



Annual report 2007

 **KAS BANK**
COMMITTED SINCE 1806

PROFILE OF KAS BANK

KAS BANK N.V. is a European wholesale bank offering a wide range of securities and investor services. KAS BANK's focus is on value-added services in the field of treasury, risk control and management information, which have evolved from our primary services of investment administration, custody, clearing and settlement.

KAS BANK's main target groups are institutional investors (pension funds, insurance companies, investment funds and asset managers) and financial institutions (banks and brokers). KAS BANK does not provide active asset management services itself and is independent, guaranteeing its impartiality and autonomy. A low risk profile is an integral part of our services.

Client Focus and Operational Excellence are central to KAS BANK: the client, and the faultless processing on which the client relies, is paramount. This is achieved by combining a proactive approach with advanced information technology and rigorous process control. KAS BANK uses a single central technology platform for all European markets with which it has direct connections.

KAS BANK, which has offices in Amsterdam, London and Frankfurt, employs approximately 800 staff and has been listed with the securities exchange of NYSE Euronext Amsterdam since 1986. KAS BANK was founded in 1806.

Five years in figures *see inside cover*

Five years in figures KAS BANK N.V.¹

Consolidated in millions of euros

	2007	2006	2005	2004	2003
Total equity attributable to equity holders of the bank	254.9	217.6	207.8	204.4	209.5
Own funds					
(Equity attributable to equity holders of the bank plus subordinated liabilities)	266.3	247.1	237.3	233.9	246.5
Total assets	8,371.8	6,448.5	7,774.0	6,036.8	8,022.7
Income					
Interest	21.6	16.8	23.3	24.6	31.3
Commission	93.4	83.3	77.7	67.3	59.6
Trading/AFS investment income	32.9	28.5	19.1	16.8	
Other income ²	26.2	1.7	0.4	0.1	10.3
	174.1	130.3	120.5	108.8	101.2
Operating expenses³	106.8	94.2	93.3	85.0	84.9
Profit for the period before tax	67.3	36.1	27.2	23.8	16.3
Profit for the period attributable to equity holders of the bank	50.9	26.6	19.4	15.9	13.2
Figures per share of nominal value € 1.00 (in euros)					
Net asset value ⁴	14.19	13.65	13.55	13.46	13.81
Basic earnings per share	3.41	1.79	1.32	1.09	0.89
Dividend	2.60	1.40	1.00	0.95	0.89
Share price, high	29.69	23.15	19.10	16.20	17.60
Share price, low	20.49	18.66	15.11	14.56	13.50
Share price, year-end	25.00	20.85	18.70	15.10	15.30
Ratios					
Net return on average shareholders' equity (%)	23.7	13.2	9.7	8.2	6.5
Efficiency ratio (operating expenses/income)	61	72	77	78	85
Growth in basic earnings per share (%)	91	36	21	22	-75
BIS ratio (average)	16	17	17	23	26

1. In connection with the adoption of IFRS with effect from 1 January 2004, the comparative figures for 2004 were restated but the figures for 2003 are still presented on the basis of NL-GAAP.

2. In 2003, this includes income from securities and participating interests, results on financial transactions and other income.

3. In 2003, this includes value adjustments to receivables, value adjustments to financial fixed assets and amounts added to and released from the fund for general banking risks.

4. After proposed dividend.

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The financial statements have been prepared in the Dutch language. This document is a translation. Where differences arise between the English and the Dutch texts, the latter takes precedence.

Personal notes

Situation as per 20 February 2008

SUPERVISORY BOARD

P. Ribourdouille	(1938), chairman
D.J.M.G. Baron van Slingelandt	(1946), vice-chairman
C. Griffioen	(1941)
A.H. Lundqvist	(1945)
R.A.H. van der Meer	(1949)
H. Donkervoort	(1953)

P. Ribourdouille, chairman

Profession/current principal position :	None
Previous principal position :	Member of the Managing Board of ABN AMRO Holding N.V.
Other positions :	Chairman of the Supervisory Board of Amsterdam RAI B.V.; member of the Supervisory Board of Investeringsmaatschappij Goedland N.V.; member of the Executive Committees of Stichting Optas and Stichting Ondersteuning Bachvereniging.
First appointed :	2000
Current term of office expires :	2008

D.J.M.G. Baron van Slingelandt, vice-chairman

Profession/current principal position :	None
Previous principal position :	Member of the Executive Board of Rabobank Nederland and Chairman of the Managing Board of Rabobank International.
Other positions:	Member of the Supervisory Board of IHC Merwede Holland B.V., Redevco Europe Services B.V. and Robeco Groep N.V.
First appointed :	2007
Current term of office expires :	2011

C. Griffioen

Profession/current principal position :	None
Previous principal position :	Member of the Executive Board and CFO of Koninklijke KPN N.V.
Others positions :	Vice-chairman of the Supervisory Board and chairman of the Audit Committee of Tennet B.V. and N.V. Nederlandse Gasunie; vice-chairman of the Supervisory Board of Berenschot Holding B.V.; member of the Supervisory Board of Cordares Holding N.V.; vice-chairman of the Board of Trustees of Zorggroep Noorderbreedte; adviser to member of the Managing Board of Deloitte.
First appointed :	1998
Current term of office expires :	2008

A.H. Lundqvist

Profession/current principal position :	Chairman of the Executive Board of Eindhoven University of Technology.
Previous principal position :	Chairman of the Executive Board of IBM Nederland N.V.
Others positions :	Chairman of the Supervisory Boards of Van Hoogevest Groep B.V., Generali Verzekeringsgroep N.V., Surfnet B.V. and Surfdiensten B.V.; member of the Supervisory Board of TIAS-Nimbas Business School; chairman of the Board of Trustees of St. Anna Zorggroep; member of Advisory Council for Science and Technology.

First appointed : 2001
Current term of office expires : 2009

R.A.H. van der Meer

Profession/current principal position : Professor of Finance at Groningen University, General Manager of P&C B.V./ Lesuut Finance B.V.
Previous principal position : Member of the Executive Board of Fortis.
Others positions : Chairman of the Supervisory Boards of Fortis Obam, Stadsherstel Den Haag N.V., Teslin Capital Management N.V. and vice-chairman of Córío N.V.; member of the Supervisory Boards of European Asset Trust N.V., Fortis Investments SA, Van Hoogevest Groep B.V., GITP International B.V., Robein Bank N.V., Greenfield Capital Partners N.V. and J.P. Morgan (SICAV); member of the Executive Committees of Administratiekantoor Van der Moolen N.V. and Corporate Express N.V.; member of the DSI Arbitration Commission; deputy member of the Enterprise Section of the Amsterdam Court of Appeal.
First appointed : 2005
Current term of office expires : 2009

Drs. H. Donkervoort

Profession/current principal position : None
Previous principal position : Chairman of the Executive Committee of Dyade.
Other positions : Director of ID Management & Advies; member of the Supervisory Board of Woonborg.
First appointed : 2006
Current term of office expires : 2010

The members of the Supervisory Board are Dutch nationals.

MANAGING BOARD

A.A. Röell (1959), chairman
J.S.A. van Scheijndel (1958), Chief Financial Officer
N.E. Blom (1962), Chief Operational Officer
H. Kadiks (1949)

Managing director

L.G. Vis (1951)

Assistant managing directors

H. Brink (1958)
D.K. Korpel (1962)

Secretary

M.G.F.M.V. Janssen (1955)

Internal auditor

J. Voskuilen (1954)



Information for Shareholders

Dear shareholder,

2007 was a good year for KAS BANK's shareholders. Income and profit were in line with the targets and the bank was little affected by the crisis on the financial markets. Our prudent risk management policy, consistently applied, clearly gave our clients confidence in the bank and this was reflected in our results.

A significant event in 2007 was the disposal of our active asset management services and related private banking services. As well as generating substantial non-recurring income, the transfer also served to reinforce our external profile as an independent provider of wholesale securities services. With Europe as our theatre of operations and with access to networks that span the globe, we are able to provide successful and effective support for our clients among both institutional investors and financial institutions.

The wholesale securities services world is changing fast and is highly knowledge-intensive. Specialisation and focus are key to maintaining our position as a significant player in the European arena. Our 'pure play' strategy, supported by a unique European settlement platform, is an excellent springboard for the further European expansion we seek in 2008.

We thank you for your confidence in our organisation.

A.A. Röell
Chairman of the Managing Board
KAS BANK N.V.

Information for Shareholders

ATTENDANCE AT THE GENERAL MEETING OF SHAREHOLDERS EXCEEDS 50%

The shareholders and depositary receipt holders attending the General Meeting of Shareholders represented more than 50% of the voting shares. The Stichting Administratiekantoor Aandelen KAS BANK (KAS BANK Registrar's Office), acting on behalf of holders of depositary receipts who do not attend the meeting in person, represented less than 50% of the voting shares. All depositary receipt holders participating in the meeting were automatically entitled to vote by KAS BANK Registrar's Office.

SHARE CAPITAL AND LISTING UNCHANGED

The company's share capital consists of ordinary shares and cumulative preference shares, all of which are registered. Share certificates are not issued. The number of KAS BANK ordinary shares in issue at year-end 2007 was unchanged from year-end 2006 at 15,699,017. Approximately 94% of the ordinary shares in the company's issued capital was registered in the name of Stichting Administratiekantoor Aandelen KAS BANK, in exchange for which the same number of bearer depositary receipts has been issued. There are 25 cumulative preference shares in issue to the Stichting Preferente Aandelen KAS BANK. The nominal value of KAS BANK shares and depositary receipts is one euro (€ 1.00).

The ordinary shares, in the form of depositary receipts, have been listed on the Official Market of the NYSE Euronext Amsterdam N.V. stock exchange since 1986.

DIVIDEND POLICY UNCHANGED

The dividend policy, which was discussed by the 2005 General Meeting of Shareholders, is unchanged. A long-term pay-out averaging 60-80% of the profit is still our attainable target, while maintaining adequate flexibility in exceptional circumstances.

5% HOLDINGS

The following institutions have given notification of holdings of 5% or more in KAS BANK pursuant to the

Financial Supervision Act and the Decree on Disclosure of Control and Major Holdings in Listed Companies.

• ING Groep N.V.	13.0%
• Aviva plc.	12.7%
• Stichting Pensioenfonds PGGM	11.0%
• Delta Deelnemingen Fonds N.V.	10.0%
• Stichting Pensioenfonds ABP	6.9%
• Andringa Beheer B.V.	5.0%

STANDARD & POOR'S 'A' RATING

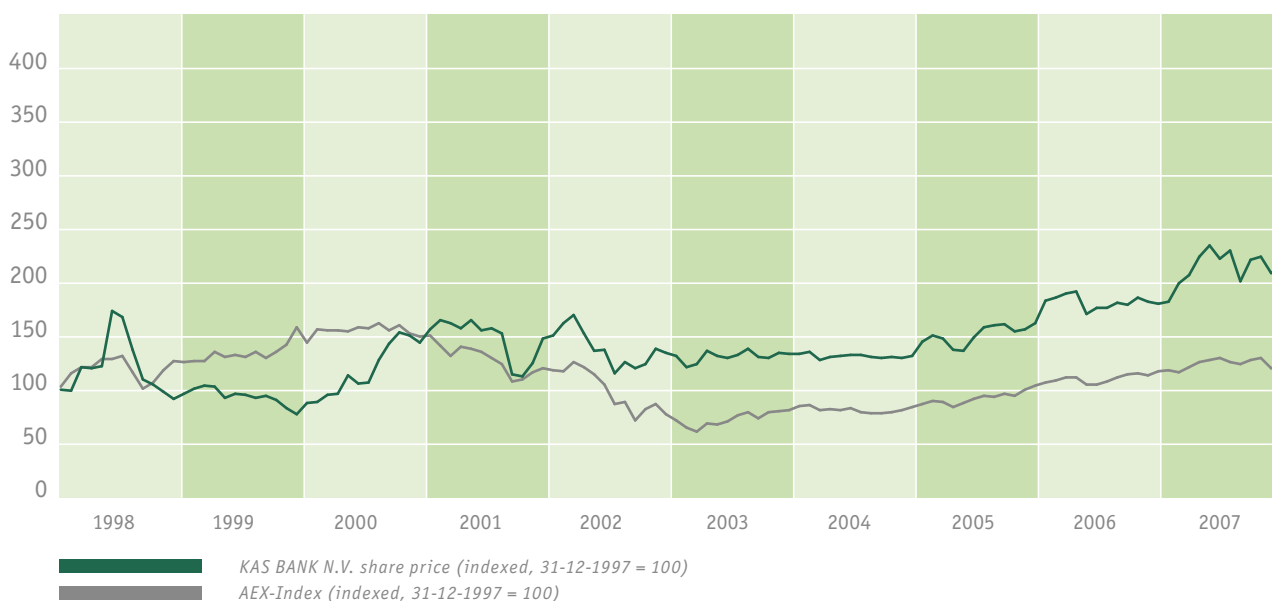
KAS BANK was awarded an 'A' long-term rating and an 'A-1' short-term rating by Standard & Poor's in 2007. The rating outlook was classed as 'stable'.

SHARE PRICE OUTPERFORMS AEX

Movements in the (indexed) price of KAS BANK depositary receipts over the past ten years are compared with the AEX-Index in the graph on page 9.

FIGURES PER KAS BANK SHARE

During the past year, the price of KAS BANK's share has increased by more than 20% from € 20.85 (at year-end 2006) to € 25.00 (at year-end 2007). The basic earnings per share KAS BANK in 2007 were € 3.41 (2006: € 1.79). In 2007, on average, 32,000 KAS BANK shares were traded daily on NYSE Euronext Amsterdam (2006: 20,000). The figures per ordinary KAS BANK share can be found in the 'Five years in figures KAS BANK N.V.' summary inside the front cover.



2008 CALENDAR

- 21 February 2008** - announcement of 2007 figures
- analysts' meeting
- 27 March 2008** - publication of 2007 annual report
- 23 April 2008** - Annual General Meeting of Shareholders
- 25 April 2008** - ex-dividend quotation of KAS BANK N.V. depositary receipts
- 29 April 2008** - record date for determination of dividend entitlement
- 7 May 2008** - 2007 final dividend payable
- 28 August 2008** - publication of 2008 interim figures
- analysts' meeting
- 29 August 2008** - ex-dividend quotation of KAS BANK N.V. depositary receipts
- 2 September 2008** - record date for determination of dividend entitlement
- 10 September 2008** - 2008 interim dividend payable

2009 CALENDAR

- 26 February 2009** - announcement of 2008 figures
- analysts' meeting
- 26 March 2009** - publication of 2008 annual report
- 22 April 2009** - Annual General Meeting of Shareholders
- 24 April 2009** - ex-dividend quotation of KAS BANK N.V. depositary receipts
- 28 April 2009** - record date for determination of dividend entitlement
- 6 May 2009** - 2008 final dividend payable
- 20 August 2009** - publication of 2009 interim figures
- analysts' meeting
- 21 August 2009** - ex-dividend quotation of KAS BANK N.V. depositary receipts
- 25 August 2009** - record date for determination of dividend entitlement
- 9 September 2009** - 2009 interim dividend payable

Further information is available from Mr. M.G.F.M.V. Janssen, Managing Board Secretary by telephone on +31 20 557 52 30 or e-mail via info@kasbank.com or at KAS BANK's website: www.kasbank.com.





Report of the Supervisory Board

Report of the Supervisory Board

TO THE GENERAL MEETING OF SHAREHOLDERS

2007 financial statements

The 2007 financial statements were discussed with the Managing Board and the external auditors. The 2007 financial statements were prepared by the Managing Board and have been examined by the external auditors KPMG Accountants N.V., whose unqualified report thereon can be found on page 100 of this report. We recommend that you adopt the 2007 financial statements at the General Meeting of Shareholders on 23 April 2008.

With regard to KAS BANK's profit retention and distribution policy, we propose that a dividend be declared for 2007 of € 2.60 per ordinary share of € 1.00 nominal value. An amount of € 0.45 has already been paid as interim dividend. The final dividend for 2007 will therefore be € 2.15 per ordinary share of € 1.00 nominal value and will be paid in cash.

We also propose that the members of the Managing Board be discharged of liability for their management and the members of the Supervisory Board for their supervision in 2007.

Corporate governance

The latest developments in corporate governance were discussed with the shareholders at the 2007 General Meeting of Shareholders. The lifting of a number of restrictions on holding shares and exchanging and voting on depositary receipts has further improved the position of depositary receipt holders. Further information on the company's corporate governance structure is given in the separate section of this report on page 109.

Supervision and advice

The Supervisory Board met with the Managing Board on seven occasions in 2007. The main topics addressed at these meetings were the strategic developments affecting the company, its strategic plans, the disposal of the private banking activities and the tighter focus on wholesale securities services. The financial results and performance analyses in relation to the targets and budget and the reporting process were also discussed.

Another important agenda item was the adoption of the new remuneration policy for the Managing Board, which was submitted to the General Meeting of Shareholders for adoption on 25 April 2007. Permanent items on the agenda were the design and functioning of the internal risk control and monitoring systems, the risks associated with the company's operations and the sensitivity of the results to external circumstances. The Supervisory Board also discussed the bank's IT structure, the reports of the rating agencies, the social policy and the remuneration policy. Regular presentations were given to brief the Supervisory Board members on specific issues.

One of the meetings was held in the absence of the Managing Board, at which the Supervisory Board discussed its own functioning and that of its individual members, the functioning of the Managing Board and that of its individual members and the relationship between the Supervisory Board and the Managing Board. The conclusions were discussed with the Managing Board.

Members of the Supervisory Board attended two consultation meetings of the Employees' Council at which the bank's general policy, results and other developments were discussed.

General Meeting of Shareholders

The agenda for the Annual General Meeting of Shareholders on 23 April 2008, together with explanatory notes, can be found at the front of this annual report.

Principles of remuneration policy/remuneration report

The current remuneration policy for the Managing Board was adopted and approved by the General Meeting of Shareholders on 25 April 2007 and is posted on KAS BANK's website. The remuneration of the individual members of the Managing Board is set by the Supervisory Board on the recommendation of the Appointments and Remuneration Committee, which uses KAS BANK's Internal Audit department to determine the components of the variable remuneration.

The fixed salary is based on the salaries paid by a basket of some 30 companies that are comparable with KAS BANK in

terms of operating region (the Netherlands and Europe) and size. The fixed salary lies between the median and third quartile and is reviewed every two years in the light of developments in the market. The fixed salaries of two members of the Managing Board, Messrs. Röell and Blom, were below the target level in 2007 because they are still 'growing into the job'. A lower fixed salary has been agreed with one member of the Managing Board, Mr. Kadiks, in view of the fixed four-year term of his contract of employment, but this is compensated by a higher short-term variable element. The total fixed salary received by the Managing Board was around 10% higher than in 2006.

The annual short-term bonus of members of the Managing Board is determined with reference to a number of performance criteria set by the Supervisory Board. These criteria are based partly (70%) on KAS BANK's external financial objectives and partly (30%) on qualitative criteria such as operational performance and strategic policy. The performance criteria include the client-related net revenue growth, the efficiency ratio, the return on shareholders' equity and the growth in earnings per share. In addition to the performance criteria, there is also a personal rating based on how effectively the individual has functioned as a member of the Managing Board. 'On target' performance means results higher than the external targets and higher than the previous year's results. The on-target percentages of fixed salary payable as short-term bonus are 40% for the chairman and 30% for the other members of the Managing Board.

The result in 2007 was above average, even before exceptional income and charges such as the transfer of the private banking activities. Client-driven revenue grew 15%, the efficiency ratio fell from 77% to 76% and earnings per share were 22% higher. This translated into a return on shareholders' equity of 12%, or a premium of 7.7% on the 10-year government bond yield. On the basis of these results and in accordance with the remuneration structure, a bonus of 65.9% of his fixed salary was awarded to Mr. Röell, the chairman of the Managing Board, and 41.2% to Mr. Van Scheijndel, the CFO. Mr. Blom was paid a bonus of 41.2%, while Mr. Kadiks received 65.9%. The percentage bonus paid to Mr. Kadiks, who is responsible for

the commercial portfolio, was higher because his contract does not make provision for a long-term variable element and his fixed salary is below the target level.

Acting within its discretionary powers, the Supervisory Board awarded the members of the Managing Board an additional bonus of 25% of their fixed salary in recognition of the successful carve out and transfer of the private banking business.

The long-term bonus does not become unconditional for three years. The award becomes unconditional if the performance target of 10% average annual growth in earnings per share, adjusted for exceptional income and charges such as the transfer of the private banking activities, has been achieved for three years. The bonus is a mix of 50% options and 50% shares. If performance is on target, the chairman of the Managing Board receives 50% and the members (except Mr. Kadiks, who does not qualify for long-term bonus) each receive 40% of their fixed salary. If the performance over three years is excellent, these proportions may be increased to 75% and 60% respectively.

Under the agreed pension plan for the Managing Board, which is a defined-contribution scheme, a fixed contribution of 24.9% is paid for each member, except for Mr. Kadiks. The company also bears the cost of incapacity benefit insurance for members of the Managing Board.

Mr. Van Scheijndel will receive a bonus of approximately € 0.7 million in connection with his departure on 1 September 2008 and will not be entitled to a variable bonus for 2008 for that reason. The qualifying period for options and shares which have been granted unconditionally will remain the same, but the options and shares allocated in 2007 will only be made unconditional at the on-target level and only if, at the end of 2009, the company has achieved its objectives over the three-year period 2007-2009.

Composition of the Supervisory Board

The Supervisory Board consists of six members. All the members of the Supervisory Board are independent within

the meaning of the Corporate Governance code and none is a former member of the Managing 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.

The Supervisory Board has formulated a membership profile that defines its size and composition. The membership profile for the Supervisory Board was discussed at the General Meeting of Shareholders in 2004 and 2005 and is posted on the company's website. A properly constituted Supervisory Board should encompass knowledge of or experience or familiarity with information and communications technology, accounting organisation, national and international banking, securities and derivatives, social policy, national and international business, the workings of institutional investors and financial institutions and the (European) securities industry.

The duties and procedures of the Supervisory Board are defined in by-laws, which are posted on the company's website.

The members of the Supervisory Board retire by rotation. In 2007, it was the turn of Mr. D.J. de Beus, who had served on the Board for 11 years and did not offer himself for reappointment. The Supervisory Board thanks Mr. De Beus for his unstinting commitment and for the acuity and expertise he placed at the service of the company's development during his time on the Board.

