Principles of remuneration policy/remuneration report
Managing Board KAS BANK N.V.

The current remuneration policy for the Managing Board, which was adopted and approved by the General Meeting of Shareholders in 2007, 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 is assisted by KAS BANK's Internal Audit department in determining the components of the variable remuneration.

The current 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 (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.
A review in 2009 was deferred in connection with the credit crisis.

There was no review of the fixed salaries of the members of Managing Board in 2009 and they were not reviewed for 2010. The fixed annual salary of the chairman of the Managing Board has remained at €350,000 since 1 January 2008. The fixed annual salary of the other members of the Managing Board is between €225,000 and €250,000.

The annual short-term variable remuneration of the Managing Board is determined with reference to a number of performance criteria set by the Supervisory Board. Of these criteria, 70% are quantitative, in the form of KAS BANK's external financial targets, and 30% are qualitative, relating to operating performance and strategic policy. The quantitative criteria include the growth in income versus the growth in expenses, the efficiency ratio, the return on equity and the growth in earnings per share. In addition to the performance criteria, an individual criterion is also applied, based on the performance of each individual member of the Managing Board.

The performance criteria are selected such that they do not encourage members of the Managing Board to act in their own interests or take risks that are inconsistent with the approved strategy.

The criteria for 'at target' performance are above the lower limit of the external targets and above the operating results for the previous year. The 'at target' percentages of the fixed income for the short-term variable remuneration are 40% for the chairman and 30% for the other members of the Managing Board.

The bank ended 2009 with an improved result, higher operating profit and a strong balance sheet. Operating expenses were 3% lower, despite the consolidation of an acquisition in Germany and the cost of its integration into the organisation. The bank responded effectively to developments on the European capital markets with its interest and investment policy. As for the quantitative criteria, the growth in operating income was 2.4% higher than the growth in operating expenses, the efficiency ratio fell from 81% to 79% and earnings per share were 13% higher, which translated into a return on equity of 12% or a premium of 8.3% over the return on ten-year government loans. The qualitative criteria for 2009 focused principally on risk management and accounting organisation and on these criteria the Managing Board outperformed the targets by a substantial margin.

Based on the results measured against the quantitative and qualitative criteria, the chairman of the Managing Board has been awarded short-term variable remuneration for 2009 in accordance with the remuneration system of 48.4% of his fixed salary. The CFO has been awarded short-term variable remuneration for 2009 of 39.9% of his fixed salary and the other members of the Managing Board 36.3% of their fixed salary.

In accordance with the contract with Mr. Kadiks, the percentage for this former Managing Board member for 2009 was 92.6% for the period to the end of August 2009. Mr. Kadiks qualified for higher short-term variable remuneration because his contract made no provision for long-term variable remuneration.

The long-term variable remuneration does not become unconditional for three years. The long-term variable remuneration is calculated on the basis of the average growth in earnings per share over three years. 'At target' performance is defined as average growth in earnings per share of 10% per year over a period of three years. If 'at target' performance is achieved, the chairman of the Managing Board receives 50% of his fixed gross annual salary and the members of the Managing Board receive 40% of their fixed gross annual salary in the form of performance shares and options. Extraordinary income and expenses are not included.

Given the exceptionally poor results in 2008, no long-term variable remuneration would be payable in respect of the periods 2007-2009 and 2008-2010. The Supervisory Board takes the view that, given the extraordinary circumstances that prevailed in 2008, this would give rise to an inequitable situation in which the Managing Board would not qualify for long-term variable remuneration for a number of years. The new remuneration policy for the Managing Board provides a more balanced system of long-term variable remuneration and in particular takes better account of possible (extreme) excursions in the result, both upwards and downwards. The Supervisory Board also intends to apply the new remuneration policy to the current three-year period for the incumbent members of the Managing Board. This will result in an equitable and realistic outcome for the Managing Board over those periods.

Under the agreed pension plan for the Managing Board, which is a defined-contribution (DC) scheme, a fixed contribution of 24.9% was paid into each member's pension and life-course savings plan. The company also bore the cost of term life insurance and incapacity benefit insurance for members of the Managing Board. The expense allowance scheme for the Managing Board has been abolished.

A change-of-control clause has been agreed with the two new members of the Managing Board, under which they are entitled to one year's salary in the event of a change of control. This clause will also be included in the contracts with the other members of the Managing Board.

The remuneration report by the Supervisory Board has been posted on the company's website. The report explains how the remuneration policy has been applied in practice in the past year and provides an overview of the proposed remuneration policy for the coming years.
A revised remuneration policy for the Managing Board for 2010 has been placed on the agenda of the Annual General Meeting of Shareholders on 21 April 2010.