to anticipate market-wide shocks. The liquidity coverage ratio is designed to ensure financial institutions have the necessary assets on hand to ride out short-term liquidity disruptions.

Liquidity risk
The risk that the bank has insufficient liquid assets available to meet current liabilities in the short term.

Market risk
The risk that the value of a financial position changes due to movements in stock exchange prices, foreign exchange and/or interest rates.

Material Assessment
An assessment that discovers what the key priorities are for stakeholders and their potential impact on the company.

Materiality
Materiality is the threshold at which topics become sufficiently important to be reported. Material topics are those that may reasonably be considered important for reflecting the organization's economic, environmental and social impacts, or influencing the decisions of stakeholders, and, therefore, potentially merit inclusion in a report.

Operational risk
The risk of direct or indirect losses as a result of inadequate or defective internal processes and systems, inadequate or defective human acts, or external events.

Preference share
Share that receives a fixed rate of dividend prior to ordinary shares.

Repurchase agreement
The sale of securities together with an agreement for the seller to buy back the securities at a later date.

Return on equity
Annualized net profit attributable to ordinary shareholders of the parent company divided by average shareholders' equity.

Risk-weighted assets
Total assets and off-balance sheet items calculated on the basis of the risks relating to the various balance sheet items.

Solvency
The bank's buffer capital expressed as a percentage of risk weighted assets.

Stress testing
Method of testing the stability of a system or entity when exposed to exceptional conditions.

Sustainable development goals
In 2015, the United Nations set out the Sustainable Development Goals (SDGs) for 2030: a set of 17 highly ambitious goals relating to climate, poverty, healthcare, education and other challenges.

Three lines of defence
KAS BANK's approach to risk management. The three lines-of-defence principle consists of a clear division of activities and responsibilities in risk management at different levels in the bank and at different stages in the lifecycle of risk exposures.

Transparency Benchmark
A benchmark constructed by the Dutch Ministry of Economic Affairs to provide an insight into how Dutch businesses report their activities in relation to corporate social responsibility.

Disclaimer

KAS BANK may include certain statements in this Annual Report regarding future expectations and that may constitute forward looking statements. These forward-looking statements relate to KAS BANK's potential exposures to various types of market, credit and operational risk, are not historical facts and are based on KAS BANK's current views and assumptions. By their nature many of the forward-looking statements are uncertain and not in KAS BANK's control. Actual results may differ materially from those anticipated by the forward-looking statements made in this Annual Report due to a number of factors.

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