Mr. De Beus was succeeded by D.J.M.G. Baron van Slingelandt, who was appointed to the Supervisory Board for a four-year term commencing on 25 April 2007.

The appointment was made by the General Meeting of Shareholders on the nomination of the Supervisory Board. The General Meeting of Shareholders did not recommend a candidate.

The chairman of the Supervisory Board, Mr. P. Ribourdouille, is due to retire by rotation from the Supervisory Board at the end of the General Meeting of Shareholders on 23 April 2008, after serving on the Board for eight years, for seven of those years as its chairman.

Mr. Ribourdouille has not offered himself for reappoint-

ment. The Supervisory Board expects the successor to Mr. Ribourdouille to be appointed at the forthcoming General Meeting of Shareholders. The Supervisory Board proposes to appoint Mr. Van Slingelandt as chairman.

Mr. C. Griffioen is also due to retire by rotation at the end of that meeting and has offered himself for reappointment.

Committees formed by the Supervisory Board

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

The Risk Management Supervision Committee is responsible for supervising the Managing Board with regard to all banking-related aspects of the company's internal risk control and monitoring systems, including credit risks, liquidity risks, market risks and operational risks. The Risk Management Supervision Committee met on three occasions in 2007. The main items on the agenda were risk control and internal risk models, developments in security and compliance within the bank, credit reporting and loss analysis. The Risk Management Supervision Committee consists of three members of the Supervisory Board: Messrs. R.A.H. van der Meer (chairman) and D.J.M.G. Baron van Slingelandt and Mrs. H. Donkervoort.

The Audit Committee is responsible for supervising the Managing Board with regard to all accounting-related aspects of the company's internal risk control and monitoring systems, the quality, integrity and selection of the financial information provided by the company, the role and functioning of the Internal Audit department, the relationship with the external auditors, with particular reference to their independence, and the bank's IT security. The Audit Committee met three times in 2007. The main items on the agenda were the annual and interim reporting, the IT structure and internal audit. The Audit Committee consists of three members of the Supervisory Board: Messrs. C. Griffioen (chairman), R.A.H. van der Meer and A.H. Lundqvist.

The Appointments and Remuneration Committee is responsible for defining the selection criteria and appointment procedures for all members of the Supervisory Board and Managing Board and carrying out preliminary work in connection with appointments and reappointments to the Managing Board and Supervisory Board. The committee also submits proposals to the Supervisory Board relating to the remuneration policy and the remuneration of the individual members of the Managing Board. The Appointments and Remuneration Committee held four meetings in 2007, at which the business transacted included preparation of proposals for the appointment of new Supervisory Board members in 2007 and 2008. The committee took cognisance of the various senior management appointments and prepared a new remuneration policy for the Managing Board with the assistance of an external agency. The Appointments and Remuneration Committee consists of four members of the Supervisory Board: Messrs. P. Ribourdouille (chairman), A.H. Lundqvist and D.J.M.G. Baron van Slingelandt and Mrs. H. Donkervoort.

The minutes of all the meetings of the committees are submitted to the Supervisory Board, on the basis of which the chairman of each committee reports on its deliberations and findings.

Amsterdam, 17 March 2008

The Supervisory Board:
P. Ribourdouille, chairman
D.J.M.G. Baron van Slingelandt, vice-chairman
C. Griffioen
A.H. Lundqvist
R.A.H. van der Meer
H. Donkervoort



A.A. Röell
Chairman

"As an independent bank which does not have its own investment funds and does not engage in active asset management, we are in no way in competition with our clients."



J.S.A. van Scheijndel
Chief Financial Officer

"All financial targets were met in 2007, including and excluding exceptional items."



N.E. Blom
Chief Operational Officer

"Our new order execution application satisfies all the MiFID requirements for best order execution and transparent reporting to clients and regulators."



H. Kadiks

"Asset managers are also evincing a growing interest in outsourcing investment administration and related services."

Report of the Managing Board

Report of the Managing Board

2007 was a turbulent year for financial institutions. The 'credit crunch' which spread from the United States to Europe in mid-year had a severe impact on the financial position of several of the world's largest banking institutions. It is gratifying to note in that context that the value of the low risk profile which KAS BANK has always striven to maintain was demonstrated in practice in 2007, with limited write-downs due to the credit crisis. While our clients expect nothing less than sound and carefully considered risk management, we are pleased to report that, as well as achieving double-digit growth in both client-related income and profit in 2007, KAS BANK has preserved its low risk profile.

The Managing Board thanks clients, staff and shareholders for their sustained support for our bank's growth and prosperity.

2007 RESULTS

The profit for 2007 was € 50.9 million (2006: € 26.6 million). The operating profit increased in 2007 by 22%, to € 23.6 million (2006: € 19.3 million). This strong increase was mainly due to significant growth of 15% in non-interest income as a result of an influx of new clients, cross-selling and increased transaction volumes.

Total income rose by 34% in 2007, to € 174.1 million (2006: € 130.3 million). Excluding exceptional items, income was 11% higher, at € 133.2 million (2006: € 119.8 million).

Total operating expenses increased by 13% to € 106.9 million (2006: € 94.2 million). Excluding the exceptional items, operating expenses were 10% higher, at € 101.5 million. After adjustment for non-recurring expenses relating to staff departures and consultancy fees, specifically in respect of potential acquisitions, total expenses rose in 2007 by 6%.

The positive effect of the exceptional items on the 2007 profit was € 27.4 million. These items are connected with the transfer of the private banking activities, with the conversion of Euronext shares, impairment losses on property and an interest-bearing security from the AFS portfolio. These items are discussed in greater detail in

the following pages of this report. Exceptional items were also recognised in the preceding year in connection with the disposal of some of the interests in a number of stock exchanges and in connection with the restructuring in the United Kingdom (impact on 2006 profit: € 7.3 million).

Income

Compared with 2006, income was up by 29%, at € 21.6 million (2006: € 16.8 million). Contributory factors were an increase in client numbers and better treasury results, especially in the second half of the year.

Commission income increased by 12% to € 93.4 million (2006: € 83.3 million). An analysis of the commission income is given below.

<i>Commission income in millions of euros</i>	<i>2007</i>	<i>2006</i>	<i>+/- %</i>
Custody and Investment Management Services	32.8	30.4	8%
Clearing en Settlement	39.4	28.7	37%
Securities lending	15.5	16.1	-4%
Other	5.7	8.1	-30%
Total	93.4	83.3	12%

Income from custody and investment management services was up by 8%, at € 32.8 million (2006: € 30.4 million). This increase was the result of growth in the volume of business on behalf of new and existing clients as well as rising stock market prices.

A strong increase in the transaction volume and a particularly sharp rise in the income from derivatives transactions lifted the commission income from clearing and settlement by 37%, to € 39.4 million (2006: € 28.7 million).

Income from securities lending was down by 4%, at € 15.5 million (2006: € 16.1 million), as a result of the fierce competition in this area of the market. The good second

half of the year, resulting from improved margins and greater volumes as regards fixed income lending, was not enough to make up entirely for the drop in income in the first half.

The drop in other commission, by € 2.4 million, to € 5.7 million, was largely due to the loss of commission income from the private banking activities with effect from 1 April 2007.

<i>Trading/AFS income in millions of euros</i>	<i>2007</i>	<i>2006</i>	<i>+/- %</i>
Trading income – foreign exchange transactions	15.3	14.2	8%
Trading income – securities and derivatives	0.8	-0.3	-
AFS income	16.8	14.6	15%
Total	32.9	28.5	15%

The trading income and income from the sale of investments from the available for sale portfolio increased by 15%, to € 32.9 million (2006: € 28.5 million). The result on foreign exchange trading activities was up by 8%, at € 15.3 million (2006: € 14.2 million). Contributing to the latter improvement was the growing use of our institutional risk management services, particularly by institutional investors, involving products such as currency overlay and transition management.

The AFS income in 2007 was mainly accounted for by results on one of the exceptional items mentioned above, namely the conversion of Euronext shares. The merger of Euronext and New York Stock Exchange and the consequent conversion of our investment in NYSE Euronext shares produced a profit of € 16.3 million. In 2006, the AFS income was largely the result of the disposal of shares held in a number of stock exchanges.

Other income in 2007 includes the proceeds, amounting to € 24.7 million, from the transfer of the private banking activities.

<i>Operating expenses in millions of euros</i>	<i>2007</i>	<i>2006</i>	<i>+/- %</i>
Staff expenses	63.3	57.1	11%
Premises costs	3.2	5.2	-38%
IT costs	13.6	12.4	10%
General overheads	13.0	9.4	38%
Depreciation expenses	9.1	10.1	-10%
Impairment losses	4.7	-	-
Totaal	106.9	94.2	13%

Excluding the non-recurring charges of € 0.7 million connected with the transfer of the private banking activities, staff expenses were up by 10%, at € 62.6 million (2006: € 57.1 million). The increase is largely explained by higher staffing levels due to the increased volume of business.

The reduction in premises costs in 2007 was mainly the result of the restructuring in the United Kingdom at the end of the preceding year and the vacating of a rented building in the first half of 2007.

The IT costs were up by 10% in 2007. In the second half of the year, in particular, there was an intensified level of investment in product innovation and in upgrading the basic architecture.

The general overheads rose by 38%, to € 13.0 million (2006: € 9.4 million). This considerable increase occurred chiefly in the second half of the year. The greater level of activity led to higher costs due to losses connected with processing. Additionally, charges for professional advice in 2007 showed a sharp rise, mainly in connection with professional fees relating to potential acquisitions.

Of the reduction of € 1.0 million in the level of depreciation expenses in 2007, an amount of € 0.7 million is explained by extra depreciation expenses in 2006 in connection with the restructuring in the United Kingdom previously referred to.

The charge of € 4.7 million in 2007 in respect of impairment losses comprises two elements. The capitalised costs of alterations, amounting to € 3.2 million, which were made to rented premises now no longer used were recognised as impairment losses in the first half of 2007, while an impairment loss of € 1.5 million was recognised in the second half of 2007 in respect of an interest-bearing security in the AFS portfolio.

Capital adequacy

The capital adequacy ratio is calculated by comparing the amount of the risk-weighted assets (and off-balance-sheet items) with actual own funds. The percentage given by this calculation is the BIS ratio. Actual own funds are made up of the core capital (Tier 1 capital) and the supplementary capital (Tier 2 capital).

In 2007, the BIS ratio averaged 16% (2006: 17% on average). As at year-end 2007, the BIS ratio was 19% (2006: 18%), with a figure of 16% on the basis of core capital alone (2006: 15%).

With effect from 2008, the new Basel II capital adequacy requirements come into operation. The new rules are expected to result in a lower BIS ratio, mainly owing to a higher matching capital requirement for securities lending. There being no change in the risk profile of the bank, the target BIS ratio under Basel I of at least 15.0% will be reduced to 12.5% under Basel II.

Financial targets

All financial targets were met in 2007, including and excluding exceptional items. Circumstances can arise in any given year leading to one or more of the targets not being achieved.

An analysis of the financial targets and the actual results achieved, based on both the operating results and the overall results, is given below.

Parameter	Target	2007		2006	
		operating profit	total profit	operating profit	total profit
Growth in non-interest income	> 10%	15% ¹	15% ¹	10%	10%
Efficiency ratio	70-77%	76%	61%	77%	72%
Return on equity	5-8 points above 10-year interest rate ²	12%	24%	10%	13%
BIS-ratio (average)	> 15%		16%		17%
Growth in earnings per share	> 8%	22%	91%	9%	36%
Dividend pay-out	60-80%		76%		78%

1. Adjusted for the transfer of the private banking activities with effect from 1 April 2007.

2. 2007: 4.3%; 2006: 3.8%.

STRATEGY AND OBJECTIVES

The European wholesale securities market is slowly professionalising through consolidation. KAS BANK is well positioned to play a prominent role on the European level, since its systems and business models have been geared towards Europe since the end of the last century.

Our core client groups, institutional investors and financial institutions, demand an international service and they rely heavily on our ability to support them with innovative products and services. KAS BANK is unique in managing its clearing and settlement platform on a truly European basis, thus offering a single risk management including combined collateral and margining facilities and seamless access to cash markets, derivatives markets and multi trading facilities. In fact, we have created a virtual single European capital market for securities.

In order to be able to fulfill the needs of our clients we extend our network continuously, also outside Europe. In 2007, we have linked 20 major American exchanges to our network. This year we expect further expansion in Asia. In February 2008 we started by connecting the Hong Kong stock exchange to our clearing and settlement platform. By combining these regions we are able to extend our risk management and cash management skills (including margining and collateral management) to additional time zones, thus lowering the cost of doing business for our clients. It will only be a matter of time before various areas of Asia will be linked into our network.

Solid organic growth in revenue and profits in combination with a low risk profile continues to remain the cornerstone of KAS BANK's strategy. The fundament for our European expansion lies in a strong position in our home markets in the Benelux countries, in the UK and in Germany, where we opened our offices this year. Our staff, representing over 30 nationalities, is highly skilled and has extensive experience with the pitfalls of the European securities landscape. In addition to this, growth is generated from elsewhere in Europe, where banks, brokers and institutional players alike are experiencing the strength of our neutral and efficient platform.

Contrary to the situation in the United States the markets in Europe are far from harmonized. Many initiatives have been taken and successfully implemented, such as the implementation of MiFID and the preparation of Target-2Securities (T2S), but it is still fairly complex to treat Europe as one market. This holds true for the trading side, but also for areas such as risk management and compliance/regulatory reporting services. The Basel II capital adequacy requirements for international banks is a good step towards further harmonisation.

As a result of these complexities, non-specialized players are actively considering exiting the market, thus sparking a wave of consolidation. For those institutions considering outsourcing their asset and securities services business, it is of paramount importance to link with players who are able to provide continuity and will not compete with them in adjacent areas such as active asset management or financing. Neutrality therefore is key to our future growth.

Parallel to these developments, professionalism continues to grow in the industry as a whole. KAS BANK is well positioned to support the markets, especially in the area of value added services, such as the administration and valuation of financial instruments or the trading back office services. Our thorough understanding of client needs combined with our in depth European know how of local practices and regulations provide a good starting point for the continuing trend of modular in-/outsourcing. As a result, the bank's results will be less susceptible to generic, external factors.

2007 IN RETROSPECT

MiFID

A significant event in 2007 was the implementation of the Markets in Financial Instruments Directive (MiFID), which aims to provide protection for investors in the form of requirements for best execution of their orders. KAS BANK kept its promise to make all its services fully MiFID-compliant from 1 November. Our new order execution application satisfies all the MiFID requirements for best order execution and transparent reporting to clients and regulators.

All orders are executed in accordance with the client's best execution policy and financial institutions which use KAS BANK's order execution services are MiFID-compliant with respect to their clients. Our MiFID-compliant services for financial institutions and institutional investors are growing satisfactorily.

Harmonisation of securities trading

In pursuit of further harmonisation of European securities trading, the European Central Bank is working to develop a uniform settlement system (Target2Securities). The T2S system appears to KAS BANK to offer great potential, because it covers the entire eurozone rather than a limited number of markets and would thus facilitate progress towards closer European harmonisation.

KAS BANK's own uniform European clearing and settlement platform is, it must be said, an excellent alternative to T2S and the local ESES initiative and we are continuing to extend our network of direct connections, in Europe and beyond.

Alternative stock exchanges

One consequence of MiFID has been the emergence of alternative stock exchanges in Europe. KAS BANK remains constantly alert to new opportunities to extend our uniform clearing and settlement services to encompass these new stock exchanges. Alternative stock exchanges will be embedded in KAS BANK's European platform.

Swiss Exchanges

Swiss Exchanges (SWX) introduced the Central Counterparty (CCP) model in September 2007. KAS BANK is affiliated to SWX as a general clearing member and settles transactions on the exchange.

More securities infrastructure connections

In January 2007, in anticipation of the NYSE Euronext merger, we extended our network of direct connections in Europe to include links to all the major stock exchanges in the United States. This gives our clients direct access to the important US market and, in the other direction, enables American investors to use KAS BANK's European network for their transactions on European markets.

Consolidation of European stock exchanges

KAS BANK holds shares in the three largest European stock exchanges: NYSE Euronext, London Stock Exchange and Deutsche Börse. In 2007, Euronext merged with the New York Stock Exchange (NYSE) via an exchange of Euronext shares for a combination of cash and NYSE Euronext shares. Having accepted the offer, KAS BANK remains a shareholder in NYSE Euronext.

As a participant in 16 Dutch and international working groups, we are also closely involved in the infrastructure developments taking place in the European securities and pensions industries.

Holland Financial Centre

A new foundation, Holland Financial Centre (HFC), made its debut on 11 July 2007 in Amsterdam. All the major players in the Dutch financial market are participating in this initiative, together with representatives of the direct regulators and the ministries concerned. KAS BANK has a seat on the Executive Committee.

The aim of HFC is to promote the Netherlands as an attractive base for the international financial sector and avoid firms being driven away by excessive red tape or inadequacies in the infrastructure. HFC also plans to raise the level of expertise in the Netherlands by establishing a top-class academy for the financial sector.

Xpert Meetings

As a European securities specialist, KAS BANK closely monitors developments in the European financial sector. Because we want to share our staff's knowledge and expertise with our professional clients and other financial institutions, we organised 'Xpert Meetings' for the first time in 2007. At these well attended seminars, Dutch and foreign specialists discussed current developments in the pensions and securities industries. Four Xpert Meetings were organised in the Netherlands and two in London.

The topics addressed included the European pension funds directive, MiFID, ESES and Target2Securities and

responsible investment for pension funds. A special Xpert Meeting was organised in April on the occasion of Mr. D.J. de Beus's retirement from KAS BANK's Supervisory Board.

SAS 70 Type II statement

KAS BANK was again issued with a SAS 70-II statement for its core services in 2007. The SAS 70-II statement confirms among other things the effectiveness of KAS BANK's internal management and control measures with respect to processes outsourced to KAS BANK by third parties (see sidebar).

SAS 70 (Statement on Auditing Standards No. 70)

A SAS 70 report sets out how a service company manages its processes. The report defines both the control objectives and the overall system of controls that the organisation has in place to achieve these objectives.

The external auditors attach a report – the auditors' report – to this SAS 70 report. In this auditors' report, the auditors address the achievement of these control objectives, describe in a separate section the testing they have performed and set out the findings of their work. This separate section represents an account of the work performed.

Using the SAS 70 report, management of the outsourcing company can ascertain for itself whether the controls over the outsourced processes are sufficient to meet the standards. Furthermore, it is possible for the auditors of the outsourcing company to use the report to obtain insight into the service company's administrative organisation and control environment and thereby to obtain assurance for the purposes of their annual audit of the outsourcing company. Furthermore, provided that the scope of the report is sufficient, this account of the testing performed also means that a review of the service company's audit files is no longer necessary.

There are two types of SAS 70 report:

Type I: This report is a snapshot of the controls at a particular point in time. A Type I report describes the controls which were in place at that point in terms of achieving the

control objectives. The auditors issue an auditors' report which indicates that the controls are sufficient to meet the control objectives and also that they were actually operating at that particular point in time.

Type II: This report is an assessment of the controls for a particular period of time. A Type II report covers a period of time during which the described controls were in place and the achievement of the control objectives during that period. The auditors' report includes an opinion as to whether the controls were actually operating for the period concerned.

KAS-Web

KAS BANK extended its KAS-Web application with the addition of new modules for payment, settlement and corporate action instructions. At the same time, security was raised to the highest level with the implementation of a public key infrastructure.

SWIFT

KAS BANK is among the top 50 SWIFT users in the world. In March 2007, we hosted the annual conference of SWIFT's global Securities Market Practice Group (SMPG). At the three-day conference, delegates from around 40 countries discussed the further development of the SWIFT standards for electronic messaging between financial institutions worldwide. The most important of these issues was the straight-through processing of messages relating to funds, settlements and reconciliation and corporate actions. Clear progress was achieved towards further harmonisation and standardisation of these types of message.

Pension Fund Supervision Toolkit

The active role played by KAS BANK as sponsor and co-author of the Pension Fund Supervision Toolkit of the National Register of Supervisory Directors and Regulators merits special mention. The Toolkit was presented on 10 October at a well attended conference at Slot Zeist, of which KAS BANK was one of the organisers.

KAS BANK as wholesale service provider

Following the transfer of private banking activities on 1 April 2007, KAS BANK is now focused fully on wholesale

services for institutional investors, financial institutions and charitable institutions.

KAS BANK's position on the institutional investors market

Our core services of custody, clearing and settlement are the foundation of our added-value services for institutional investors. Partly in response to pension fund governance requirements, a growing number of these institutions are outsourcing all or part of their back-office activities to KAS BANK, including ASP services (*see sidebar*).

Asset managers are also evincing a growing interest in outsourcing investment administration and related services. Our Global Fund service for unquoted funds in particular is proving very popular. A growing number of clients are also using KAS BANK as independent transition manager when rearranging their securities portfolios.

ASP, which stands for 'Application Service Provider', is a model in which part of the IT function is insourced together with the back-office activities by providing remote access to KAS BANK's systems. This form of modular insourcing is unique in the Dutch institutional market.

The European Pensions Directive represents significant progress towards the creation of a pan-European pensions market. As a European specialist, KAS BANK is responding with high-quality asset pooling, supervision and control services. Standing at the confluence of the information streams, we are in a position to monitor, on an independent and neutral basis, the asset allocations and selections made by the pools and the various stages in the investment process. We measure both the overall performance of the pension fund and the performance of the asset manager, providing the pension fund board with a basis on which to manage operational and investment risks, so that it is 'in control' at all times. Several pension funds are now using these services.

The institutional risk management (IRM) concept that was successfully launched in 2006 was further developed in 2007. We are being retained by a growing number of Dutch

pension funds to take over the task of reporting to the regulator, De Nederlandsche Bank, in compliance with the Financial Assessment Framework (FTK).

KAS BANK has many years' experience in asset pooling and has the knowledge and skills needed to set up such pooling structures (*see sidebar*). In 2007, KAS BANK took over the administration and management of pools for several Dutch clients, in the form of mutual funds (fondsen voor gemene rekening). With this tax-exempt investment vehicle, the Dutch government hopes to encourage investment funds to locate in the Netherlands rather than countries with a more favourable tax regime.

