

CORPORATE GOVERNANCE KAS BANK N.V.

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, which has been published in the annual report of 2004, is presented below. The literal text of the code has been used as a basis. Each best-practice provision is followed by an explanation of KAS BANK stated in italic (*status as per May 2005*).

I. Compliance with and enforcement of the code

Principle **The management board and the supervisory board are responsible for the corporate governance structure of the company and compliance with this code. They are accountable for this to the general meeting of shareholders. Shareholders take careful note and make a thorough assessment of the reasons for any non-application of best-practice provisions of this code by the company. They should avoid adopting a 'box-ticking approach' when assessing the corporate governance structure of the company.**

Best-practice provisions

I.1 The broad outline of the corporate governance structure of the company shall be explained in a separate chapter of the annual report, partly by reference to the principles mentioned in this code. In this chapter the company shall indicate expressly to what extent it applies the best-practice provisions in this corporate governance code and, if it does not do so, why and to what extent it does not apply them.

KAS BANK already applies this best-practice provision. Since 1997, KAS BANK's annual report has included a separate chapter explaining the bank's corporate governance structure. In its 2003 annual report, KAS BANK explained how it planned to implement the code. This chapter summarises how and to what extent KAS BANK already complies or intends to comply with the code's best-practice provisions.

I.2 Each substantial change in the corporate governance structure of the company and in the compliance of the company with the code shall be submitted to the general meeting of shareholders for discussion under a separate agenda item.

KAS BANK already applies this best-practice provision. KAS BANK will discuss with its shareholders all material changes in its corporate governance structure and its compliance with the code.

II. Management board

II.1 Role and procedure

Principle **The role of the management board is to manage the company, which means, among other things, that it is responsible for achieving the company's aims, strategy and policy, and the related results. The management board is accountable for this to the supervisory board and to the general meeting of shareholders. In discharging its role, the management board shall be guided by the interests of the company and its affiliated enterprise, taking into consideration the interests of the company's stakeholders. The management board shall provide the supervisory board in good time with all information necessary for the exercise of the duties of the supervisory board.**

The management board is responsible for complying with all relevant legislation and regulations, for managing the risks associated with the company activities and for financing the company. The management board shall report related developments to and shall discuss the internal risk management and control systems with the supervisory board and its audit committee.

Best-practice provisions

II.1.1 *A management board member is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time. With regard to the duration of the contracts of employment of the members of the Managing Board, the bank's policy in the past has been that contracts are entered into for an indefinite period, ending on the normal pension date. It is not the bank's intention to alter its policy at this stage. In the present situation, where members of the Managing Board can legally be dismissed at any time by the body appointing them, it is no more difficult to remove dysfunctional members than it would be if fixed-term contracts of employment were introduced, as envisaged by the corporate governance code. Moreover, considerable legal uncertainty still exists surrounding these provisions of the code and the best solution at the practical level is still being sought. Another consideration is that, given the specialised nature of the company, a four-year term of office would be too short. It also has to be borne in mind that, as a specialised bank, KAS BANK seeks in principle to recruit Managing Board members internally and considers it desirable to apply similar contractual conditions to all members of its Managing Board. In the light of the uncertainty referred to above, fixed-duration contracts could prove more expensive. All these factors together argue for retaining our current position on the duration of Managing Board members' employment contracts. We shall continue to monitor social attitudes and developments in the legislation. Termination of the contract requires three months' notice on the part of the member of the Managing Board and six months' notice on the part of the company. KAS BANK's policy on redundancy is to pay compensation if it can reasonably be justified, taking into account all relevant circumstances. This policy is an element of the remuneration policy which was adopted by the General Meeting of Shareholders on 13 May 2004.*

II.1.2 The management board shall submit to the supervisory board for approval:

- a) the operational and financial objectives of the company;
- b) the strategy designed to achieve the objectives;
- c) the parameters to be applied in relation to the strategy, for example in respect of the financial ratios.

The main elements shall be mentioned in the annual report.

KAS BANK already applies this best-practice provision. These items are submitted by KAS BANK's Managing Board to the Supervisory Board for approval. The main points are discussed in the section of the annual report entitled 'Strategy and objectives'.