Asset pooling' refers to the investment of assets in a pool which is jointly owned by the investors, who share in the profits in proportion to their investment. Most investment pools comprise various asset classes in specific geographical regions and economic sectors. The different asset classes are generally grouped into separate subpools

Our products relating to compliance monitoring – verification of and reporting on compliance with investment policy – have been further refined. New modules have been added to the Fund Manager Watch and Performance Measurement products and, in response to the growing interest in responsible investment, we introduced a new Sustainability Risk Screening service in November 2007. This service involves screening portfolios on a daily basis to identify investments that are inconsistent with the responsible-investment policy formulated by the fund. By making the risks incurred in investing in the 'wrong' companies understandable and hence manageable, we help institutional investors shape their strategy.

We also expanded our role as administrator of life-course savings schemes (levensloopregelingen) and save-as-you-earn schemes (spaarloonregelingen) in 2007. KAS BANK offers savings accounts, acts as custodian within the meaning of the Act and provides performance measurement services. In 2008, we plan to expand these administrative services again with the addition of a bank savings product. We thus provide support for all aspects of pension provision: insurance, pensions, savings and investment.

As an independent bank which does not have its own investment funds and does not engage in active asset management, we are in no way in competition with our clients. This places KAS BANK in a unique position in the European pensions industry.

Charitable institutions

The boards of Dutch charitable institutions are increasingly focusing on their core activity: administering the donations policy of the funds they manage and reporting to the regulators. KAS BANK supports them with institutional risk management services, which enable them to meet the requirements of good and transparent administration. We perform all tasks relating to investment administration and accounting. Our comprehensive management reports give a clear picture of the performance of their asset managers and the effectiveness of their risk management.

KAS BANK as service provider for financial institutions

KAS BANK has built its consistently strong position in the financial institutions market (banks, intermediaries and brokers) by introducing new products and constantly improving its basic custody, clearing and settlement services.

High priority was given in 2007 to the implementation of MiFID. Working closely with our clients, we developed a range of MiFID-compliant products which give financial institutions the assurance that they are also MiFID-compliant with respect to their clients. Small and medium-sized brokers in particular can make significant cost savings by using KAS BANK's MiFID-compliant order execution services.

In September, when Swiss Exchanges introduced the Central Counterparty (CCP) model, KAS BANK immediately signed up as a general clearing member. Clients' transactions are settled via our central platform in Amsterdam.

On 1 October, KAS BANK was admitted as a general clearing participant to the Chi-X alternative electronic trading platform, where we provide clearing and settlement services for clients who are or are seeking to become

active on Chi-X as a trading participant. KAS BANK also operates as a trading participant itself.

In Luxembourg, all the necessary preparations were made for direct affiliation as general clearing member to the Luxembourg stock exchange in 2008.

KAS BANK in the United Kingdom

To further strengthen our position in the UK market, a number of changes were made to KAS BANK's UK organisation on 1 January 2007. The new Managing Director of KAS UK heads three teams: Financial Institutions, Institutional Investors and Client Support, with operational and logistical support from Amsterdam. The relationship management and sales support functions were reinforced with the appointment of several new staff members in the course of 2007. KAS BANK's name recognition in the UK benefited significantly from an intensive marketing campaign targeted at institutional investors, asset managers and consultants.

There is a growing awareness in the UK pensions industry of the importance of the custodian in and for the investment process. KAS BANK's role is to make investments transparent. We currently process and administer investments in quoted and unquoted pooled funds for a growing number of UK pension funds.

Our clearing, settlement and custody services have been augmented with 'Model B' services for institutional brokers, where KAS BANK acts as counterparty to the broker's clients and provides an integrated back-office solution.

Capacity has been freed up to extend our services to charitable funds, investment funds and funds.

KAS BANK in Germany

The opening of KAS BANK's branch in Frankfurt am Main in February 2007 has given us a base in the financial heart of Germany from which to address the institutional market and local financial institutions, making optimum use of our direct connections to Deutsche Börse and the local stock exchanges in Frankfurt, Stuttgart and Berlin. In Frankfurt, Stuttgart and Berlin we also have the status of

a Depotbank. Brokers using the local Xontro trading system can have their transactions settled via KAS BANK. With these connections, we are well placed to service both local investors and brokers and investors from outside Germany who are or are seeking to become active on one of those markets.

OPERATIONAL TARGETS FOR 2008

The financial sector in Europe is again facing many changes in 2008, due in no small measure to the implementation of MiFID. As a European specialist, we are of course monitoring these developments closely and are involved in various national and international consultative bodies. KAS BANK's operational services are constantly updated in line with new developments. The operational targets for 2008 include the following.

IT

KAS BANK embarked on a major IT restructuring programme in 2007. The bank is moving from a mainframe-oriented architecture and development environment to an object-oriented IT structure. One of the benefits of this new structure will be a shorter time-to-market for new products and services. The capital cost is being met from the current cost budget.

Target II and SEPA payments operational

The process of modernising the payment systems on the basis of the European Payments Service Directive, which started in 2007, was completed in early 2008. KAS BANK is connected to the European Central Bank's TARGET II system for high-value euro payments and is making preparations for affiliation in accordance with the new SEPA (Single European Payments Area) guidelines for bulk payments.

Collateral management

New demands are being made on collateral management in Europe. As well as measures to reduce credit risk, control of legal and operational risks will also become an integral part of collateral management in the future. KAS BANK is updating its services and organisation accordingly.

Broker services

KAS BANK is performing back-office activities for more and more financial institutions and we are looking forward to sustained growth in these services in our 'home markets': the Netherlands, the United Kingdom and Germany.

RISK CONTROL AND MONITORING SYSTEMS

General remarks and SAS 70 type II report

KAS BANK operates and maintains a system of administrative organisation and internal controls, using secure IT systems and highly developed risk-management systems. The business processes are organised and controlled in accordance with the applicable rules and regulations for financial institutions.

A SAS70 Type II/FRAG 21 report has been prepared by KAS BANK and certified by the external auditors. This report, providing information on the risk-control measures which are relevant to KAS BANK's clients, complies with the requirements of the Statement on Auditing Standards Number 70, Type II, entitled 'Service Organisations' (SAS70), issued by the American Institute of Certified Public Accountants. The report also complies with the requirements of the Financial Reporting and Auditing Group (FRAG21) of the Institute of Chartered Accountants in England and Wales. The functioning of the internal controls with regard to the services is also assessed.

Principles

KAS BANK seeks to maintain a low risk profile through effective risk management in all relevant areas of its operations. This profile is achieved by focusing on selected client groups and specialised services, compliance with legislation and regulations and appropriate internal procedures.

In the chapter Risk control on pages 69-80 a qualitative and quantitative description is provided regarding the exposures of KAS BANK to risks regarding the use of financial instruments. In addition to this the goals, principles and procedures for measuring and monitoring these risks are laid down. The risks regarding the use of financial instruments concern market risk, liquidity risk, credit risk and operational risk.

Securities custody

Through KAS BANK's direct connections with national central securities depositories (CSDs) in several European countries, optimum protection is also provided for securities, which the investor holds in those countries. In countries where KAS BANK does not have a direct connection with the CSD, it operates where possible via KAS Depository Trust Company and/or KAS Nominees Ltd. through a network of correspondent banks. Specialised banks are selected for this function, and their risk profiles and the quality of their services are regularly reviewed and corrected. Securities custody is also regulated by applicable legislation and by contract.

Integrity and compliance

The array of laws and rules, in particular financial supervision rules to which the bank is subject is still expanding. During the past period, the acts going into force comprised the Market Abuse Act, an amended Investment Institutions Supervision Act, the Financial Supervision Act and an amended Disclosure of Major Holdings in Listed Companies Act. The Financial Supervision Act and MiFID were implemented. The compliance function assists the company in this respect.

The increased attention for integrity and a sound conduct of business have resulted in the realisation of a new regulation with regard to inside information and private investment transactions and the introduction of a whistleblowing policy.

An important condition for complying with the rules is that staff know and acknowledge the importance of these rules. Various forms of communication and training support this awareness process.

Business continuity management

KAS BANK has upgraded its monitoring of continuity risks. Business continuity management has been reflected in our Recovery and Resolution Plans for some time now. Until recently this monitoring took place within line management. In 2007 we moved to set up a separate Business Continuity unit which ensures that plans are reported to, and kept under review at, an appropriately

high level within the organisation. The Business Continuity Manager reports to the Security and Continuity Steering Committee.

Audit and supervision

The independent audit and review function performed by the Internal Audit department (IAD) within the bank is defined in by-laws which have been discussed with the Audit Committee of the Supervisory Board. The following types of audit are performed under these by-laws:

- financial audits, to measure and evaluate the quality (reliability) of financial reporting;
- operational audits, to measure and evaluate the quality of process and risk control and to verify the existence and evaluate the structure and functioning of internal risk control, including the administrative organisation and the internal control measures which it incorporates and which are essential for effective operation;
- information technology (ICT) audits, to evaluate the control of ICT risks by assessing the ICT organisation and ICT processes, the systems under development and the technical ICT infrastructure and evaluating the risks relating to the ICT organisation, policy, processes, services and resources (people, applications, systems, technology, facilities and information) and related control measures;
- compliance audits, to measure and evaluate compliance with legislation and regulations.

The risk-orientated audit approach and planning are determined in consultation with the external auditors and are assessed by the regulators. IAD's terms of reference cover the whole of KAS BANK.

The IAD reports to the chairman of the Managing Board and the Risk Management Committee and briefs the Audit Committee of the Supervisory Board on a regular basis.

KAS BANK is supervised by De Nederlandsche Bank and the Authority for the Financial Markets in the Netherlands (AFM), the Financial Services Authority in the UK and the Bundesanstalt für Finanzdienstleistungsaufsicht in Germany.

Financial reporting risks

KAS BANK has adopted the International Financial Reporting Standards (IFRS) as from 1 January 2005. Further improvement of financial and risk-management information is kept under constant review by the bank.

The structure and functioning of the internal risk control and monitoring systems are regularly evaluated in the light of the bank's objectives and risk profile, assessed by internal and external supervisors and discussed with the relevant committees formed by the Supervisory Board.

In the light of the foregoing, it can be confirmed with reasonable confidence that the internal risk control and monitoring systems have functioned satisfactorily and that the financial reporting therefore contains no material misstatements.

It should be understood that, given their inherent limitations, the internal risk control and monitoring systems cannot:

- provide complete assurance concerning the achievement of strategy, objectives or chosen risk profile;
- eliminate all material inaccuracies or instances of loss, fraud or non-compliance with legislation or regulations.

Developments

By developing and maintaining its internal risk control and monitoring systems, KAS BANK ensures that its services are responsive to the dynamics of its operating environment. Operational risk control is one of the areas on which particular attention is focused.

Further attention is paid to quantifying the risks and the risk-return ratio of activities.

In the field of audit and compliance, the relevant developments are followed and contributions are made to meetings with supervisors, the Netherlands Bankers' Association and accounting organisations. Internationally, the recommendations of the Basel Committee on Banking Supervision and the Financial Action Task Force form the preconditions for the bank's processes.

DEVELOPMENTS SINCE YEAR-END

Managing Board change

Mr. J.S.A. van Scheijndel, the Chief Financial Officer, is to leave on 1 September 2008, after more than 23 years with KAS BANK, for the last four years as a member of the Managing Board. Mr. Van Scheijndel has decided it is time to alter course in his career and intends to move into risk management and asset management. We thank him for all his work on behalf of KAS BANK and the contribution he has made to its professional development over the years.

OUTLOOK

The unrest on the financial markets is at most having an indirect impact on KAS BANK, for example in the form of lower transaction volumes and lower stock market prices. Barring these effects and unforeseen circumstances, the bank's operating profit will show sustained growth in 2008.

Amsterdam, 17 March 2008

Managing Board
A.A Röell, chairman
J.S.A. van Scheijndel, CFO
N.E. Blom, COO
H. Kadiks





Accounts

Consolidated income statement

in thousands of euros

	Note	2007			2006		
		Total	Result Exceptional items	Operational result	Total	Result Exceptional items	Operational result
INCOME							
Interest income	1	318,562	-	318,562	218,656	-	218,656
Interest expense	2	296,931	-	296,931	201,884	-	201,884
Net interest		21,631	-	21,631	16,772	-	16,772
Commission income	3	112,400	-	112,400	97,949	-	97,949
Commission expense	4	18,973	-	18,973	14,691	-	14,691
Net commission		93,427	-	93,427	83,258	-	83,258
Trading income		16,087	-	16,087	13,935	-	13,935
Available-for-sale income		16,773	16,251	522	14,623	10,523	4,100
Trading/AFS income	5	32,860	16,251	16,609	28,558	10,523	18,035
Other income	6	26,199	24,658	1,541	1,725	-	1,725
Total income		174,117	40,909	133,208	130,313	10,523	119,790
OPERATING EXPENSES							
Staff expenses	7	63,308	700	62,608	57,076	-	57,076
Other administrative expenses	8	29,771	-	29,771	26,992	990	26,002
Depreciation expenses	9	9,075	-	9,075	10,136	657	9,479
Operational operating expenses		102,154	700	101,454	94,204	1,647	92,557
Impairment losses	10	4,702	4,702	-	-	-	-
Total operating expenses		106,856	5,402	101,454	94,204	1,647	92,557
Profit before tax expense		67,261	35,507	31,754	36,109	8,876	27,233
Tax expense	11	16,325	8,147	8,178	9,500	1,587	7,913
Profit for the period attributable to equity holders of the bank		50,936	27,360	23,576	26,609	7,289	19,320
EARNINGS PER SHARE							
• basic (in euros)	12	3.41			1.79		
• diluted (in euros)		3.38			1.78		

Consolidated statement of recognised income and expense

in thousands of euros

	Note	2007	2006
Revaluation of available-for-sale investments	35	-15,294	-4,908
Revaluation of land and buildings in use by the company	35	9,599	-
Defined benefit plan actuarial gains (losses)	36	13,804	4,559
Changes in deferred tax assets and liabilities	35/36	-2,018	-1,340
Others		-	-84
Income and expense recognised directly in equity		6,091	-1,773
Profit for the period attributable to equity holders of the bank	37	50,936	26,609
Total recognised income and expense attributable to equity holders of the bank		57,027	24,836

Consolidated balance sheet

before proposed profit appropriation

in thousands of euros

	Note	31-12-2007	31-12-2006
ASSETS			
Cash and deposits at the central bank	13	936,146	228,423
Banks	14	2,023,207	942,100
Loans and advances	15	2,353,276	2,687,218
Reverse repurchase agreements	16	1,402,608	914,219
Derivative financial instruments	17	169,273	93,888
Investments held-for-trading	18	-	-
Available-for-sale investments	19	1,369,324	1,463,171
Property and equipment	20	51,439	46,900
Intangible assets	21	6,744	8,357
Deferred tax assets	22	8,736	9,813
Current tax assets	23	9,805	2,413
Other assets	24	27,521	36,316
Prepayments and accrued income	25	13,716	15,666
Total assets		8,371,795	6,448,484
EQUITY AND LIABILITIES			
Banks	26	1,981,458	703,259
Funds entrusted	27	5,862,940	5,301,067
Derivative financial instruments	17	152,326	102,571
Deferred tax liabilities	22	12,446	11,188
Current tax liabilities	23	2,507	2,442
Other liabilities	28	54,540	34,180
Accruals and deferred income	29	32,160	23,514
Employee benefits	30	7,137	23,205
Subordinated liabilities	31	11,344	29,496
Total liabilities		8,116,858	6,230,922
Issued share capital	32	15,699	15,699
Treasury shares	33	-14,675	-13,844
Share premium	34	21,569	21,569
Revaluation reserve	35	18,890	23,963
Other reserves	36	169,582	150,630
Unappropriated profit	37	43,872	19,545
Total equity attributable to equity holders of the bank		254,937	217,562
Total equity and liabilities		8,371,795	6,448,484
Contingent liabilities	38	140,908	118,992

Consolidated cash flow statement

in thousands of euros

	2007	2006
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period attributable to equity holders of the bank	50,936	26,609
Depreciation expenses	9,075	10,136
Impairment losses	4,702	-
Tax expenses paid	-22,137	-8,583
Movement in banks (not due on demand)	1,466,210	-878,618
Movement in loans and advances	333,942	1,177,450
Movement in reverse repurchase agreements	-488,389	-114,940
Movement in derivative financial instruments	-25,630	5,040
Movement in funds entrusted	561,873	-755,913
Other movements in respect of operating activities	30,354	-27,194
Total cash flow from operating activities	1,920,936	-566,013
CASH FLOW FROM INVESTING ACTIVITIES		
Investments and acquisitions		
• available-for-sale money market paper	-2,777,375	-3,879,972
• available-for-sale bonds	-718,056	-372,619
• shares	-14,673	-9,906
• property and equipment	-2,959	-1,715
• intangible assets	-2,646	-5,544
	-3,515,709	-4,269,756
Disposals, repayments and sales		
• available-for-sale money market paper	2,923,238	3,903,762
• available-for-sale bonds	667,823	333,536
• shares	18,670	25,641
• property investment	-	791
	3,609,731	4,263,730
Total cash flow from investing activities	94,022	-6,026

Consolidated cash flow statement

in thousands of euros

	2007	2006
CASH FLOW FROM FINANCING ACTIVITIES		
Repurchase of own shares	2,014	2,456
Redemption subordinated liabilities	-18,152	-
Dividend paid	-21,979	-15,699
Total cash flow from financing activities	-38,117	-13,243
NET CASH FLOW	1,976,841	-585,282
Cash and cash equivalents at the beginning of the year	578,440	1,163,722
Cash and cash equivalents at year-end	2,555,281	578,440
RECONCILIATION OF CASH FLOW STATEMENT WITH BALANCE SHEET ITEMS		
Cash and deposits at the central bank	936,146	228,423
Due on demand from other credit institutions	1,619,135	350,017
Cash and cash equivalents at year-end	2,555,281	578,440

Accounting policies

GENERAL

KAS BANK N.V. has its registered office in Amsterdam, Netherlands. The company's consolidated financial statements for the year ending 31 December 2007 include the company and all its group companies, together referred to as 'KAS BANK'. A list of the principal group companies is given below.

KAS BANK is a European wholesale bank offering a wide range of securities and investor services. KAS BANK's focus is on value-added services in the field of treasury, risk management and management information, which have evolved from its basic services of investment administration, custody, clearing and settlement.

KAS BANK's main target groups are institutional investors (pension funds, insurance companies, investment funds and asset managers) and financial institutions (banks and brokers). KAS BANK does not provide active asset management services itself and is independent, guaranteeing its absolute neutrality and autonomy. A low risk profile is an integral part of its services.

The 2007 financial statements were prepared by the Managing Board on 17 March 2008 and will be presented to the General Meeting of Shareholders for adoption on 23 April 2008.

STATEMENT OF COMPLIANCE

The consolidated financial statements of KAS BANK have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted within the European Union. The company financial statements have been prepared in accordance with the provisions of Part 9, Book 2 of the Netherlands Civil Code. KAS BANK makes use of the facility for using the same accountancy policies as applied in preparing its consolidated financial statements.

BASIS OF CONSOLIDATION

Group companies are entities which are controlled by KAS BANK. A group company is controlled by KAS BANK if KAS BANK is able directly or indirectly to govern its financial and operating policies in order to obtain economic benefits from its activities. Group companies are consoli-

dated as from the date on which control is acquired and are eliminated from the consolidation as from the date on which KAS BANK relinquishes control.

As of 31 December 2007, the group companies include:

- Amsterdam Depositary Company N.V.
- KAS Derivaten Clearing N.V.
- KAS Fondsbeheer B.V.
- KAS BANK Effectenbewaarbedrijf N.V.
- KAS Trust B.V.
- KAS Participatiemaatschappij B.V.
- Centrum voor Fondsenadministratie B.V.

all established in Amsterdam.

A complete list of group companies has been deposited with the Trade Register of the Amsterdam Chamber of Commerce.

Intragroup balances, any unrealised gains and losses on transactions within the group and income and expenses relating to such transactions have been eliminated in the preparation of the financial statements.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The accounting policies have been applied consistently to KAS BANK and its group companies for all periods presented in these financial statements. The financial statements are presented in thousands of euros, unless stated otherwise. The euro is also KAS BANK's functional currency.

BASIS OF MEASUREMENT

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

- Financial instruments carried at amortised cost
- Available-for-sale investments
- Investments held-for-trading
- Reverse repurchase agreements
- Derivative financial instruments
- Land and buildings in use by the company
- Employee benefits

Income is recognised in the income statement when an increase in future economic benefits related to an increase in an asset or a decrease in a liability has arisen

Accounting policies

that can be measured reliably. Expenses are recognised in the income statement when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

USE OF ESTIMATES AND JUDGEMENTS

In preparing the financial statements in compliance with IFRS, the management is required to form judgements and make estimates and assumptions which affect the items presented in the balance sheet and explanatory notes and the items presented in the income statement for the reporting period. Although these estimates are based on past experience and take into account the latest developments, the reality may differ. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 17; valuation of derivative financial instruments
- Note 19; valuation of non-listed available-for-sale investments
- Note 20; valuation of land and buildings in use by the company
- Note 28; provision for legal expenses
- Note 30; measurement of defined benefit obligations
- Note 46; measurement of share-based payments.

SET-OFF

Amounts receivable and payable and due on demand or maturing at the same time which relate to one person or legal entity or group of jointly and severally liable legal entities are shown net in the balance sheet where the bank has a right of set-off and it is the intention to settle the liability on a net basis or realise the asset at the same time that the liability is settled. 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.

TRANSACTIONS IN FOREIGN CURRENCIES

Income and expenses relating to transactions in foreign currencies are translated at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated on the balance sheet date at the known exchange rate on that date. Exchange gains and losses arising out of the aforesaid transactions and valuations are recognised in the income statement in trading income. Unrealised exchange gains and losses on non-monetary financial assets are part of the total movement in the value of the asset. In the case of non-monetary financial assets which are classified as investments held for trading or as derivative financial instruments, exchange gains and losses are part of the gains and losses on the financial asset concerned. In the case of non-monetary assets which are classified as available for sale, unrealised exchange gains and losses are recognised directly in equity.

FINANCIAL INSTRUMENTS

KAS BANK's financial instruments consist of cash and deposits at the central bank, financial instruments carried at amortised cost, available-for-sale investments, investments held-for-trading, reverse repurchase agreements, derivative financial instruments and subordinated liabilities.

A financial instrument is recognised if KAS BANK becomes a party to the contractual provisions of the instrument. On initial recognition, non-derivative financial instruments are measured at fair value plus, in the case of instruments not carried at fair value with gains and losses recognised in the income statement, any directly attributable transaction costs.

Financial assets are derecognised if KAS BANK's contractual rights to the cash flows from these financial assets expire or if KAS BANK transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if KAS BANK's obligations specified in the contract expire or are discharged or cancelled.

All purchases and sales of financial assets are recognised

Accounting policies

on the transaction date, i.e. the date on which KAS BANK commits itself to purchasing or selling the asset.

Financial instruments carried at amortised cost

Financial instruments carried at amortised cost are non-derivative financial assets which are not quoted on an active market and on which interest is payable at a fixed or floating rate. These arise when the company has advanced monies to a debtor where it is not the intention to sell the asset immediately or in the near future.

The principal sums are accounted for in the balance sheet in banks, loans and advances and funds entrusted. Interest income and expenses are recognised in net interest in the income statement, using the effective interest method.

Available-for-sale investments

Securities which are held for an indefinite period and can be sold if cash is needed or if warranted by movements in market value are classified as available-for-sale investments and carried at fair value on the balance sheet date, based on the listed bid price as at the balance sheet date. Securities of which the fair value cannot be measured reliably are stated at cost less any impairments.

Except for impairments and, in the case of monetary items, exchange differences, unrealised gains and losses arising out of movements in the fair value are accounted for in equity. If the securities are sold or in the event of impairment, the attributable accrued gains and losses accounted for in equity are transferred to available-for-sale income in the income statement.

If these securities are interest-bearing, the interest, calculated using the effective interest method, is recognised in interest income in the income statement. Dividends received are accounted for in the income statement in available-for-sale income on the date that KAS BANK's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Investments held-for-trading

Investments held-for-trading are financial instruments carried at fair value with gains and losses recognised in the income statement. Accounted for under investments held-for-trading are those securities that are acquired in order to generate short-term profits. The securities in this portfolio are initially recognised at fair value, with directly attributable transaction costs expensed as and when incurred. After initial recognition, the investments are carried at fair value, based on the quoted bid price on the balance sheet date. All realised and unrealised gains and losses are accounted for in trading income in the income statement.

Reverse repurchase agreements

Securities which are purchased subject to the binding condition that they will be sold back in the future at a predetermined price (reverse repurchase agreements) are accounted for as secured loans. The monetary receivable, including accrued interest, is included in reverse repurchase agreements on the assets side of the balance sheet. Securities acquired by means of reverse repurchase agreements are used mainly as collateral and are not carried on the balance sheet. The interest on reverse repurchase agreements – calculated using the effective interest method – is amortised over the term of the agreement and accounted for in interest income in the income statement.

Derivative financial instruments

KAS BANK uses derivative financial instruments (derivatives) mainly to hedge currency, credit and interest-rate risks arising out of its operating, financing and investing activities. Derivatives which do not qualify for hedge accounting are accounted for as assets held for trading.

Derivatives, including foreign exchange contracts, currency and interest-rate swaps and options, are stated at cost on initial recognition, with directly attributable transaction costs expensed in trading income as and when incurred. After initial recognition, these derivative financial instruments are carried at fair value, with gains and losses recognised under trading income in the income statement. The fair value of interest-rate swaps is the sum

Accounting policies

which KAS BANK would receive or pay if the swap were terminated on the balance sheet date, taking into account current interest rates. The fair value of currency swaps is determined on the balance sheet date on the basis of a discount method. The fair value of options is measured on the basis of official stock market quotations. The fair value of non-listed options is determined on the basis of internal and external valuation models, the market value of similar instruments or bid prices issued by third parties. Derivatives are recognised as assets if the fair value is positive and as liabilities if the fair value is negative.

HEDGE ACCOUNTING

KAS BANK employs hedge accounting by designating derivative financial instruments as hedges against changes in the fair value of the fixed-income assets on the balance sheet relating to movements in interest rates. All hedge accounting relationships are recorded and their effectiveness is periodically tested. KAS BANK accordingly complies with the qualifying criteria for hedge accounting.

A movement in the fair value of a hedging transaction which has been classified as a fair-value hedge is accounted for in net interest in the income statement. The simultaneous movement in the fair value of the hedged asset or liability which is attributable to the specific hedged risk is also accounted for in net interest in the income statement. Unhedged movements in the fair value of assets or liabilities classified as available for sale are accounted for in the revaluation reserve.

If a transaction no longer satisfies the hedge accounting criteria or the hedging relationship is terminated, the carrying amount of the hedged asset or liability is adjusted in net interest in the income statement over the remaining term, using the effective interest method. Some transactions in derivatives which KAS BANK regards as economically effective hedging transactions in the context of its risk control policy do not qualify for hedge accounting. Gains and losses on these transactions in derivatives are recognised directly in trading income in the income statement.

PROPERTY AND EQUIPMENT

Property in use by the bank is carried in the balance sheet at fair value as determined by an external appraiser on the basis of replacement value, taking account of continuity and functionality, less depreciation. Part of the property is appraised periodically. Changes in value as a result of periodic reappraisal, less a provision for deferred tax liabilities, are accounted for in equity. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each separate component of an item of property and equipment. No depreciation is charged on land. The estimated useful life of the buildings is fifty years.

Equipment is stated at cost, less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each item of property and equipment. Machines and computer hardware are written off over three years, furniture over five years, technical installations and alterations over ten years and alterations to leased property over the term of the lease. The residual value is assessed annually.

INTANGIBLE ASSETS

Software development and maintenance costs are expensed. Software purchased from third parties is capitalised. Costs relating to development activities to support KAS BANK's services to clients are also capitalised if they can be directly related to the production of identifiable and unique software which will probably generate economic benefits for more than one year. The capitalised costs concern directly attributable costs, including the costs of staff employed on the development of the software. Capitalised development costs are recognised at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement over the estimated useful life, which is three years.

LEASE AGREEMENTS

A lease agreement is classified as a finance lease if substantially all the risks and rewards incidental to ownership are transferred from the lessor to KAS BANK.

Accounting policies

In all other cases, lease agreements are classified as operating leases.

Assets acquired via 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 implicit in the lease.

Capitalised finance lease assets are depreciated in accordance with the criteria stated in relation to property and equipment.

Lease payments made under an operating lease are recognised in the income statement on a straight-line basis over the term of the lease. If an operating lease contract is terminated before expiry, any penalties are recognised in the period in which the lease contract is terminated.

IMPAIRMENT LOSSES

The carrying amount of KAS BANK's assets, excluding deferred tax assets, is reviewed at each balance sheet date to ascertain whether there are any objective indications that an asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amount of assets with an indefinite useful life and intangible assets which are not yet available for use is estimated at each balance sheet date. The recoverable amount is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate.

Financial assets carried at amortised cost

At each balance sheet date, an assessment is made of whether there is objective evidence of impairment. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the

estimated future cash flows of the financial asset that can be reliably estimated.

The impairment loss is the difference between the asset's amortised cost and the value of future cash flows, discounted at the financial asset's original effective interest rate. Impairment losses and reversals of prior impairments are recognised in impairment losses in the income statement. If the financial asset is collateralised, account is taken of future cash flows that may result from foreclosure of the collateral, less costs of selling, irrespective of whether foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the reversal is accounted for in impairment losses in the income statement.

Financial assets carried at fair value

At each balance sheet date, an assessment is made of whether there is objective evidence that an asset is impaired. If there is objective evidence of impairment of an available-for-sale investment, the cumulative loss is transferred from equity to impairment losses in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the reversal is accounted for in impairment losses in the income statement. In the case of shares, the reversal of previously recognised impairment losses is accounted for in equity.

Property, equipment and intangible assets

Assets on which depreciation or amortisation is charged are assessed for impairment whenever events or changes indicate that the carrying amount may exceed the future economic benefits. An asset is written down immediately to the recoverable amount if the carrying amount exceeds the recoverable amount. Intangible assets which are not

Accounting policies

yet in use are assessed annually for impairment. Impairment losses are recognised in impairment losses in the income statement.

Other assets

An impairment loss on other assets is reversed if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss can only be reversed by an increase in the carrying amount to the extent that the carrying amount thus determined does not exceed what the carrying amount would have been (net of amortisation) had no impairment loss been recognised in prior years. Impairment losses are recognised in impairment on assets in the income statement.

EQUITY

Share capital

KAS BANK's authorised capital comprises ordinary shares and preference shares. The issued and fully paid registered ordinary shares are accounted for in the balance sheet in equity. The issued and fully paid registered preference shares are accounted for in the balance sheet in other liabilities. The preference share capital is classified as borrowed capital because, pursuant to Article 25 of the Articles of Association, dividend distributions are not voluntary. Dividends on these shares are accounted for in interest expense in the income statement.

Repurchase of own shares

Upon the repurchase of shares in the company's capital which are included in equity in the balance sheet, the consideration paid, including directly attributable costs, is recognised as a movement in equity. Repurchased shares which are not cancelled are deducted from equity.

Dividend on shares

Dividend paid on shares is recognised in equity in the period in which it is approved by the shareholders. Dividend for the year which is declared after the balance sheet date is disclosed in the notes on equity and the other information. Interim dividend distributed during the year is accounted for in equity.

INTEREST INCOME AND EXPENSE

Interest income and expense in respect of financial instruments are accounted for in the income statement using the effective interest method. Movements in the fair value of derivative financial instruments used for hedge accounting are accounted for in net interest in the income statement.

COMMISSION INCOME AND EXPENSE

The commission which KAS BANK earns on a wide range of services can be divided into two broad categories: net commission earned on services provided over a period, for which the clients are invoiced periodically, and net commission earned on transaction-driven services. Net commission earned on services which are provided over an extended period is allocated to the period on a pro rata basis. Net commission earned on transaction-driven services is accounted for directly in the income statement.

EMPLOYEE BENEFITS

Retirement benefit obligations

KAS BANK's pension plans are defined contribution and defined benefit plans. KAS BANK has delegated the management of the Dutch defined benefit plans to Stichting Pensioenfonds of KAS BANK, which has reinsured the obligations fully with a life insurance company. The pensions of UK employees are managed by the KAS UK Retirement Benefit Scheme, which has reinsured the obligations with a UK life insurance company.

Defined contribution plan

The defined contribution plan is a retirement benefit scheme under which KAS BANK makes fixed contributions to a separate entity and has no legal or constructive obligation to make any additional payments. The plan applies to members of the Managing Board and the managing director. When the amounts become payable, the expenses related to this plan are included in the income statement under staff expenses. For the defined contribution plan, the company does not run any actuarial risks and no pension obligations are included in the balance sheet.

Accounting policies

Defined benefit plan

For the defined benefit plan the company incurs the actuarial risks and the employee is assured of a defined benefit upon reaching pensionable age. The pension obligations are determined individually for each plan, by deducting the fair value of the plan assets from the present value of promised retirement benefits at the balance sheet date, taking into account unrecognised past-service costs. Future retirement benefits are calculated on the basis of estimates of the rights vested in employees in exchange for their services in the reporting period and previous periods. The promised retirement benefits are discounted at the yield at the reporting date on high-grade corporate bonds that have maturity dates approximating the terms of KAS BANK's obligation. The calculation is performed annually by an actuary using the projected unit credit method.

Pension costs are accounted for in staff expenses in the income statement and the net pension obligation is accounted for in employee benefits in the balance sheet. Actuarial gains and losses result from changes in actuarial assumptions and differences between the actuarial assumptions at the beginning of the year and the realised results at year-end. Actuarial gains and losses are accounted for in equity.

If the benefits under a plan are adjusted, the portion of the adjusted benefits which relates to employees' past service is recognised in staff expenses in the income statement over the average period until the benefits become vested. Adjustments to benefits which become vested immediately are accounted for in staff expenses in the income statement.

Other long-term employee benefits

KAS BANK's net liability in respect of long-term employee benefits other than retirement benefit provision comprises future remuneration earned by employees in exchange for their services in the reporting period and previous periods, taking into account mortality risk and the probability of employees remaining in company service and participating in the plans. The liability is discounted to present value and recognised in the balance sheet in employee benefits. Expenses are accounted for in staff expenses in the income statement.

Share-based payments

Part of the consideration given to members of the Managing Board and other staff in exchange for service rendered takes the form of share-based payments. The cost of the service received is measured on the basis of the fair value of the shares or options granted on the date of granting. The fair value is accounted for in staff expenses in the income statement over the vesting period, with a corresponding movement in equity. The value of the shares granted is calculated using the trinomial model, taking into account the share price at grant date, the risk-free interest rate, the volatility of KAS BANK shares during the vesting period and the expected dividend yield. The value of the options granted is calculated using the trinomial model, taking into account the exercise price of the options, the share price at grant date, the risk-free interest rate, the volatility of KAS BANK shares during the vesting period of the options and the expected dividend yield. In the case of such payments which are granted unconditionally, terms and conditions without a market basis are taken into account by adjusting the number of shares or options used to measure the cost of the service rendered so that the cumulative amount recognised in the income statement reflects the number of shares or options ultimately becoming vested.

Short-term employee benefits

Short-term employee benefits relate to periodically paid remuneration and variable remuneration accounted for in staff costs in the income statement as and when the related service is rendered. A provision is recognised 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 service provided by the employee and the obligation can be estimated reliably.

TAX

Tax expense

Tax on the profit or loss for the periods presented comprises the tax expense payable, eligible for set-off and deferred in respect of the reporting period. Tax expense is recognised in the income statement, except insofar as it

Accounting policies

relates to items recognised directly in equity, in which case the tax is recognised in equity.

The tax payable and eligible for set-off in respect of the financial year is the expected liability in respect of the taxable profit for the financial year, calculated using the tax rates ruling on the balance sheet date, and adjustments to the tax payable in respect of prior years.

Deferred tax assets and liabilities

Deferred tax assets and liabilities relate to differences between the valuation of certain assets and liabilities for tax purposes and their valuation for accounting purposes. The deferred tax asset or liability is determined on the basis of the current tax rate and is recognised at face value. A deferred tax asset is recognised if it is probable that taxable profits will become available in future against which it can be set off. Deferred tax assets and liabilities are set off where there is a legally enforceable right to set off such assets and liabilities and they relate to the same entity.

EARNINGS PER SHARE

KAS BANK presents basic and diluted earnings per share data for its ordinary share capital. The basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of KAS BANK by the weighted average of the number of ordinary shares in issue during the period. Diluted earnings per share are determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue for the effects of all the dilutive potential ordinary shares, including share options granted to employees.

SECURITIES LENDING TRANSACTIONS

Securities lending transactions are generally entered into with securities as collateral. The related assets and liabilities in the form of securities are not recognised in the balance sheet. Securities received as collateral may be repledged. Collateral received in the form of cash is accounted for in banks and funds entrusted.

TRUST ACTIVITIES

Through the vehicle of KAS Trust B.V., KAS BANK acts as

trustee in connection with the holding or placing of assets on behalf of third parties. Such assets do not constitute assets of the bank and are not included in the consolidated financial statements.

CASH FLOW STATEMENT

The cash flow statement has been prepared by the indirect method and shows the source of the funds which became available in the reporting period. Cash flows are divided into three categories: operating activities, investing activities and financing activities.

Cash and cash equivalents is understood to mean cash deposits at the central bank and balances due on demand from other credit institutions. Balances due on demand from other credit institutions are accounted for in banks.

The difference between the cash flow shown in the cash flow statement and the movement in cash and cash equivalents in the balance sheet reflects exchange differences and is accounted for in exchange differences on cash and cash equivalents.

SEGMENTATION

The segment information is provided on KAS BANK's business segments and geographical segments. A business segment is a distinguishable component of an entity which is engaged in providing a group of related services and is subject to risks and returns which are different from those of other business segments. A geographical segment is defined by the location where the revenues are generated. Segment profits, assets and liabilities comprise items which are directly attributable or may reasonably be allocated to the segment.

CUSTODY AND REGISTRATION OF SECURITIES AND DERIVATIVES

Securities other than those kept as specifically numbered certificates and those not covered by the Giro Securities Transfer Act are held in safe custody by KAS BANK Effectenbewaarbedrijf N.V. (KAS Depositary Trust Company) or KAS Nominees Ltd. The rights and obligations arising from third-party positions in derivatives are vested in KAS Derivaten Clearing N.V. Since clients'

Accounting policies

securities and derivatives are thus divorced from the company's assets, they are not included in the balance sheet.

NEW STANDARDS AND INTERPRETATIONS

NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007 and have not been applied in preparing these financial statements:

- IFRS 8 Operating Segments introduces the 'management approach' to segment reporting. Under IFRS 8, application of which becomes mandatory for KAS BANK's financial statements with effect from 2009, segment information has to be disclosed on the basis of internal reports regularly used by the Managing Board in assessing developments affecting individual segments and allocating resources. KAS BANK has not yet determined what the possible consequences of the standard are.
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions stipulates that share-based payment arrangements under which KAS BANK receives services in exchange for rights granted to its own equity instruments should be accounted for as a share-based payment arrangement that is settled in shares, regardless of the way in which the equity instruments are acquired. Application of IFRIC 11 becomes mandatory for KAS BANK's financial statements with effect from 2008 and must be retrospective. IFRIC 11 is not expected to have any impact on the consolidated financial statements.
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction clarifies when refunds or reduced future pension contributions under defined benefit plans should be recognised and covers the impact of minimum funding requirements on such assets. Also covered is when a minimum funding requirement can lead to the recognition of a liability. Application of IFRIC 14 becomes mandatory for KAS BANK's financial statements with effect from 2008 and must be retrospective. The interpretation is not expected to have any consequences for KAS BANK.

Notes to the consolidated income statement

in thousands of euros

	2007	2006
1. Interest income		
Included in this item is income from lending and related transactions and other income in the nature of interest. Interest income not qualifying for set-off is included gross.		
This item comprises interest and similar income from:		
Available-for-sale investments	59,425	54,192
Reverse repurchase agreements	44,902	15,849
Loans and advances	214,235	148,615
	318,562	218,656
2. Interest expense	296,931	201,884
This item comprises the costs of borrowing and related transactions and other expense in the nature of interest. Interest expense not qualifying for set-off is included gross.		
3. Commission income	112,400	97,949
This item includes income from custody, settlement, securities lending, derivatives clearing services and added-value services.		
4. Commission expense	18,973	14,691
This item includes expenses relating to custody, settlement, securities lending and derivatives clearing services.		
Net commission by type of service:		
Custody and investment management services	32,753	30,380
Clearing and settlement	39,392	28,633
Securities borrowing & lending	15,511	16,110
Other commission	5,771	8,135
Total	93,427	83,258

Notes to the consolidated income statement

in thousands of euros

	2007	2006
5. TRADING/AFS INCOME		
Investments held-for-trading:		
Securities and derivatives	811	-310
Foreign-exchange trading results	15,276	14,245
	16,087	13,935
Available-for-sale investments:		
Securities	16,773	14,589
Other gains and losses on available-for-sale investments	-	34
	16,773	14,623

The AFS income in 2007 mainly represents gains arising from the merger of Euronext and New York Stock Exchange. The conversion of the investment in NYSE Euronext shares produced a profit of € 16.3 million. In 2006, AFS income of € 10.5 million was recognised in connection with the (partial) disposal of shares held in a number of stock exchanges.

6. OTHER INCOME	26,199	1,725
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This item includes non-recurring income indirectly generated by operations which cannot be classed under any other heading. Other income in 2007 includes the proceeds, amounting to € 24.7 million, from the transfer of the private banking activities. The amount of the proceeds is based on a contractually agreed percentage of the transfer value as at 30 September 2007, less directly attributable costs.

7. STAFF EXPENSES

Staff expenses comprise:		
Salaries	41,691	37,830
Pension costs	6,383	6,144
Costs of early retirement and disability schemes	339	342
Other social security charges	4,535	4,240
Other staff expenses	10,360	8,520
	63,308	57,076

Notes to the consolidated income statement

in thousands of euros

2007 2006

The salaries item includes € 0.3 million (2006: € 0.1 million) in respect of the cost of the option scheme. Also included is a non-recurring item of € 0.7 million, relating to charges connected with the transfer of the private banking activities. With the departure of one of the members of the Managing Board at the end of August 2008, an amount of € 0.7 million was recognised in respect of accrued obligations.

Other staff expenses include the cost of temporary staff and expenses arising from secondary terms of employment.

Pension costs

The expenses regarding the defined contribution plan are € 0.2 million (2006: € 0.2 million). The pension costs also include employee benefits amounting to € 1.0 million (2006: € 0.9 million) with regard to the life-course savings scheme.

The pension costs for UK employees are € 0.3 million (2006: € 0.3 million).

The pensionable age of the senior management was adjusted in accordance with the new legislation on early retirement, pre-pension and life-course savings schemes with effect from 1 January 2006 and the plan for the Managing Board and the entire first echelon was changed from a defined benefit plan into a defined contribution plan. The changes to these plans resulted in non-recurring income of € 0.9 million in 2006.

Number of employees

Average number

(incl. temporary staff)

	<i>Number of employees</i>		<i>Number of full-time equivalents</i>	
	2007	2006	2007	2006
Netherlands	812	767	768	723
Other countries	21	31	21	29
Total	833	798	789	752

8. OTHER ADMINISTRATIVE EXPENSES

Premises costs	3,214	5,258
IT costs	13,562	12,367
General overheads	12,995	9,367
	29,771	26,992

The reduction in the premises costs in 2007 was mainly due to the restructuring in the United Kingdom at the end of 2006 and the vacating of one of our buildings in the first half of 2007.

Notes to the consolidated income statement

in thousands of euros

8. Other administrative expenses (continued)

The considerable increase in the general overheads was the result of the increased level of activity, leading to higher charges for process-related losses. The costs of professional

9. DEPRECIATION EXPENSES

	2007	2006
Land and buildings in use by the company	490	490
Other property and equipment	4,326	5,591
Intangible assets	4,259	4,055
	9,075	10,136

10. IMPAIRMENT LOSSES

4,702 **-**

The vacating of a rented building resulted in writing off the capitalised costs of alterations to these premises, amounting to € 3.2 million. In the second half of 2007 an impairment loss of € 1.5 million is recognised in respect of an interest-bearing security in the AFS portfolio.

11. TAX EXPENSE

This item relates to the tax burden for the year on the profit for the year shown by the income statement. The calculation of the tax expense takes account of existing tax facilities, including tax-exempt profit components and non-deductible items. The effective tax rate amounts to 24.3% (2006: 26.3%). The current standard tax rate was 25.5% (2006: 29.6%).

Reconciliation with effective tax rate	2007 €	2007 %	2006 €	2006 %
Profit before tax expense	67,261		36,109	
Tax expense at current tax rate	17,152	25.5	10,689	29.6
Tax-exempt profit on available-for-sale investments	-1,047	-1.5	-1,124	-3.2
Deductible expenses in respect of the share-based payments	20	0.0	-49	-0.1
Other non-deductible items	-31	0.0	-16	0.0
Tax liability for current year	16,094	24.0	9,500	26.3
Adjustments due to prior-year assessments	231	0.3	-	-
Tax liability at effective tax rate	16,325	24.3	9,500	26.3

Notes to the consolidated income statement

in thousands of euros

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share at year-end is based on the profit attributable to holders of ordinary shares, amounting to € 50,936 (2006: € 26,609).

	2007	2006
Profit for the period attributable to equity holders of the bank	50,936	26,609
Issued share capital	15,699	15,699
Own shares held by the company	-753	-835
Weighted average number of ordinary shares	14,946	14,864
Exercise of stock options	127	89
Weighted average number of ordinary shares (diluted)	15,073	14,953
Basic earnings per share (in euros)	3.41	1.79
Diluted earnings per share (in euros)	3.38	1.78

Notes to the consolidated balance sheet

as at 31 December 2007

in thousands of euros

ASSETS	2007	2006
13. CASH AND DEPOSITS AT THE CENTRAL BANK	936,146	228,423
This item includes all amounts in legal tender and demand deposits with the central bank.		
14. BANKS		
This item comprises all receivables from credit institutions under official banking industry supervision and from central banks, other than funds included in cash and deposits at the central bank or available-for-sale investments.		
Due on demand from other credit institutions	1,619,135	350,017
Not due on demand from other credit institutions	404,072	592,083
	2,023,207	942,100
15. LOANS AND ADVANCES		
Included in this item are all amounts receivable, including receivables covered by securities, other than receivables from credit institutions and items in the form of bonds and other fixed-income securities. Lending mainly concerns loans and advances to professional clients in the Netherlands and the United Kingdom. This item does not include any provisions for doubtful debtors of material significance.		
Loans	81,553	109,569
Advances	2,262,676	2,553,726
Mortgage loans	9,047	23,923
	2,353,276	2,687,218
16. REVERSE REPURCHASE AGREEMENTS	1,402,608	914,219
Utilisation of reverse repurchase agreements as collateral was as follows:		
Securities and derivatives clearing	139,691	82,341
Securities lending	97,850	120,450
	237,541	202,791

Notes to the consolidated balance sheet

as at 31 December 2007

in thousands of euros

	2007	2006
17. DERIVATIVE FINANCIAL INSTRUMENTS		
Derivatives are used both to hedge balance sheet positions and for trading purposes.		
Assets	169,273	93,888
Liabilities	-152,326	-102,571
	16,947	-8,683

The open positions on the balance sheet date are shown in the table below, which shows the notional amounts and corresponding fair values of the underlying assets and liabilities.

	As at 31 December 2007			As at 31 December 2006		
	<i>Notional amount</i>	<i>Fair value Assets</i>	<i>Fair value Liabilities</i>	<i>Notional amount</i>	<i>Fair value Assets</i>	<i>Fair value Liabilities</i>
Derivatives trading portfolio						
Foreign-exchange contracts						
• Forward contracts	1,315,821	6,857	30,591	1,216,900	4,302	7,646
• Swaps	12,091,579	158,044	118,132	9,703,394	89,392	93,279
Total foreign-exchange contracts	13,407,400	164,901	148,723	10,920,294	93,694	100,925
Interest-rate contracts						
• Swaps	140,000	2,019	1,822	127,593	33	204
• Forward rate agreements	-	-	-	220,000	105	184
• Swaptions	825,586	1,596	1,603	272,500	56	67
• Options	-	-	-	30,000	-	983
Total interest-rate contracts	965,586	3,615	3,425	650,093	194	1,438
Share contracts						
• Options	12,187	72	178	-	-	-
Total share contracts	12,187	72	178	-	-	-
Derivatives used for hedging						
Interest-rate contracts						
• Swaps	15,000	685	-	14,538	-	208
Total interest-rate contracts	15,000	685	-	14,538	-	208
Total derivatives	14,400,173	169,273	152,326	11,584,925	93,888	102,571

Notes to the consolidated balance sheet

as at 31 December 2007

in thousands of euros

	2007	2006
18. INVESTMENTS HELD-FOR-TRADING		
This item relates exclusively to quoted shares.		
Movements in investments held-for-trading were as follows:		
Carrying amount as at 1 January	-	1,401
Purchases	-	9,098
Sales	-	-10,766
Profit/loss	-	267
Carrying amount as at 31 December	-	-
19. AVAILABLE-FOR-SALE INVESTMENTS		
This item includes bonds issued by public authorities and others at fixed or variable interest, other fixed-income securities and shares. The unlisted shares relate mainly to strategic interests in securities and clearing organisations for which no reliable financial information is available that can be used to calculate the fair value at year-end.		
This item is analysed as follows:		
Money market paper	425,027	547,336
Bonds		
• Listed	878,190	837,912
• Unlisted	23,686	39,414
Shares		
• Listed	37,242	33,332
• Unlisted	5,179	5,177
Total available-for-sale investments	1,369,324	1,463,171
Securities lodged as collateral were employed as follows:		
Securities lending	650,521	657,702

Notes to the consolidated balance sheet

as at 31 December 2007

in thousands of euros

Movements in available-for-sale investments were as follows:

	2007				2006			
	<i>Money market paper</i>	<i>Bonds</i>	<i>Shares</i>	<i>Total</i>	<i>Money market paper</i>	<i>Bonds</i>	<i>Shares</i>	<i>Total</i>
Carrying amount as at 1 January	547,336	877,326	38,509	1,463,171	548,787	863,842	35,123	1,447,752
Purchases	2,777,375	718,056	14,673	3,510,104	3,879,972	372,619	808	4,253,399
Sales	-	-35,067	-18,670	-53,737	-	-199,032	-14,875	-213,907
Movements in fair value	23,554	-25,683	7,909	5,780	22,339	-25,599	17,453	14,193
Redemptions	-2,923,238	-632,756	-	-3,555,994	-3,903,762	-134,504	-	-4,038,266
Carrying amount as at 31 December	425,027	901,876	42,421	1,369,324	547,336	877,326	38,509	1,463,171

20. PROPERTY AND EQUIPMENT

The Spuistraat and Nieuwezijds Voorburgwal premises were reappraised as at year-end 2007 by a qualified independent appraiser. The fair value of the premises represents the replacement value arrived at by the appraiser, taking account of technical and economic obsolescence. In calculating the fair value, the specific features of KAS BANK have been ignored. The remaining useful life of the buildings has been put at 30 years by the appraiser. Installations not integral to the buildings have been disregarded for the purposes of valuation. The value of the land has been based on the gross floor area related to the area of the site, applying market prices.

Notes to the consolidated balance sheet

as at 31 December 2007

in thousands of euros

20. Property and equipment (continued)

Movements in this balance sheet item were as follows:

Land and buildings in use by the company

	2007	2006
Carrying amount as at 1 January	32,418	32,908
Depreciation for year	-490	-490
Revaluations	9,599	-
Carrying amount as at 31 December	41,527	32,418

Other equipment	<i>Technical</i>				
	<i>Hardware</i>	<i>Furniture</i>	<i>installations</i>		
Cost	5,314	2,304	19,963	27,580	25,866
Accumulated depreciation	-3,391	-1,622	-8,086	-13,099	-7,508
Carrying amount as at 1 January	1,923	682	11,877	14,481	18,358
Investments	2,090	423	446	2,959	1,715
Depreciation for year	-2,082	-443	-1,802	-4,326	-5,591
Impairment losses	-	-	-3,202	-3,202	-
Carrying amount as at 31 December	1,931	662	7,319	9,912	14,482
Total property and equipment				51,439	46,900

The carrying amount of the buildings, calculated using the cost method, is € 17.2 million (2006: € 17.6 million). The vacating of a rented building resulted in the entire amount of the related capitalised costs of alterations, totalling € 3.2 million, being writing off.

Finance leases

KAS BANK leases part of the hardware under a number of finance lease contracts. KAS BANK has the option of purchasing the hardware upon expiry of the lease contract at a predetermined price. The carrying amount of the leased hardware as at year-end 2007 was € 0.1 million (2006: € 0.2 million).

The remaining terms of the lease agreements are as follows:

Up to one year	64	248
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Notes to the consolidated balance sheet

as at 31 December 2007

in thousands of euros

21. INTANGIBLE ASSETS

This item includes software developed in-house and software purchased from third parties.

Movements in this balance sheet item were as follows:

	Purchased software	In-house software	2007	2006
Cost	10,918	3,161	14,079	8,535
Accumulated depreciation	-4,777	-945	-5,722	-1,667
Carrying amount as at 1 January	6,141	2,216	8,357	6,868
Investments	1,571	1,075	2,646	5,544
Depreciation for year	-3,182	-1,077	-4,259	-4,055
Carrying amount as at 31 December	4,530	2,214	6,744	8,357

22. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets are recognised in the balance sheet if it is probable that they will be set off against future profits.

The deferred tax assets and liabilities can be analysed as follows:

Deferred tax assets

Pension obligations	1,474	5,507
Available-for-sale investments	5,508	3,676
Difference in valuation of other equipment for tax and reporting purposes	1,579	-
Others	175	630
Carrying amount as at 31 December	8,736	9,813

Deferred tax liabilities

Available-for-sale investments	5,688	7,018
Difference in valuation of land and buildings in use by the company for tax and reporting purposes	6,194	3,778
Others	564	392
Carrying amount as at 31 December	12,446	11,188

Notes to the consolidated balance sheet

as at 31 December 2007

in thousands of euros

	2007	2006
23. CURRENT TAX ASSETS AND LIABILITIES		
Current tax liabilities	2,507	2,442
Current tax assets	9,805	2,413
Net tax liabilities/assets	-7,298	29
Carrying amount as at 1 January	29	-775
Settled with tax authority	-22,137	-8,583
Tax payable for year	16,325	9,500
Adjustments due to prior-year assessments	231	-
Movements in deferred tax assets and liabilities	-1,746	-113
Carrying amount as at 31 December	-7,298	29
24. OTHER ASSETS	27,521	36,316
This relates to assets which cannot be classed under any other balance sheet heading.		
25. PREPAYMENTS AND ACCRUED INCOME	13,716	15,666
This item includes prepaid expenses which relate to a subsequent period or periods, sums invoiced but not yet received and accrued interest.		

Notes to the consolidated balance sheet

as at 31 December 2007

in thousands of euros

EQUITY AND LIABILITIES

2007

2006

26. BANKS

This item comprises non-subordinated liabilities to credit institutions other than amounts in the form of debt securities.

Due on demand by other credit institutions	1,853,156	441,751
Not due on demand by other credit institutions	128,302	261,508
	1,981,458	703,259

27. FUNDS ENTRUSTED

This item comprises all non-subordinated liabilities other than amounts owed to credit institutions and amounts in the form of debt securities.

Savings	15,336	54,750
Time deposits	1,561,950	1,393,779
Other funds entrusted	4,285,654	3,852,538
	5,862,940	5,301,067

28. OTHER LIABILITIES

54,540

34,180

These are liabilities which cannot be classed with any of the other balance sheet items, including amounts received for account of clients which have not yet been processed.

Other liabilities include KAS BANK cumulative preference shares. Of the 12,500,000 preference shares of € 1.00 nominal value, 25 have been issued and are registered in the name of Stichting Preferente Aandelen KAS BANK. A right has been granted to Stichting Preferente Aandelen KAS BANK to subscribe for cumulative preference shares in the capital of the company up to a nominal amount corresponding to 50% of the nominal value of the capital in the form of ordinary shares in issue at the time of subscription for those shares.

Other liabilities also include a provision for legal expenses of € 1.0 million (2006: € 1.5 million), the amount of which has been determined partly on the basis of legal advice. The Managing Board expects the legal proceedings concerned to be completed within one year.

29. ACCRUALS AND DEFERRED INCOME

32,160

23,514

This item includes amounts received in advance in respect of income attributable to a subsequent period or periods and payables such as accrued interest.

Notes to the consolidated balance sheet

as at 31 December 2007

in thousands of euros

30. EMPLOYEE BENEFITS

The employee benefits include retirement benefit and disability benefit obligations.

This item is analysed as follows:

	2007	2006
Retirement benefit obligations	5,780	21,595
Other long-term employee benefits	1,357	1,610
	<u>7,137</u>	<u>23,205</u>

Retirement benefit obligations

KAS BANK operates a defined contribution plan for members of the Managing Board and the managing director, with a defined benefit plan applying to other employees.

The Dutch defined benefit plan, under which the pensionable age is 65, is a part final-pay and part average-pay plan. The final-pay conditions apply up to a salary of € 44,700, beyond which the average-pay system takes over. The accrual rates are 1.8% and 2%, respectively. Contributions are paid by the employee as long as the contribution rate is 10% or below. If it exceeds this percentage, half of the excess is paid by the company and half by employee, up to a maximum of 5%. If the contribution rate exceeds 20%, all of the excess over 20% is paid by the company. As from 1 July 2006, a transitional arrangement will apply whereby the employee's contribution increases by one percentage point each year on 1 July, up to the maximum of 5%.

The UK pension plan, under which the pensionable age is 60, is predominantly a defined benefit plan. If the contributions under the plan do not reach a minimum level, they are supplemented by the company.

The obligation recognised under this heading is the obligation with respect to the Dutch pension plan and has been calculated using the projected unit credit method (PUCM), based on an actuarial computation performed by the actuary as at 31 December 2007. The actuarial losses are largely the result of the change in the discount rate to 5.3% (2006: 4.6%).

The actuarial computation for the UK retirement benefit plan did not result in an obligation and no obligation has therefore been recognised in the balance sheet. The contributions paid to the reinsurer are accounted for in the income statement.

The pension obligation is analysed as follows:

Present value of benefit obligation	146,129	157,047
Fair value of plan assets	-140,349	-135,452
	<u>5,780</u>	<u>21,595</u>

Notes to the consolidated balance sheet

as at 31 December 2007

in thousands of euros

	2007	2006
Movements in the present value of the benefit obligation were as follows:		
Balance as at 1 January	157,047	158,823
Current service cost	5,137	5,967
Interest cost on obligation	7,126	6,581
Benefits paid	-4,977	-4,681
Employee contributions	509	199
Past service cost	-	-932
Net actuarial gains and losses	-18,713	-8,910
Balance as at 31 December	146,129	157,047
Movements in the fair value of plan assets were as follows:		
Balance as at 1 January	135,452	128,136
Expected return on plan assets	7,524	6,798
Employer contributions	6,750	7,790
Employee contributions	509	199
Benefits paid	-4,977	-4,681
Net actuarial gains and losses	-4,909	-2,790
Balance as at 31 December	140,349	135,452
Pension costs comprise:		
Current service cost	5,137	5,967
Interest cost on obligation	7,126	6,581
Expected return on plan assets	-7,524	-6,798
Past service cost	-	-932
	4,739	4,818

With effect from 1 January 2006 the pensionable age of the senior management has been adjusted in accordance with the new legislation on early retirement, pre-pension and life-course savings schemes and the plan for the Managing Board and the managing director has been changed from a defined benefit plan into a defined contribution plan. The changes to these plans have resulted in non-recurring income totalling € 0.9 million.

Notes to the consolidated balance sheet

as at 31 December 2007

in thousands of euros

2007 2006

30. Employee benefits (continued)

Net actuarial gains and losses, amounting to € 13.8 million in 2007 (2006: € 6.1 million), have been accounted for in equity.

The plan assets comprise:

	2007		2006	
	€	%	€	%
Shares	49,450	35	36,667	27
Bonds	82,492	59	93,003	69
Cash	8,407	6	5,782	4
	140,349	100	135,452	100

The return on plan assets in 2007 amounted to € 2.6 million (2006: € 4.0 million). The expected return on plan assets is calculated by expressing the nominal interest on the bonds in the portfolio as a percentage of the market value of the portfolio (including accrued interest). To reflect the higher risk, the return on shares is assumed to be 4 percentage points higher than the bond return. The expected return is then weighted to reflect the ratio of shares to bonds.

Historical information

	2007	2006	2005	2004	2003
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The principal actuarial assumptions employed are:

Discount rate	5.30%	4.60%	4.20%	4.75%	5.00%
Return on plan assets	5.50%	5.50%	5.25%	5.25%	5.25%
Pay increases ¹	2.00%	3.00%	2.50%	2.75%	2.75%

¹ excluding promotion-related increases

Pension obligation

Present value of benefit obligations	-146,129	-157,047	-158,823	-141,120	-128,950
Fair value of plan assets	140,349	135,452	128,136	115,074	109,395
Deficit	-5,780	-21,595	-30,687	-26,046	-19,555

Notes to the consolidated balance sheet

as at 31 December 2007

in thousands of euros

					2007	2006
Experience adjustments	2007	2006	2005	2004		
Benefit obligation						
Adjustment of career table	-5,081	-2,499	3,061	-		
Adjustment of life table	-	-5,202	-	-		
Adjustment of the discount rate	21,619	12,591	-17,003	-5,935		
Adjustment of disability rates	-	-	1,827	-		
Adjustment of turnover table	-	2,032	-	-		
Other adjustments	2,175	1,988	2,461	-		
Actuarial gains/losses on benefit obligation	18,713	8,910	-9,654	-5,935		
Plan assets						
Return on plan assets	2,615	4,008	11,359	6,307		
Expected return on plan assets	7,524	6,798	6,074	5,720		
Actuarial gains/losses on plan assets	-4,909	-2,790	5,285	587		
Actuarial gains/losses recognised directly in equity	13,804	6,120	-4,369	-5,348		

KAS BANK expects to pay € 4.3 million (in 2007: € 6.8 million) in contributions to defined benefit plans in 2008.

Other long-term employee benefits

Other long-term employee benefits represent the liabilities in respect of service anniversary bonuses and disability benefits. The applied estimates are in line with the parameters used in determining the pension obligations.

31. SUBORDINATED LIABILITIES

11,344 **29,496**

The privately placed loan, falling due in 2008, is subordinated to all other liabilities. The weighted average interest rate is 5.73% (2006: 5.95%). Interest of € 1.4 million (2006: € 1.8 million) was charged to subordinated liabilities.

Subordinated liabilities include the following loans:

Term	2007	2006
August 1997 – August 2007	-	9,076
October 1997 – October 2007	-	4,538
October 1998 – October 2007	-	4,538
May 1998 – May 2008	11,344	11,344

The above loans are denominated in euros and cannot be repaid early.

The subordination conditions satisfy the requirements of the Financial Supervision Act.

Notes to the consolidated balance sheet

as at 31 December 2007

in thousands of euros

32. SHARE CAPITAL

	2007	2006
Ordinary shares of € 1.00 nominal value	Number 2007	Number 2006
Shares	25,000,000	25,000,000
Shares in portfolio	9,300,983	9,300,983
Issued share capital	15,699,017	15,699,017

The authorised capital is € 25 million. Of the shares in issue, 14,722,686 (2006: 13,722,463) shares are registered in the name of Stichting Administratiekantoor Aandelen KAS BANK, which has issued bearer depositary receipts for them, likewise in denominations of € 1.00. Most of the remaining 976,331 (2006: 1,976,554) ordinary shares are held by Admitted Institutions of NYSE Euronext Amsterdam N.V.

Capital management

It is the Managing Board's policy to maintain a strong capital base in order to meet the bank's existing and future capital requirements and to satisfy the external capital adequacy standards at all times. The Managing Board monitors capital adequacy on the basis of the BIS capital ratio, which is calculated by comparing the risk-weighted assets and off-balance-sheet items with actual own funds. Own funds comprise core capital (Tier 1 capital) plus supplementary capital (Tier 2 capital). The ratio is reported to the Managing Board and De Nederlandsche Bank N.V., as regulator, each month. KAS BANK is required to maintain a BIS capital ratio of at least 8%.

BIS ratio	2007	2006
Average	16	17
At year-end	19	18

The capital composition band widths are set out in the Balance Sheet Management Guidelines and approved by both the Managing Board and the Supervisory Board. Movements in both the capital and the risk weighted balance sheet items are addressed on a monthly basis by the Asset & Liability Management group. The Risk Manager reports on a half yearly basis to the Treasury Risk Management Committee, the Risk Management Committee and the Supervisory Risk Management Committee regarding compliance with the Balance Sheet Management Guidelines.

At the same time, constant attention is given to balancing the benefits of a strong capital base with the higher yield potential inherent in a narrower capital base. The Board aims to achieve an average return on equity of 5-8% above the 10-year government bond yield. The average return for 2007 was 23.7% (2006: 13.2%).

The Managing Board aims to distribute by way of dividend to ordinary shareholders between 60% and 80% of the profits attributable to the ordinary shareholders.

Notes to the consolidated balance sheet

as at 31 December 2007

in thousands of euros

33. TREASURY SHARES

Each year, KAS BANK grants stock options to its employees. The number of options granted depends on the individual's job grade. Each option confers the right to one depositary receipt for a share of € 1.00 nominal value. The granted option schemes prior to 31 December 2005 are unconditional and are valid for five years. The tranches with effect from 2006 are subject to a vesting period of three years. The rights lapse on leaving the company's service, except on early or normal retirement. The members of the Managing Board and several key officers have the right to extend by two years the expiry dates of one third of the options granted in respect of 2002 and subsequent years. With regard to the tranches for 2006 and subsequent years, the entire first echelon also has this right. It is KAS BANK policy to cover the obligations arising from the grant of these options by repurchasing shares. As at 31 December 2007, 662,642 (2006: 769,329) options were outstanding. In addition, certain shares and options have been granted to members of the Managing Board conditionally. Up to and including 2006, there were no market-based criteria attaching to the share plan. At the end of 2007, 6,936 (2006: 3,621) shares have been conditionally granted. As from 2007, the members of the Managing Board receive long-term remuneration in the form of shares and options. As a result of the current assessment the members of the Board are awarded 7,867 shares (2006: none) and 107,202 options (2006: none).

To cover the related obligations, shares were purchased at an average price of € 20.17 (2006: € 17.28) (FIFO method). The cost of the repurchased shares has been charged to other reserves. The nominal value of the repurchased shares totalled € 727,448 (2006: € 801,350).

Movements in the numbers of shares repurchased to cover the options granted and shortly to be granted, together with the associated average purchase prices, were as follows:

	Number 2007	Number 2006
Opening balance at € 17.28 (2006: € 16.44)	801,350	959,005
Purchased at € 22.90 (2006: € 20.94)	246,219	251,426
Sold at € 15.02 (2006: € 17.57)	-320,121	-409,081
Closing balance at € 20.17 (2006: € 17.28)	727,448	801,350

34. SHARE PREMIUM

Of the share premium, which consists of amounts paid by shareholders in excess of nominal value, € 19.6 million (2006: € 19.6 million) may be distributed free of tax.

2007	2006
-14,675	-13,844

21,569	21,569
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Notes to the consolidated balance sheet

as at 31 December 2007

in thousands of euros

	2007	2006
35. REVALUATION RESERVE		
The revaluation reserve is analysed as follows:		
Revaluation reserve for land and buildings in use by the company	18,096	11,037
Revaluation reserve for available-for-sale investments	794	12,926
Balance as at 31 December	18,890	23,963

Revaluation reserve for land and buildings in use by the company

This reserve comprises the accumulated net movements in the fair value of properties owned by KAS BANK.

Movements in this item were as follows:

Balance as at 1 January	11,037	13,367
Revaluation for land and buildings in use by the company	9,599	-
Transferred to current tax assets	-32	-45
Transferred to other reserves	-92	-116
Transferred to deferred tax liabilities	-2,416	-2,169
Balance as at 31 December	18,096	11,037

Revaluation reserve for available-for-sale investments

This reserve comprises the accumulated net movements in the fair values of available-for-sale investments.

Movements in this item were as follows:

Balance as at 1 January	12,926	17,005
Revaluation reserve for available-for-sale investments	-15,294	-4,908
Transferred to deferred tax assets and liabilities	3,162	829
Balance as at 31 December	794	12,926

36. OTHER RESERVES

Movements in this item were as follows:

Balance as at 1 January	150,630	143,648
Profit appropriation for previous year	4,630	3,681
Result on the sale of own shares repurchased	2,846	532
Share-based payments	333	149
Defined benefit plan actuarial gains/losses	13,804	4,559
Adjustment to net deferred tax assets and liabilities	-2,753	-2,016
Transferred from revaluation reserve	92	116
Other movements	-	-39
Balance as at 31 December	169,582	150,630

Notes to the consolidated balance sheet

as at 31 December 2007

in thousands of euros

37. UNAPPROPRIATED PROFIT

Profit for the period attributable to equity holders of the bank

Interim dividend

Balance as at 31 December

	2007	2006
	50,936	26,609
	-7,064	-7,064
	43,872	19,545

The Supervisory Board will recommend to the General Meeting of Shareholders to be held on 23 April 2008 that KAS BANK declare a dividend of € 2.60 per share (2006: € 1.40). If this resolution is passed, the final dividend will be € 2.15 (2006: € 0.95), an interim dividend of € 0.45 already having been paid in 2007 (2006: € 0.45).

Notes on off-balance-sheet commitments and contingent liabilities

in thousands of euros

38. CONTINGENT LIABILITIES

This includes all transactions in which the bank has guaranteed the liabilities of third parties. Guarantees have been given on behalf of clients in relation to the bank's direct connections to foreign stock exchanges. In addition to the guarantees shown beneath the balance sheet, unquantified guarantees have been furnished to Equence Nederland B.V., NYSE Euronext Paris S.A., NYSE Euronext Brussels S.A./N.V., NYSE Euronext Lisbon S.A. and NYSE Euronext Amsterdam N.V. Our institution is also subject to the new deposit guarantee system.

2007	2006
140,908	118,992

39. OPERATING LEASE COMMITMENTS AND LONG-TERM RENTAL CONTRACTS

KAS BANK leases a property in Amsterdam and office space in London. KAS BANK has a pre-emptive right to purchase the Amsterdam property and has the option of extending the lease until 31 December 2064. Cars and office equipment are also leased.

The commitments fall due as follows:

Up to one year	2,681	2,099
Between one and five years	3,424	2,965
After more than five years	260	416
	6,365	5,480

40. GENERAL

General

By virtue of its use of financial instruments, KAS BANK is exposed to the following risks:

- Market risk
- Liquidity risk
- Credit risk
- Operational risk

This part of the notes contains information on KAS BANK's exposure to each of the above risks, KAS BANK's objectives, basic approaches and procedures for controlling and measuring these risks and KAS BANK's capital management operations. Also included in these consolidated financial statements are more detailed quantified notes.

Policy

One of KAS BANK's critical success factors is the effort which is put into ensuring a low risk profile. The object of risk profile policy is to identify and analyse the risks faced by KAS BANK, to decide on appropriate risk limits and controls and to monitor the level of risk and compliance with the established limits. The low risk profile is also helped by the focus on selected client groups, on the specialised services provided and, of course, on compliance with statutory and other rules and regulations. Both risk management policy and the control systems are regularly evaluated and updated as necessary in the light of changes in market conditions and KAS BANK's activities. By means of training, coupled with effective control standards and procedures, KAS BANK is constantly working to raise risk awareness among the bank's staff.

Structure

The Managing Board bears ultimate responsibility for the design and supervision of KAS BANK's risk management framework. To this end, the Managing Board has instituted a Risk Management Committee tasked with developing and monitoring KAS BANK's risk management policy. The KAS BANK Risk Management Committee is made up of members of the Managing Board and the bank's Risk Manager. The Risk Manager has special responsibility for risk analysis, policy preparation and coordination of efforts to control the bank's risks, with a remit which generally extends across the entire bank. The Risk Manager reports directly to the Risk Management Committee. The Managing Board is assisted in its duties by the Internal Audit Department. The Internal Audit Department conducts regular and incidental audits of risk management controls and procedures, reporting its findings to the Managing Board/Risk Management Committee. The Risk Management Committee has delegated the control of specific risks to a number of subcommittees, viz. the Treasury Risk Management Committee (risk management), the Asset & Liability Management Committee (balance sheet management) and the Security Steering Group (ICT and physical security). Controlling risks is a line management responsibility and the involvement of senior management in this is a fundamental aspect of the organisation.

40. General (continued)

At Supervisory Board level, the Audit Committee and the Risk Management Supervision Committee monitor compliance with the KAS BANK risk management policy and procedures on the part of the Managing Board. The Risk Management Supervision Committee is concerned with aspects of internal risk management and control systems within KAS BANK from the point of view of banking operations. This includes credit risks, liquidity risks, market risks and operational risks. The Audit Committee is concerned with aspects of internal risk management and control systems within the bank from an accounting point of view.

41. MARKET RISK

Market risk concerns the risk that the fair value of future cash flows from a financial instrument will fluctuate as a result of changes in market prices.

Controlling the market risk

The Risk Management Committee has adopted guidelines and set limits with regard to market risks. The Asset & Liability Management Committee, whose members include the Head of Treasury, the Controller and the Risk Manager, and the Treasury Risk Management Committee, whose members include the Head of Treasury, the Head of Back Office Treasury and the Risk Manager, monitor compliance with market risk policy and procedures. KAS BANK pursues a prudent policy as regards exposure to market risks, including interest rate risk, currency risk and other price risks. Treasury is responsible for managing the treasury position in terms of cash and securities within the guidelines and limits established by the Risk Management Committee. The Asset & Liability Management Committee is responsible for assessing and signing off AFS portfolio buying and selling proposals.

In evaluating the risks associated with the Trading portfolio, the AFS portfolio and the Derivatives portfolio, KAS BANK uses the value-at-risk (VaR) model. The VaR is defined as the maximum possible loss that is likely to occur with a certain statistical level of confidence in normal circumstances as a result of changing risk factors over a predetermined time horizon. KAS BANK uses the historical simulation method for its VaR calculations, based on weighted historical data over a period of approximately 18 months (adjusted in order to deal with the ageing effect of the past data), a confidence level of 97.5% and a time horizon of one week. The Risk Management Committee has set a VaR limit of € 5 million. The Risk Manager reports the VaR for the three portfolios to the Asset & Liability Management Committee and the Treasury Risk Management Committee on a weekly basis.

Other market risk management controls which have been put in place concern limits for proprietary overnight positions in foreign currencies. The Risk Manager reports to the Treasury Risk Management Committee concerning the actual foreign currency proprietary overnight positions relative to the Risk Management Committee limits on a monthly basis.

Risk control

The basis for interest rate risk control is contained in the balance sheet management guidelines and is approved by the Risk Management Committee. The Risk Manager reports twice a year to the Treasury Risk Management Committee, the Risk Management Committee and the Risk Management Supervision Committee regarding compliance with the balance sheet management guidelines. With effect from 2008, an interest rate risk model developed in-house will be used for monitoring the interest rate risk. The model is capable of performing scenario analyses, stress testing scenarios and Monte Carlo simulations.

Market risk exposure

The following table shows the internally reported VaR figures for 2007 and 2006 in millions of euros.

	Year-end	High	Low	Average
2007	4.1	4.5	1.3	2.5
2006	1.4	3.0	1.4	2.2

Currency risk

The currency risk concerns the risk that the fair value of future cash flows from a financial instrument will fluctuate as a result of changes in exchange rates. The bank's foreign-exchange exposure as at 31 December was as follows (in thousands of euros).

	31 December 2007					31 December 2006				
	Assets	Liabilities	Net Derivatives		Open (abs.)	Assets	Liabilities	Net Derivatives		Open (abs.)
USD	211,269	377,944	-166,675	170,964	4,289	198,219	342,627	-144,408	148,417	4,009
JPY	68,027	92,496	-24,469	23,020	-1,449	54,178	32,267	21,911	-23,746	-1,835
GBP	381,630	415,910	-34,280	40,117	5,837	173,393	326,943	-153,550	158,229	4,679
AUD	13,820	19,387	-5,567	6,963	1,396	-	-	-	-	-
Other	452,498	391,688	60,810	-56,355	4,455	105,367	139,174	-33,807	38,564	4,757
Total	1,127,244	1,297,425	-170,181	184,709		531,157	841,011	-309,854	321,464	

A large proportion of the forward exchange transactions outstanding related to balance sheet foreign-exchange position hedging operations. The other forward foreign exchange transactions relate to trading positions.

The effect of any strengthening of a particular currency at the 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 position. Conversely any weakening of the currency would have the opposite effect.

Interest rate risk

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

The interest rate risk present in ordinary banking operations is small, owing to the fact that interest rate terms are essentially variable. The main interest rate risks are attached to the AFS portfolio. These risks are monitored using VaR calculations.

The table below analyses the interest rate risk on balance sheet positions and interest-bearing financial instruments, including interest rate derivatives, on the contractual interest due date.

31 December 2007	variable	≤ 3 months	≤ 1 year	≤ 5 years	> 5 years	Total
Assets						
Cash and deposits at the central bank	936,146	-	-	-	-	936,146
Banks	1,927,704	95,503	-	-	-	2,023,207
Loans and advances	2,328,306	13,680	1,442	801	9,047	2,353,276
Reverse repurchase agreements	-	1,402,608	-	-	-	1,402,608
Available-for-sale investments	-	746,081	214,060	161,753	196,513	1,318,407
	5,192,156	2,257,872	215,502	162,554	205,560	8,033,644
Liabilities						
Banks	1,952,113	29,345	-	-	-	1,981,458
Funds entrusted	4,790,014	1,055,410	17,516	-	-	5,862,940
Subordinated liabilities	-	-	11,344	-	-	11,344
	6,742,127	1,084,755	28,860	-	-	7,855,742
Derivatives						
Swaps	-	15,000	-	-	-15,000	-
Forward rate agreements	-	-	-	-	-	-
Options	-	1,417	9,600	1,170	-	12,187
Swaptions	-	-	-189	-	189	-
Foreign exchange contracts	-	17,012	-772	-12	-	16,228
	-	33,429	8,639	1,158	-14,811	28,415
Interest rate exposure	-1,549,971	1,206,546	195,281	163,712	190,749	206,317

An increase of 1 basis point in the market interest rate with effect from the balance sheet date applying to all maturity bands would equate to a decrease of € 42,000 (2006: € 43,000) in net interest and € 144,000 (2006: € 127,000) in the revaluation reserve. This assumes that all financial instruments carried on the balance sheet as at 31 December 2007 are held until maturity and, if they mature within one year, are replaced by identical financial instruments.

31 December 2006	variabel	≤ 3 months	≤ 1 year	≤ 5 years	> 5 years	Total
Assets						
Cash and deposits at the central bank	228,423	-	-	-	-	228,423
Banks	825,615	89,252	27,233	-	-	942,100
Loans and advances	2,661,353	1,594	2,766	5,482	16,023	2,687,218
Reverse repurchase agreements	-	914,219	-	-	-	914,219
Available-for-sale investments	-	314,781	779,255	150,474	161,745	1,406,255
	3,715,391	1,319,846	809,254	155,956	177,768	6,178,215
Liabilities						
Banks	641,201	62,058	-	-	-	703,259
Funds entrusted	4,487,149	785,313	28,605	-	-	5,301,067
Subordinated liabilities	-	-	18,151	11,345	-	29,496
	5,128,350	847,371	46,756	11,345	-	6,033,822
Derivatives						
Swaps	100,000	-85,462	-4,538	-5,000	-5,000	-
Forward rate agreements	-	120,000	-	-120,000	-	-
Options	-	10,000	-	-	-	10,000
Swaptions	-	-	-	2	-2	-
Foreign exchange contracts	-	-6,749	-97	126	-	-6,720
	100,000	37,789	-4,635	-124,872	-5,002	3,280
Interest rate exposure	-1,312,959	510,264	757,863	19,739	172,766	147,673

41. Market risk (continued)

KAS BANK's fair value hedges comprise interest rate swaps used to hedge the interest rate risk on part of the AFS portfolio. Of the hedged positions, € 10.0 million (2006: € 9.5 million) relates to bonds with a fixed redemption date and € 5.0 million (2006: € 5.0 million) to a perpetual bond with a fixed coupon until the interest review date. After those dates, these bonds are at a floating rate and the issuing institution has the option of redeeming them. The hedges take the form of interest rate swaps and relate to the interest rate risk incurred during the fixed-interest period.

Result on fair value hedges	2007
Result on derivatives used in the fair value hedge	-661
Result on the hedged part of the AFS portfolio	888
	227

The difference between both results is the unhedged credit risk of the appointed positions.

42. LIQUIDITY RISK

The liquidity risk concerns the risk that the bank will be unable to meet its financial obligations on time. The basic approach to managing the liquidity risk is to ensure that adequate liquidities are available to meet the financial obligations in both normal and difficult circumstances.

Controlling the liquidity risk

The operating systems and departments notify Treasury on a daily basis concerning inward and outward flows of funds, financial assets and liabilities shortly falling due and requirements for collateral lodged with central banks and clearing institutions to facilitate settlement and payment processes on behalf of clients. Using this information, Treasury keeps a day-to-day watch on the bank's liquidity position and ensures that sufficient collateral is on deposit.

The Asset & Liability Management Committee oversees compliance with the liquidity policy and procedures. The fundamental aspects of the liquidity policy is laid down in the balance sheet management guidelines and approved by the Risk Management Committee. The Risk Manager reports twice a year to the Treasury Risk Management Committee, the Risk Management Committee and the Risk Management Supervision Committee concerning compliance with the balance sheet management guidelines. Liquidity position reporting to the Nederlandsche Bank is on a monthly basis.

Liquidity risk exposure

The following maturity calendar as at 31 December shows that, given the highly liquid nature of the balance sheet, the liquidity risk is low. The composition of the balance sheet means that KAS BANK is experiencing very little difficulty in raising funds in the current credit and liquidity crisis.

Risk control

in thousands of euros

The maturity calendar presents the non-discounted cash flows from KAS BANK's financial assets, liabilities and derivatives as at the contractual due dates.

Maturity calendar as at 31 December 2007

	Direct	≤ 3 months	≤ 1 year	≤ 5 years	> 5 years	Total
Assets						
Cash and deposits at the central bank	936,146	-	-	-	-	936,146
Banks	1,927,704	95,503	-	-	-	2,023,207
Loans and advances	2,328,306	13,680	1,442	801	9,047	2,353,276
Reverse repurchase agreements	-	1,402,608	-	-	-	1,402,608
Available-for-sale investments	-	703,050	209,160	182,853	223,344	1,318,407
	5,192,156	2,214,841	210,602	183,654	232,391	8,033,644
Liabilities						
Banks	1,952,113	29,345	-	-	-	1,981,458
Funds entrusted	4,790,014	1,055,410	17,516	-	-	5,862,940
Subordinated liabilities	-	-	11,344	-	-	11,344
	6,742,127	1,084,755	28,860	-	-	7,855,742
Derivatives						
Foreign exchange contracts	-	13,085,183	290,628	31,589	-	13,407,400
Interest rate contracts	-	13,586	822,000	-	145,000	980,586
Share contracts	-	1,417	9,600	1,170	-	12,187

42. Liquidity risk (continued)

Maturity calendar as at 31 December 2006

	Direct	<= 3 months	<= 1 year	<= 5 years	> 5 years	Total
Assets						
Cash and deposits at the central bank	228,423	-	-	-	-	228,423
Banks	825,615	89,252	27,233	-	-	942,100
Loans and advances	2,661,353	1,227	-	715	23,923	2,687,218
Reverse repurchase agreements	-	914,219	-	-	-	914,219
Available-for-sale investments	-	270,810	777,855	168,974	188,616	1,406,255
	3,715,391	1,275,508	805,088	169,689	212,539	6,178,215
Liabilities						
Banks	641,201	62,058	-	-	-	703,259
Funds entrusted	4,487,149	785,313	28,605	-	-	5,301,067
Subordinated liabilities	-	-	18,151	11,345	-	29,496
	5,128,350	847,371	46,756	11,345	-	6,033,822
Derivatives						
Foreign exchange contracts	-	10,403,929	473,031	43,335	-	10,920,295
Interest rate contracts	-	130,000	294,631	230,000	10,000	664,631

43. CREDIT RISK

Credit risk is the risk of financial losses if a counterparty to a financial instrument should default on its contractual obligations.

Lending to (non-)banking counterparties

Lending on the basis of settlement and clearing facilities, securities lending or the like is generally based on the security of a pledge of shares. KAS BANK indicates the shares which may be used as collateral for such lending and determines the lending percentages therefor. These shares and percentages are updated regularly, mainly on the basis of the underlying volatility and liquidity of the shares. The lending conditions are determined by the Risk Management Committee.

The standard basis for settlement of share transactions is delivery on payment, meaning that shares are transferred as and when the monies are received. Settlement does not take place until the adequacy of funds and/or security has been verified.

Lending to clients on the basis of share-transaction settlement (including securities lending) is monitored by an internal system which quantifies the risk and checks the underlying security. This system takes into account the aggregate financial positions of the client across the various markets the client operates in and includes transactions not yet

settled. Internal authorisation of client instructions is also run through this system. Limit overruns are reported to management and the Risk Management Committee. When lending is not fully covered by securities pledged as collateral, limits are put in place. These are determined by the Risk Management Committee based 'inter alia' on the nature of the facility and the resulting exposures, the financial position of the borrower, any guarantees in place, and the amount of the facility already drawn down by the borrower and related parties. The lending limits are entered in the relevant systems and monitored. KAS BANK has developed an internal rating system for monitoring the credit risks in its financial institutions/clients. These internal ratings are updated every 1-3 years depending on the risk status and ongoing client developments. The internal rating system is based in part on an analysis of the client's financial position and in part on an analysis of the operational and business risks inherent in the client. The internal ratings are used to determine limits, interest rates and margin levels for unsettled share transactions. The risks and volumes inherent in lending to institutional investors are relatively low and do not require a separate rating process. Lending is offered to private clients only after an assessment of the client and on the basis of underlying security, usually in the form of shares. The financial positions of counterparties in treasury transactions are assessed annually by the Risk Management Committee

Investments held-for-trading and Available-for-sale investments

KAS BANK limits its exposure to credit risk in these categories by investing solely in securities which are marketable and with counterparties which have at least an A rating with both Moody's and Standard and Poor's . The Risk Management Committee must approve any waiver of this minimum requirement. Given their good creditworthiness, the Board expects that all counterparties will meet their obligations.

Risk-weighted value of loans and advances

The credit-risk exposure, weighted at the percentages used for regular reporting to De Nederlandsche Bank N.V., is shown in the following table. These weightings are generally 0% for receivables from or guaranteed by European public authorities, 20% for receivables from or guaranteed by European banks and 100% for receivables from other counterparties.

43. Credit risk (continued)

	2007		2006	
	Carrying amount	Risk-weighted value	Carrying amount	Risk-weighted value
Banks	2,023,207	280,759	942,100	166,372
Loans and advances	2,353,276	267,409	2,687,218	299,209
Reverse repurchase agreements	1,402,608	27,920	914,219	18,284
Derivative financial instruments	169,273	89,769	93,888	63,714
Available-for-sale investments	1,369,323	311,235	1,463,171	353,483
Property and equipment	51,439	51,261	46,900	46,900
Other balance sheet items	1,002,669	84,703	300,988	89,097
	8,371,795	1,113,056	6,448,484	1,037,059
Contingent liabilities	140,908	42,689	118,992	11,688
Securities lending		121,329		149,939
Total of the risk-weighted items		1,277,074		1,198,686
		BIS %		BIS %
Tier 1	203,857		178,684	
Tier 2	34,952		36,922	
Non-qualifying assets	-1,850		-5,628	
Total BIS	236,959	19	209,978	18

In addition to the guarantees shown beneath the balance sheet, unquantified guarantees have been furnished to Equence Nederland B.V., NYSE Euronext Paris S.A., NYSE Euronext Brussels S.A./N.V., NYSE Euronext Lisbon S.A. and NYSE Euronext Amsterdam N.V.

The collateral lodged is taken into account in calculating the risk-weighted value of items both on and off the balance sheet. An amount of € 2.5 billion (2006: € 2.3 billion) has been netted off for receivables and payables in respect of the same natural person, legal entity or group of jointly and severally liable legal entities where the bank has a right of set-off, and the asset has a maturity the same as or later than the liability.

Risk control

in thousands of euros

	2007	2006
Concentration of credit risk		
Available-for-sale investments		
The bonds and the money market paper in the AFS portfolio are rated (according to Moody's) as follows:		
Aaa up to and including Aa3	870,050	815,098
A1 up to and including A3	20,790	57,506
Baa1 up to and including Baa3	11,036	4,722
P1 up to and including P2	425,027	300,175
Total	1,326,903	1,424,662

Financial instruments carried at amortised cost

Segment concentration:

Financial institutions	2,063	1,028
Institutional investors	1,959	2,310
Others	354	291
	4,376	3,629

Geographical concentration:

The Netherlands	3,173	2,998
The European Union	1,031	532
Others	172	99
	4,376	3,629

Received collateral:

	2007		2006	
	Banks	Loans and advances	Banks	Loans and advances
Government	-	22	-	24
Mortgage	-	9	-	24
Securities and cash	619	2,166	121	2,529
Unwritten loans	1,404	156	821	110
	2,023	2,353	942	2,687

Receivables and liabilities in respect of securities lending

KAS BANK acts as principal in securities lending transactions and monitors receivables from counterparties and collateral received on a daily basis as part of its risk control function. Collateral may be lodged in the form of securities or cash. Where collateral takes the form of securities which may be repledged, it is lodged subject to the condition that the securities are returned. Collateral is lodged on behalf of lenders in the form of repledged securities or securities associated with repurchase agreements or held as available-for-sale investments. The receivables and liabilities in respect of securities lending mainly relates to receivables and liabilities regarding financial institutions in the Netherlands and the European Union.

<i>43. Credit risk (continued)</i>	2007	2006
Receivables in respect of securities lending		
Banks	13,449,204	15,514,869
Other parties	2,779,627	1,495,171
	<u>16,228,831</u>	<u>17,010,040</u>
Collateral received		
Securities	16,754,161	17,802,830
Cash	846,673	185,516
	<u>17,600,834</u>	<u>17,988,346</u>
Receivables and liabilities in respect of securities lending		
Banks	252,024	483,079
Other parties	15,787,392	16,333,166
	<u>16,039,416</u>	<u>16,816,245</u>
Collateral on behalf of lenders		
Borrowers repledged securities	16,123,589	16,912,847
Reverse repurchase agreements	97,850	120,450
Available-for-sale investments	650,521	657,702
	<u>16,871,960</u>	<u>17,690,999</u>

44. OPERATIONAL RISK

The operational risk is the risk that losses will occur as a result of weaknesses or failures in internal processes and/or systems, human frailties or outside events. The risks include operational risks such as IT problems, poor organisational structure, missing or inadequate internal controls, human error, fraud and external threats.

The Managing Board as adopted a policy addressing operational risk, fundamental to which is that the management is responsible for identifying and analysing operational risks and implementing adequate control measures. Experts in the field of systems organisation and internal control and an operational risk management have been appointed to support management in the performance of this task.

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

- For each process there is a control structure in place, in which the process, the inherent risks, the control objectives and the control measures are all documented. These control structures are periodically evaluated;
- Systematic records are kept of losses due to operational risks in an Operational Loss Database. The recorded events are periodically analysed;
- Analysis of events and risks, leading to proposals for process improvement;
- KAS BANK devotes ongoing attention to further enhancing risk and quality awareness among staff, with training and professional development forming important elements for the functioning of staff;
- The Internal Audit Department systematically evaluates the control, risk management and overall management processes and reports its findings to the Risk Management Committee and the Audit Committee.

Segmentation

45. PROFIT SEGMENTATION

KAS BANK's specialised products and services are aimed at two main target groups, viz. institutional investors and financial institutions (medium-sized and large banks and brokers with trading activities on, among others, NYSE Euronext, LSE and Deutsche Börse)

Services are provided to all client categories, often using the same information systems and operating departments. This makes the allocation of property and equipment and related liabilities impossible. It is, however, possible to attribute financial fixed assets and liabilities in the balance sheet to the various client groups.

KAS BANK has Dutch, European and other international clients. Support is provided to these clients from Amsterdam, London and Frankfurt. The London office serves the UK market and many of the international clients. Processing is mainly carried out on the IT systems in Amsterdam.

Geographical segmentation of revenues

(in millions of euros)

	2007	2006
Europe	162.5	121.4
Other	11.6	8.9
Total	174.1	130.3

Segmentation

45. Profit segmentation (continued)

Client segmentation (in millions of euros)	2007				2006 ³			
	Financial institutions ¹	Institutional investors	Other ²	Total	Financial institutions ¹	Institutional investors	Other ²	Total
Net interest	12.7	12.9	-4.0	21.6	12.1	11.3	-6.6	16.8
<i>Net commission:</i>								
• Custody en IMS	8.1	24.7	0.0	32.8	8.7	21.7	0.0	30.4
• Clearing & settlement	27.8	11.6	0.0	39.4	21.6	7.2	-0.1	28.7
• Securities borrowing & lending	1.1	9.8	4.6	15.5	0.6	11.0	4.5	16.1
• Other commission	2.5	3.2	0.1	5.8	3.8	4.4	-0.1	8.1
Trading/AFS income	2.1	8.1	6.4	16.6	0.9	6.1	11.0	18.0
Other income	0.0	0.0	1.5	1.5	0.0	0.0	1.7	1.7
Direct costs	-34.7	-38.4	-4.8	-77.9	-33.5	-32.3	-4.7	-70.5
Net revenue	19.6	31.9	3.8	55.3	14.2	29.4	5.7	49.3
Unattributable expenses				-23.5				-22.1
Net exceptional items				35.5				8.9
Profit before tax expense				67.3				36.1
Segment assets	2,063	1,959	4,350	8,372	1,028	2,310	3,110	6,448
Segment liabilities	3,155	4,548	669	8,372	1,810	4,129	509	6,448

1. Including Private Banking

2. 'Other' mainly refers to treasury activities

3. Adjusted for comparison purposes

46. OPTION SCHEME

Movements in the number of options held by existing and former members of the Managing Board and other employees in 2007 and the number outstanding as at 31 December are shown in the table below. The members of the Managing Board and several key officers have the right to extend by two years the expiry dates of one third of the options granted in respect of 2002 and subsequent years. With regard to the tranches for 2006 and subsequent years, the entire first echelon also has this right. More detailed information on the options held by individual members of the Managing Board is given under 'Related Parties'. Options were issued in March 2007 at a price of € 22.89 (2006: € 20.74) each. These options expire in March 2012, or, with the aforementioned extension, in March 2014.

General

	Expiry	Exercise in €	Outstanding as at 31-12-2006	Option rights granted	Exercised/ expired in 2007	Outstanding as at 31-12-2007
Managing Board	March 2007	20.10	13,263	0	13,263	0
	March 2009	20.10	3,907	0	3,907	0
	March 2008	14.35	13,363	0	7,813	5,550
	March 2010	14.35	3,907	0	3,907	0
	March 2009	15.32	15,563	0	0	15,563
	March 2011	15.32	3,907	0	0	3,907
	March 2010	17.10	16,186	0	0	16,186
	March 2012	17.10	6,594	0	0	6,594
	March 2011	20.74	28,053	0	0	28,053
	March 2013	20.74	14,027	0	0	14,027
	March 2012	22.89	0	25,386	0	25,386
	March 2014	22.89	0	12,694	0	12,694
	Former Managing Board members	March 2007	20.10	17,573	0	17,573
March 2009		20.10	8,787	0	8,787	0
March 2008		14.35	4,510	0	4,510	0
March 2010		14.35	4,880	0	490	4,390
March 2009		15.32	17,573	0	0	17,573
March 2011		15.32	8,787	0	0	8,787
March 2010		17.10	17,573	0	0	17,573
March 2012		17.10	8,787	0	0	8,787
March 2011		20.74	4,067	0	0	4,067
March 2013		20.74	2,033	0	0	2,033
Other employees		March 2007	20.10	135,477	0	135,477
	March 2009	20.10	3,270	0	0	3,270
	March 2008	14.35	41,057	0	26,686	14,371
	March 2010	14.35	3,270	0	3,270	0
	March 2009	15.32	71,935	0	39,792	32,143
	March 2011	15.32	3,000	0	0	3,000
	March 2010	17.10	116,287	0	47,675	68,612
	March 2012	17.10	2,500	0	646	1,854
	March 2011	20.74	169,980	0	15,030	154,950
	March 2013	20.74	9,213	0	1,333	7,880
	March 2012	22.89	0	186,921	10,143	176,778
	March 2014	22.89	0	8,614	0	8,614
				769,329	233,615	340,302

General

46. Option scheme (continued)

The options granted in 2007 have a value of approximately € 300,000 (2006: € 270,000), calculated using the trinomial valuation method. Over a period of three years, this value will be charged to the income statement (staff expenses) and will be credited to equity.

The following indicators were employed:

	2007	2006
Fair value at grant date	€ 1.43/1.10	€ 1.19
Share price at grant date	€ 22.89	€ 20.74
Exercise price	€ 22.89	€ 20.74
Term	5 year/7 year	5 year
Vesting period	3 year	3 year
Vesting conditions	Uninterrupted employment contract	Uninterrupted employment contract
Expected dividend yield	7.70/11.25%	5.39%
Expected volatility	17.17%	14.60%
Risk-free interest rate	4.04/4.08%	3.41%

Expected volatility is determined on the basis of the KAS BANK share price over the past three years (the average term of an option series), taking into account the effect of exceptional circumstances on the share price.

The number of options which have been exercised and have expired and the average exercise price are analysed in the table below.

	average price in €	tranche 20.10	tranche 14.35	tranche 15.32	tranche 17.10	tranche 20.74	tranche 22.89
Exercised in 1st quarter 2007	22.96	177,382	20,242	26,254	33,265		
Exercised in 2nd quarter 2007	25.41	400	18,070	3,293	6,085		
Exercised in 3rd quarter 2007	24.65		6,464	8,298	5,402		
Exercised in 4th quarter 2007	27.19		1,725	1,947	3,419		
Expired in 2007		1,225	175		150	16,363	10,143
Total		179,007	46,676	39,792	48,321	16,363	10,143

General

47. RELATED PARTIES

Parties are related if one controls the other or has significant influence on its financial and operating policies.

In the case of KAS BANK, related parties are the members of the Managing Board, the members of the Supervisory Board and the Stichting Pensioenfonds KAS BANK. Till 1 April 2007 Stichting Pensioenfonds KAS BANK placed part of its investments with KAS BANK against market-conform fees.

Remuneration of the Managing Board (in thousands of euros)

	Fixed remuneration	Variable remuneration	Pension contributions	Other long-term benefits	Value of options granted	Value of shares granted	Total
2007							
A.A. Röell	367	295	89	-	81	64	896
J.S.A. van Scheijndel	249	148	62	-	45	35	539
N.E. Blom	218	126	53	3	38	30	468
H. Kadiks	210	182	-	-	-	-	392
	1,044	751	204	3	164	129	2,295
2006 ¹							
A.A. Röell	348	98	83	-	19	21	569
J.S.A. van Scheijndel	264	75	64	-	15	15	433
N.E. Blom (as of 1-2-2006)	172	50	43	2	15	12	294
H. Kadiks (as of 1-6-2006)	114	75	-	-	-	-	189
J.P. van Veenendaal (till 1-6-2006)	145	-	-	-	-	6	151
	1,043	298	190	2	49	54	1,636

1. Adjusted for comparison purposes

A liability of € 0.7 million has been included in respect of the agreed termination package in connection with the departure of Mr. J.S.A. van Scheijndel as per 1 September 2008.

47. Related parties (continued)

Fixed remuneration

This item comprises salary, holiday pay, expenses and contributions paid by the employer.

Variable remuneration

With effect from 1 January 2007, there has been a new variable remuneration policy for members of the Managing Board. This remuneration is set by the Supervisory Board on the basis of a proposal made by the Remuneration and Appointments Committee. Within the variable remuneration package, a distinction is made between short-term and long-term benefits.

The short-term benefits are based on the results and depend on the achievement of qualitative and quantitative targets for the year. This concerns the variable remuneration paid in cash for the year.

The long-term benefits are linked to the average growth in earnings per share over a period of three years and are paid in the form of shares and options.

Pension contributions

This item comprises the pension charges recognised in the income statement on behalf of the members of the Managing Board

Other long-term employee benefits

This item comprises charges recognised in the income statement in respect of long-service bonuses and disability schemes.

Value of options granted

This concerns the value of the stock options granted in respect of the year.

Value of shares granted

This concerns the value of the performance shares granted in respect of the year.

Share based payments

Share and option plan (with effect from 1 January 2007)

With effect from 1 January 2007, a new, long-term variable remuneration plan has been applicable to members of the Managing Board, entirely made up of benefits in the form of shares and options.

The Appointments and Remuneration Committee determines the number of shares and options to be awarded each year according to the performance of the Managing Board members, submitting its recommendation to the Supervisory Board for ratification.

The shares and options are conditionally granted, becoming vested three years after being granted on condition that the members of the Managing Board have achieved their targets. Members of the Managing Board to whom shares and options have been granted must also still be in the company's employment or have retired from company employment on a retirement pension at the time when the award becomes unconditional.

The achievement of target performance results in the award of the equivalent of one year's salary in shares and options on a 50-50 basis at a percentage depending on the position held, the number of shares and options granted being based on the share price and the fair value of the options at the time of the award. The performance of the members of the Managing Board depends on the average growth in earnings per share over three years. The number of options and shares vested on this basis varies between 0% and 150% of one year's salary. After the award of shares becomes unconditional, they must be kept for at least a further two years. The options are valid for a further five years after becoming unconditional.

Under the plan, 7,867 shares and 107,202 options were granted in 2007, with a fair value totalling € 293,000. This amount will be charged to the income statement (staff expenses) and added to shareholders' equity over a period of three years.

The following table shows the numbers of shares and options granted to members of the Managing Board in 2007 in respect of long-term variable remuneration.

	Conditionally granted shares	Conditionally granted options
A.A. Röell	3,897	53,104
J.S.A. van Scheijndel	2,147	29,261
N.E. Blom	1,823	24,837
	<hr/> 7,867	<hr/> 107,202

General

47. Related parties (continued)

The following factors were used in determining the value of the granted shares and options.

	Shares	Options
Fair value at grant date	€ 16.36	€ 1.53
Share price at grant date	€ 20.85	€ 20.85
Validity of options (including vesting period)		8 years
Vesting period	3 years	3 years
Vesting condition	Uninterrupted employment contract	Uninterrupted employment contract
Expected dividend yield	4.80%	9.03%
Expected volatility	18.57%	18.57%
Risk-free interest rate	4.00%	3.95%

Share plan (prior to 31 December 2006)

A different, performance share plan applied to members of the Managing Board up to the end of 2006.

The members of the Managing Board were rewarded with performance shares provided that they achieved predetermined targets. The shares were conditionally awarded, only becoming vested (including accrued dividend) three years after being granted. Members of the Managing Board to whom shares have been awarded must also still be in the company's employment or have retired from company employment on pre-pension benefits or on an ordinary retirement pension at the time when the award becomes unconditional.

The Appointments and Remuneration Committee determined the number of shares to be awarded each year according to the performance of the Managing Board members, submitting its recommendation to the Supervisory Board for ratification. The achievement of target performance resulted in the award of the equivalent of one month's salary in shares at the weighted average share price of the previous year. Shares awarded under this plan are to be kept for a period of five years following their award.

The active members of the Managing Board were awarded in total over 2006 2,937 (over 2005: 3,621) shares, with a fair value of € 49,000 (2006: € 60,000). This amount will be charged to the income statement (staff expenses) and added to shareholders' equity over a period of three years. The Managing Board member who left the company at the end of May 2006 was conditionally awarded 378 shares in respect of 2006, with a fair value of € 6,300. The two members of the Managing Board who retired in 2005 were unconditionally awarded 1,898 shares in 2006, with a fair value of € 39,000. This amount was expensed in 2006 (staff expenses) and added to shareholders' equity all at once.

General

Movements in the number of shares granted in 2007 to existing and former members of the Managing Board are shown in the table below.

	Conditionally granted shares		
	over 2006	over 2005	Total
A.A. Röell	1,292	1,430	2,722
J.S.A. van Scheijndel	890	1,085	1,975
N.E. Blom	755	-	755
J.P. van Veenendaal (till 1-6-2006)	378	1,106	1,484
	3,315	3,621	6,936

The fair value of the performance shares granted was measured on the following basis:

	Over 2006	Over 2005
Fair value at grant date	€ 16.61	€ 16.48
Share price at grant date	€ 22.89	€ 20.45
Vesting period	3 years	3 years
Vesting condition	Uninterrupted employment contract	Uninterrupted employment contract
Expected dividend yield	8.00%	5.39%
Expected volatility	19.00%	14.60%
Risk-free interest rate	4.00%	3.41%

Loans

No loans, advances or guarantees have been granted to the active members of the Managing Board (2006: none). If the bank's lending facilities are utilised by members of the Managing Board, the same terms apply as to other employees. These terms are in line with the market.

Option scheme (prior to 31 December 2006)

Movements in the number of options held by existing and former members of the Managing Board and the number outstanding as at year-end are shown in the table on the next page.

General

47. Related parties (continued)

	Expiry	Exercise price	Outstanding as at	Option rights	Exercised/expired	Outstanding as at
			31-12-2006	granted	in 2007	31-12-2007
A.A. Röell	March 2010	17.10	813			813
	March 2012	17.10	407			407
	March 2011	20.74	9,760			9,760
	March 2013	20.74	4,880			4,880
	March 2012	22.89		9,760		9,760
	March 2014	22.89		4,880		4,880
				<u>15,860</u>	<u>14,640</u>	<u>-</u>
J.S.A. van Scheijndel	March 2007	20.10	4,900		4,900	-
	March 2008	14.35	5,000			5,000
	March 2009	15.32	4,750			4,750
	March 2010	17.10	4,560			4,560
	March 2012	17.10	2,280			2,280
	March 2011	20.74	7,813			7,813
	March 2013	20.74	3,907			3,907
	March 2012	22.89		7,813		7,813
	March 2014	22.89		3,907		3,907
			<u>33,210</u>	<u>11,720</u>	<u>4,900</u>	<u>40,030</u>
N.E. Blom	March 2007	20.10	550		550	-
	March 2008	14.35	550			550
	March 2009	15.32	3,000			3,000
	March 2010	17.10	3,000			3,000
	March 2011	20.74	2,667			2,667
	March 2013	20.74	1,333			1,333
	March 2012	22.89		7,813		7,813
	March 2014	22.89		3,907		3,907
			<u>11,100</u>	<u>11,720</u>	<u>550</u>	<u>22,270</u>
J.P. van Veenendaal	March 2007	20.10	7,813		7,813	-
	March 2009	20.10	3,907		3,907	-
	March 2008	14.35	7,813		7,813	-
	March 2010	14.35	3,907		3,907	-
	March 2009	15.32	7,813			7,813
	March 2011	15.32	3,907			3,907
	March 2010	17.10	7,813			7,813
	March 2012	17.10	3,907			3,907
	March 2011	20.74	7,813			7,813
	March 2013	20.74	3,907			3,907
			<u>58,600</u>	<u>-</u>	<u>23,440</u>	<u>35,160</u>
Position as at 31 December 2007			<u>118,770</u>	<u>38,080</u>	<u>28,890</u>	<u>127,960</u>

48. REMUNERATION OF THE SUPERVISORY BOARD

The number of members of the Supervisory Board as at year-end 2007 was six (2006: six). The following remuneration was received by the members of the Supervisory Board, including fees for membership of subcommittees formed by the Supervisory Board (in thousands of euros).

	2007	2006
P. Ribourdouille	40	40
D.J.M.G. Baron van Slingelandt	23	-
D.J. de Beus	11	34
E.J. Mulock Houwer	-	9
C.E. Beckers	-	9
C. Griffioen	30	30
A.H. Lundqvist	30	30
R.A.H. van der Meer	34	34
H. Donkervoort	36	23
	<hr/> 204	<hr/> 209

Mr. D.J.M.G. Baron van Slingelandt was appointed to the Supervisory Board with effect from 25 April 2007. Mr. D.J. de Beus retired from the Supervisory Board on 25 April 2007.

The total amount of loans advanced to and guarantees given on behalf of members of the Supervisory Board was nil (2006: nil).

Company income statement

in thousands of euros

	2007	2006
INCOME		
Interest income	318,557	218,652
Interest expense	297,015	201,925
Net interest	21,542	16,727
Commission income	112,354	97,926
Commission expense	18,950	14,691
Net commission	93,404	83,235
Profits of group companies	1,452	44
Trading income	16,087	13,935
Available-for-sale income	15,005	14,607
Trading/AFS income	31,092	28,542
Other income	26,199	1,725
Total income	173,689	130,273
OPERATING EXPENSES		
Staff expenses	63,308	57,076
Other administrative expenses	29,702	26,965
Depreciation expenses	9,075	10,136
Operational operating expenses	102,085	94,177
Impairment losses	4,702	-
Total expenses	106,787	94,177
Profit before tax expense	66,902	36,096
Tax expense	15,966	9,487
Profit for the period attributable to equity holders of the bank	50,936	26,609

Company balance sheet

in thousands of euros

	31-12-2007	31-12-2006
ASSETS		
Cash and deposits at the central bank	934,740	228,423
Banks	2,023,142	942,049
Loans and advances	2,361,653	2,695,257
Reverse repurchase agreements	1,402,608	914,219
Derivative financial instruments	169,273	93,888
Investments held-for-trading	-	-
Available-for-sale investments	1,368,193	1,461,382
Financial assets	33,131	34,600
Property and equipment	51,439	46,900
Intangible assets	6,744	8,357
Deferred tax assets	8,736	9,813
Current tax assets	9,805	2,413
Other assets	27,497	36,316
Prepayments and accrued income	13,682	15,628
Total assets	8,410,643	6,489,245
EQUITY AND LIABILITIES		
Banks	1,981,458	703,259
Funds entrusted	5,903,086	5,341,879
Derivative financial instruments	152,326	102,571
Deferred tax liabilities	12,446	11,188
Current tax liabilities	2,507	2,442
Other liabilities	54,540	34,180
Accruals and deferred income	30,862	23,463
Employee benefits	7,137	23,205
Subordinated liabilities	11,344	29,496
Total liabilities	8,155,706	6,271,683
Issued share capital	15,699	15,699
Treasury shares	-14,675	-13,844
Share premium	21,569	21,569
Revaluation reserve	18,890	23,963
Statutory reserve	2,214	2,216
Other reserves	167,368	148,414
Unappropriated profit	43,872	19,545
Total equity attributable to the equity holders of the bank	254,937	217,562
Total equity and liabilities	8,410,643	6,489,245
Contingent liabilities	140,908	118,992

Notes to the company financial statements

in thousands of euros

SUMMARY OF ACCOUNTING POLICIES

The company financial statements have been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, applying the same accounting policies as for the consolidated financial statements, except for those relating to financial assets and the statutory reserve

Financial assets

The consolidated group companies and associates in respect of which KAS BANK has significant influence on financial and operating policy decisions are carried in the company financial statements at KAS BANK's share in their net asset value, calculated in accordance with KAS BANK's accounting policies

	Group companies	Amounts receivable from group companies	Amounts payable to group companies	Total
Position as at 1 January 2007	29,284	8,039	-2,723	34,600
Loan	-225	225	-	-
Payment of profit for previous year	-44	-	-	-44
Profit for current year	1,452	-	-	1,452
Purchases	190	-	-	190
Sales	-1,153	-	-	-1,153
Gross revaluation	-1,914	-	-	-1,914
Position as at 31 December 2007	27,590	8,264	-2,723	33,131

As of 31 December 2007, the group companies include the following wholly-owned subsidiaries:

- Amsterdam Depositary Company N.V.
- Associatie Cassa B.V.
- KAS Derivaten Clearing N.V.
- KAS Fondsbeheer B.V.
- KAS BANK Effectenbewaarbedrijf N.V.
- KAS Trust B.V.
- KAS Servicing B.V.
- KAS Participatiemaatschappij B.V.
- Centrum voor Fondsenadministratie B.V.

Statutory reserve

The statutory reserve is built up from the other reserves and concerns capitalised in-house developed software.

Notes to the company financial statements

in thousands of euros

OFF-BALANCE-SHEET FINANCIAL COMMITMENTS

Pursuant to Section 403, subsection 1.f, of Part 9, Book 2, of the Netherlands Civil Code, the company has assumed joint and several liability for debts arising out of the legal acts of all group companies

TAX

The abovementioned subsidiaries form part of the KAS BANK tax group, except KAS Derivaten Clearing N.V. and KAS BANK Effectenbewaarbedrijf N.V. KAS BANK is jointly and severally liable for the tax liabilities of the tax group as a whole

Amsterdam, 17 March 2008

The Managing Board:

A.A. Röell

J.S.A. van Scheijndel

N.E. Blom

H. Kadiks

The Supervisory Board:

P. Ribourdouille

D.J.M.G Baron van Slingelandt (as of 25 April 2007)

C. Griffioen

A.H. Lundqvist

R.A.H. van der Meer

H. Donkervoort





Other
information

Other information

PROFIT APPROPRIATION FOR 2007

The provisions of Articles of Association concerning the appropriation of profit read as follows:

Article 25 - Distributions, reserves, losses

1. The company may pay dividends and make distributions to shareholders and others with entitlement to the distributable profit only insofar as its shareholders' equity exceeds the amount of the paid and called capital together with the reserves which the company is required to maintain by law.
2. Out of the profit for the preceding financial year, a dividend will if possible first be paid on the preference shares of a percentage of the amount paid on those shares, said percentage being related to the average yield on the five longest-dated government loans, calculated in the manner set forth below. The percentage dividend payable on the preference shares will be calculated by taking the arithmetic mean of the average effective yield of the loans referred to above, as computed by the Central Bureau of Statistics and published in the Official Price List of NYSE Euronext Amsterdam N.V., calculated over the first twenty trading days of the twenty-two trading days prior to the date of first issue of preference shares, plus a percentage of a maximum of one-half percentage point, to be determined by the Managing Board and approved by the Supervisory Board, with reference to the prevailing market conditions. If and to the extent that the profit is not sufficient to pay the dividend referred to in this paragraph in full, the deficit will be made good by a charge on the reserves.
4. If in any financial year the profit or the distributable reserves are not sufficient to make the distributions referred to in this article, the provisions of the first two sentences of paragraph 2 and the provisions of paragraphs 5 and 6 will not apply until the deficit has been made up.
5. The Managing Board, with the prior approval of the Supervisory Board, is empowered to appropriate all or part of the profit to reserves
6. Any profit remaining after the deduction of an appropriation to reserves as referred to in the preceding paragraphs will be at the disposal of the General Meeting. If the General Meeting resolves to pay a dividend, it will be paid to the holders of ordinary shares in proportion to their holdings of ordinary shares.
7. Insofar as the General Meeting resolves not to pay a dividend in respect of any year, the profit will be added to the reserves.
8. The Managing Board may, with the approval of the Supervisory Board, resolve to pay an interim dividend, provided that the requirements of paragraphs 1 and 13 of the present Article have been met. The provisions of paragraph 10 of the present Article will be applicable mutatis mutandis to the payment of the interim dividend.
9. The General Meeting may resolve, only on a proposal of the Managing Board as approved by the Supervisory Board, to pay a dividend from a distributable reserve.
10. Without prejudice to the provisions of Article 4 of the present Articles of Association, the General Meeting may resolve, on a proposal of the Managing Board as approved by the Supervisory Board, to pay a dividend from the profit – or from a distributable reserve – in the form of shares in the company or depositary receipts therefor.
11. Dividends will be payable at such place and at such time as the Managing Board may determine, but at the latest within one month of the resolution adopted by the General Meeting to that effect. Payment of dividend will be announced to the shareholders by letter and by means of an advertisement placed in a national daily newspaper and in the Official Price List of NYSE Euronext Amsterdam N.V.
12. Dividends which have not been taken up within five years of the date on which they became payable will revert to the company.
13. Interim distributions will be made in accordance with Section 105, subsection 4, of Book 2 of the Netherlands Civil Code

Proposed profit appropriation for 2007

The Supervisory Board proposes that the General Meeting of Shareholders approve the following profit appropriation (in thousands of euros):

Profit according to the consolidated income statement for 2007

Unappropriated profit	€	10,119
Proposed dividend	€	40,817
		<hr/>
Total profit appropriation	€	50,936

Of the proposed dividend for 2007, € 7,064 has already been paid out to shareholders as interim dividend.

Auditors' report

TO THE GENERAL MEETING OF SHAREHOLDERS OF KAS BANK N.V.

Report on the financial statements

We have audited the 2007 financial statements of KAS BANK N.V., Amsterdam, as presented on pages 32 to 95 of this annual report. These financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2007, the consolidated income statement, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2007, the company income statement for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. The law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the

financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of KAS BANK N.V. as at 31 December 2007, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of KAS BANK N.V. as at 31 December 2007 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the directors' report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 17 March 2008

KPMG ACCOUNTANTS N.V.

D. Korf RA





Various reports and
statements

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

Stichting Administratiekantoor Aandelen KAS BANK (KAS BANK Registrar's Office) administers and manages a substantial proportion of the ordinary shares in the issued capital of KAS BANK N.V., and issues in exchange, with the cooperation of the company, depositary receipts with unlimited exchangeability.

The Registrar's Office itself exercises voting rights only in respect of shares for which no proxies have been granted to the depositary receipt holders and shares for which no voting instructions have been received. This arrangement is conducive to the continuity of decision-making within the General Meeting of Shareholders and preserves the balance of the meeting by preventing a chance minority of those entitled to exercise voting rights influencing the decision-making process of the Meeting of Shareholders.

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

In 2007, the Executive Committee met once at the company's offices. The members of the Executive Committee also kept in touch during the year by telephone, letter and e-mail. The Executive Committee was also represented at the General Meeting of Shareholders on 25 April 2007.

Particular attention in the reporting year was devoted to the company's corporate governance structure.

For the General Meeting of Shareholders dated 25 April 2007, the Registrar's Office issued proxies to 40 depositary receipt holders and/or their proxies, compared with 79 in 2006. The Registrar's Office received voting instructions from seven depositary receipt holders. The attending shareholders and depositary receipt holders represented approximately 62.5% of the voting shares at the meeting, and the Registrar's Office represented 37.5% of the voting shares.

The Registrar's Office voted in favour of the motions tabled by the Managing Board and Supervisory Board at the General Meeting of Shareholders as set out in the agenda for that meeting. The Registrar's Office was guided in the exercise of its voting rights by the interests of the company, its operations and all its stakeholders.

The total number of ordinary shares in the issued capital of the company remained unchanged in 2007 at 15,699,017. As at year-end 2007, the Registrar's Office had 14,722,686 ordinary shares under administration, in exchange for which the same number of depositary receipts had been issued. Depositary receipts have been issued for approximately 94% of the total issued share capital. The increase in the number of shares under administration by the Registrar's Office compared with year-end 2006 (around 87%) is the result of the exchange of registered shares for depositary receipts by a number of shareholders.

The actual administrative procedures are performed by the company. The expenses of the Registrar's Office in 2007, which amounted to approximately € 20.000, related mainly to the remuneration of the members of the Executive Committee and contribution for Centrum voor Fondsenadministratie. The company has undertaken to make an annual sum available to the Registrar's Office from which it can defray its expenses.

Mr. C. Tesselhoff was due to retire from the Executive Committee by rotation in 2007 and was reappointed as an independent member by the Supervisory Board of KAS BANK in accordance with the Executive Committee's recommendation, for a term of three years with effect from 1 July 2007. Mr. Baan is due to retire by rotation in 2008 and Mr. Zwarts is due to retire by rotation in 2009.

The members of the Executive Committee receive an annual fee of € 4,538 for their services to the Registrar's Office. The members of the Executive Committee who are designated as independent are not persons associated with the company within the meaning of (former) Annex X of the Listing and Issuing Rules of Euronext Amsterdam N.V. and Article 4, paragraph 1, of the Constitution of the Registrar's Office. A list of the positions held by the members of the Executive Committee of the Registrar's Office is available for inspection at the company's office.

Amsterdam, 17 March 2008

The Executive Committee:

A. Baan, chairman

Chr.H. Tesselhoff

H. Zwarts

Statements of independence

STATEMENT OF INDEPENDENCE OF STICHTING ADMINISTRATIEKANTOOR AANDELEN KAS BANK (KAS BANK REGISTRAR'S OFFICE)

The Executive Committee of Stichting Administratiekantoor Aandelen KAS BANK (KAS BANK Registrar's Office) and the Managing Board of KAS BANK N.V. declare hereby that, in their joint opinion, the requirements concerning the independence of the members of the Executive Committee of KAS BANK Registrar's Office, as set forth in (former) Annex X of the Listing and Issuing Rules of Euronext Amsterdam N.V. , have been fulfilled.

A list of the past and present positions held by the members of the Executive Committee of KAS BANK Registrar's Office which may be relevant to the performance of their duties is available for inspection by holders of shares and depositary receipts at KAS BANK's offices.

Amsterdam, 17 March 2008

Executive Committee of Stichting Administratiekantoor Aandelen KAS BANK
Managing Board of KAS BANK N.V.

STATEMENT OF INDEPENDENCE OF STICHTING PREFERENTE AANDELEN KAS BANK (KAS BANK REGISTRAR'S OFFICE FOR PREFERENCE SHARES)

The Executive Committee of Stichting Preferente Aandelen KAS BANK (KAS BANK Registrar's Office for preference shares) and the Managing Board of KAS BANK N.V. declare hereby that in their joint opinion, the requirements concerning the independence of the members of the Executive Committee of KAS BANK Registrar's Office for preference shares, as set forth in (former) Annex X of the Listing and Issuing Rules of Euronext Amsterdam N.V., have been fulfilled.

A list of the past and present positions held by the members of the Executive Committee of KAS BANK Registrar's Office for preference shares which may be relevant to the performance of their duties is available for inspection by holders of shares and depositary receipts at KAS BANK's offices.

Amsterdam, 17 March 2008

Executive Committee of Stichting Preferente Aandelen KAS BANK
Managing Board of KAS BANK N.V.

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

Stichting Administratiekantoor Aandelen KAS BANK Effectenbewaarbedrijf ('KDTC Registrar's Office') holds all the shares in KAS BANK Effectenbewaarbedrijf N.V. (KAS BANK Depository Trust Company or KDTC), in exchange for which it has issued non-exchangeable depository receipts for shares to KAS BANK N.V. KDTC acts on KAS BANK's behalf as a custodian of securities for KAS BANK's clients, to the extent that such securities would be counted as KAS BANK's assets by virtue of KAS BANK's custody thereof. KDTC's object expressly excludes the conduct of any business other than the custody of securities which involves commercial risk. Custody is provided by KDTC subject to the 'Terms concerning custody of securities', in which KAS BANK guarantees to its clients the due performance of all of KDTC's obligations to them. The activities associated with custody operations are performed by KAS BANK, which also acts as the Management of KDTC. Changes and additions may be made to the aforementioned Terms by KAS BANK and KDTC acting together, provided that the prior approval of KDTC Registrar's Office is obtained. The Constitution of KDTC Registrar's Office stipulates that at least half of the members of the Executive Committee must be persons who are not employed by KAS BANK or any institution associated with it.

The Executive Committee of KDTC Registrar's Office met on 7 February 2008 to consider KDTC's 2007 financial statements. The Executive Committee also took cognisance of the report by KPMG Accountants N.V., dated 31 January 2008, on its investigation of whether KDTC had applied the Terms correctly in 2007 or had incurred any commercial risk other than the risks inherent in the custody of securities on behalf of third parties. After approval and adoption of the financial statements, the General Meeting of Shareholders of KDTC discharged the Management of the company of liability for its conduct of affairs in 2007.

In 2007 it was the turn of Mr. J.S.A. van Scheijndel to step down as member of the Executive Committee. With the approval of the Supervisory Board, Mr. J.S.A. van Scheijndel has been reappointed member of the Executive Committee as of 1 June 2007.

Amsterdam, 17 March 2008

The Executive Committee:

D.H. Cross, chairman	(2008)
R.P. Voogd	(2009)
J.S.A. van Scheijndel	(2010)

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

Stichting Administratiekantoor Aandelen KAS Derivaten Clearing ('KASDC Registrar's Office') holds all the shares in KAS Derivaten Clearing N.V. ('KASDC'), in exchange for which it has issued non-exchangeable depository receipts for shares to KAS BANK N.V. KASDC acts on KAS BANK's behalf as a custodian of securities for KAS BANK's clients, to the extent that such securities would be counted as KAS BANK's assets by virtue of KAS BANK's custody thereof. KASDC's object expressly excludes the conduct of any business other than the custody of securities, which involves commercial risk. Custody is provided by KASDC subject to the 'Terms concerning custody of securities', in which KAS BANK guarantees to its clients the due performance of all of KASDC's obligations to them. The activities associated with custody operations are performed by KAS BANK, which also acts as the Management of KASDC. Changes and additions may be made to the aforementioned Terms by KAS BANK and KASDC acting together, provided that the prior approval of KASDC Registrar's Office is obtained. The Constitution of KASDC Registrar's Office stipulates that at least half of the members of the Executive Committee must be persons who are not employed by KAS BANK or any institution associated with it.

In connection with the licensing conditions imposed on KASDC by the new Financial Supervision Act (compliance with which requires that at least two members of its Executive Board are natural persons), Messrs. N.E. Blom and M.G.F.M.V. Janssen were appointed to KASDC's Executive Board by a shareholders' resolution with effect from 1 September 2007. Messrs. D.H. Cross, R. Voogd and P.J.C. Borgdorff were appointed to its Supervisory Board with effect from the same date. The appointments were made under the condition of the approval of De Nederlandsche Bank.

The Executive Committee of KASDC Registrar's Office met on 7 February 2008 to consider KASDC's 2007 financial statements. The Executive Committee also took cognisance of the report by KPMG Accountants N.V., dated 31 January 2008, on its investigation of whether KDC had applied the Terms correctly in 2007 or had incurred any commercial risk other than the risks inherent

in the custody of derivatives on behalf of third parties. After approval and adoption of the financial statements, the General Meeting of Shareholders of KASDC discharged the Management of the company of liability for its conduct of affairs in 2007

In 2007 it was the turn of Mr. J.S.A. van Scheijndel to step down as member of the Executive Committee. With the approval of the Supervisory Board, Mr. J.S.A. van Scheijndel has been reappointed member of the Executive Committee as of 1 June 2007.

Amsterdam, 17 March 2008

The Executive Committee:

D.H. Cross, chairman	(2008)
R.P. Voogd	(2009)
J.S.A. van Scheijndel	(2010)



Corporate
governance

Corporate governance

The Dutch corporate governance code (code), as drawn up by the Tabaksblat Committee came into effect on 1 January 2004. This code contains principles and best-practice provisions of good corporate governance in the Netherlands. KAS BANK has produced a detailed summary describing to what extent and in what manner it already complies with the best-practice provisions of the code ('apply or explain'). This statement is available on KAS BANK's website (www.kasbank.com) under corporate governance. Each best-practice provision is followed by an explanation of KAS BANK.

OUTLINE CORPORATE GOVERNANCE STRUCTURE

This section outlines KAS BANK's corporate governance structure: its system of management by the Managing Board, the supervision of management by the Supervisory Board, reporting to the providers of capital (investors) on the management and supervision of the management and the powers vested in the investors in KAS BANK. This description is based on the Articles of Association effective as of 6 June 2006.

Managing Board

KAS BANK is classed as a 'structure company' in Dutch company law and Part 4, Chapter 6, of Book 2 of the Netherlands Civil Code applies. The management of KAS BANK is entrusted to a Managing Board consisting of two or more members. In the performance for its duties, the Managing Board is guided by the interests of the company and the enterprise associated therewith, weighing the interests of all stakeholders in the company. The procedures of the Managing Board are defined in the company's Articles of Association and the Managing Board's by-laws, which are posted on the company's website.

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

Supervisory Board on a proposal to dismiss a member of the Managing Board. Certain management decisions are subject to the prior approval of the Supervisory Board or the General Meeting of Shareholders.

Supervisory Board

The Supervisory Board of KAS BANK is charged with supervising the policy of the Managing Board, the general course of affairs within the company and the enterprise associated therewith. It also assists the Managing Board in an advisory capacity. In the event of the absence or inability to act of all the members of the Managing Board, the Supervisory Board is charged with the temporary management of the company. In the performance of their duties, the members of the Supervisory Board are guided by the interests of the company and the enterprise associated therewith, weighing the relevant interests of the stakeholders in the company. The procedures of the Supervisory Board are defined in the company's Articles of Association and the Supervisory Board's by-laws. The Supervisory Board has also formulated a profile, which defines the Board's ideal size and composition. The Supervisory Board is composed such that the members are able to operate independently of and adopt a critical stance with respect to one another, the Managing Board and any partial interests. The by-laws and profile of the Supervisory Board are posted on the company's website.

Members of the Supervisory Board are appointed by the General Meeting of Shareholders on nomination by the Supervisory Board. The Managing Board, the General Meeting of Shareholders and the Employees' Council may nominate individuals for appointment to the Supervisory Board. The Employees' Council may object to an appointment proposed by the Supervisory Board. The Employees' Council has an enhanced right of recommendation with respect to the member of the Supervisory Board whose portfolio includes social policy.

General Meeting of Shareholders

KAS BANK encourages full participation by the shareholders in decision-making at the General Meeting by actively inviting as many shareholders and depositary receipt holders as possible to attend and minimising

the restrictions on voting rights. Subject to certain conditions, a holder of shares or depositary receipts representing one per cent (1%) of the issued capital can have an item placed on the agenda. The principle that shareholders have voting rights in the meeting and depositary receipt holders are only able to address the meeting is increasingly being abandoned. At least one General Meeting of Shareholders is held each year.

Depository receipt holders attending the General Meeting of Shareholders in person or represented by a proxy are, if requested, granted unrestricted and unconditional voting rights automatically by Stichting Administratiekantoor Aandelen KAS BANK ('Registrar's Office'). This means that voting rights will also be granted in time of 'war' (threatening hostile bid, if 25% or more of the issued share capital is held by one party or if the interests of the company are in jeopardy). The holder of depositary receipts may use his voting right according to his own views and may also provide the Registrar's Office with a binding instruction.

The initial statutory restriction that a shareholder or related group of shareholders may not hold more than 15% of the company's issued capital in the form of registered ordinary shares has been removed from the Articles of Association in 2006. The restriction on the exchangeability of depositary receipts into shares of a maximum of 15% of the company's issued capital has also been removed in 2006.

Financial reporting

The company's financial statements are examined by external auditors appointed by the General Meeting of Shareholders. The financial statements are drawn up by the Managing Board and are presented, after the above-mentioned audit and approval by the Supervisory Board, to the General Meeting of Shareholders for adoption and to the Employees' Council for discussion. Simultaneously with the presentation of the financial statements to the General Meeting of Shareholders, the Managing Board submits a written report on the course of affairs of the company and its management. The meeting of the Supervisory Board at which the financial

statements are discussed is attended by the external auditors.

At the Annual General Meeting of Shareholders, the Managing Board renders account to the investors for its management in the previous financial year and the Supervisory Board renders account for its supervision. The motion at the General Meeting to approve the annual accounts is followed by a motion that, with respect to the financial statements and related matters dealt with by the General Meeting, the Managing Board be discharged of liability for its management and the Supervisory Board of liability for its supervision in the past financial year. The profit remaining after appropriations to reserves is at the disposal of the General Meeting of Shareholders.

During 2007, KAS BANK has given a great deal of consideration to the recommendations of the Monitoring Committee for the Corporate Governance Code (the Monitoring Committee) regarding further guidelines for improving the interaction between Managing Board, Supervisory Board and shareholders. KAS BANK has contributed proactively to the debate. The bank has also taken note of the Monitoring Committee's third report on the subject of compliance with the Corporate Governance Code and with the Code's recommendations.

Corporate governance will continue to be given full attention by the Managing Board and Supervisory Board in the years ahead.

KAS BANK'S ANTI-TAKEOVER DEFENCES

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

The object of Stichting Preferente Aandelen KAS BANK is to protect the interests of the company, the enterprise associated therewith and all stakeholders, including safeguarding against influences which might impair the independence, continuity and/or identity of the company and the enterprise. A right has been granted to Stichting Preferente Aandelen KAS BANK to subscribe for cumulative preference shares in the capital of the company up to a nominal amount corresponding to 50%

of the nominal value of the capital in the form of ordinary shares in issue at the time of subscription for those shares. This right will be exercised by Stichting Preferente Aandelen KAS BANK at the discretion of its Executive Committee or if required by the company, on such grounds as the existence of (threatened) hostile intent or danger to the independence, continuity or identity of the company.

The Executive Committee of Stichting Preferente Aandelen KAS BANK consists of three independent members: Messrs. H.G. Eijgenhuijsen (chairman), R.A.L. Verstraeten and A.H.G. Rinnooy Kan. The chairman of the Supervisory Board, Mr. P. Ribourdouille, and the chairman of the Managing Board, Mr. A.A. Röell, are also members of the Executive Committee of Stichting Preferente Aandelen KAS BANK. Statements concerning the independence of the members of the Executive Committee of Stichting Preferente Aandelen KAS BANK by the Managing Board of the company and the Executive Committee of Stichting Preferente Aandelen KAS BANK can be found on page 105 of the annual report.

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