II.1.3 The company shall have an internal risk management and control system that is suitable for the company. It shall, in any event, employ as instruments of the internal risk management and control system:

- a) risk analyses of the operational and financial objectives of the company;
- b) a code of conduct which should, in any event, be published on the company's website;
- c) guides for the layout of the financial reports and the procedures to be followed in drawing up the reports; and
- d) a system of monitoring and reporting.

KAS BANK already applies this best-practice provision. Reference is made to the section of the annual report entitled 'Risk control and monitoring systems'. The code of conduct is in preparation.

II.1.4 The management board shall declare in the annual report that the internal risk management and control systems are adequate and effective and shall provide clear substantiation of this. In the annual report, the management board shall report on the operation of the internal risk management and control system during the year under review. In doing so, it shall describe any significant changes that have been made and any major improvements that are planned, and shall confirm that they have been discussed with the audit committee and the supervisory board.

In compliance with this best-practice provision, the annual report includes a separate section entitled 'Risk control and monitoring systems', which describes the structure and operation of these internal systems. The bank will continue to work in the period ahead on evaluating and improving the structure and operation of its internal risk control and monitoring systems.

- II.1.5 The management board shall, in the annual report, set out the sensitivity of the results of the company to external factors and variables.

KAS BANK already applies this best-practice provision. The sensitivity of the company's results to external circumstances is disclosed in the 'Report of the Managing Board' and the section entitled 'Risk control and monitoring systems'.

- II.1.6 The management board shall ensure that employees have the possibility of reporting alleged irregularities of a general, operational and financial nature in the company to the chairman of the management board or to an official designated by him, without jeopardising their legal position. Alleged irregularities concerning the functioning of management board members shall be reported to the chairman of the supervisory board. The arrangements for whistleblowers shall in any event be posted on the company's website.

KAS BANK will apply this best-practice provision. A whistleblower's charter is being developed. Arrangements of this kind require careful preparation and consultation with various parties concerned in order to ensure adequate support. The arrangements also have to be consistent with the other rules and procedures for reporting incidents or complaints.

- II.1.7 A management board member may not be a member of the supervisory board of more than two listed companies. Nor may a management board member be the chairman of the supervisory board of a listed company. Membership of the supervisory board of other companies within the group to which the company belongs does not count for this purpose. The acceptance by a management board member of membership of the supervisory board of a listed company requires the approval of the supervisory board. Other important positions held by a management board member shall be notified to the supervisory board.

KAS BANK already applies this best-practice provision.

II.2 Remuneration

Amount and composition of the remuneration

- Principle** **The amount and structure of the remuneration which the management board members receive from the company for their work shall be such that qualified and expert managers can be recruited and retained. If the remuneration consists of a fixed and a variable part, the variable part shall be linked to previously-determined, measurable and influenceable targets, which must be achieved partly in the short term and partly in the long term. The variable part of the remuneration is designed to strengthen the board members' commitment to the company and its objectives.**

The remuneration structure, including severance pay, is such that it promotes the interests of the company in the medium and long term, does not encourage management board members to act in their own interests and neglect the interests of the company and does not 'reward' failing board members upon termination of their employment. The level and structure of remuneration shall be determined in the light of, among other things, the results, the share price performance and other developments relevant to the company.

The shares held by a management board member in the company on whose board he sits are long-term investments. The amount of compensation which a management

board member may receive on termination of his employment may not exceed one year's salary, unless this would be manifestly unreasonable in the circumstances.

Best-practice provisions

II.2.1 Options to acquire shares are a conditional remuneration component, and become unconditional only when the management board members have fulfilled predetermined performance criteria after a period of at least three years from the grant date.

KAS BANK does not grant conditional options to members of the Managing Board in the context of its option scheme, but does grant unconditional options which satisfy the stated criteria. The bank's position is explained in the notes on the next best-practice provision.

II.2.2 If the company, notwithstanding best-practice provision II.2.1, grants unconditional options to management board members, it shall apply performance criteria when doing so and the options should, in any event, not be exercised in the first three years after they have been granted.

KAS BANK already applies this best-practice provision. Under its stock option plan, KAS BANK grants unconditional options to members of its Managing Board, which are allocated on the basis of performance criteria. The members of the Managing Board cannot exercise their options for three years. The stock option plan for the Managing Board is discussed in greater detail in the 'Report of the Managing Board', under the heading 'Remuneration policy'. The 'Regulations of the KAS BANK Staff Stock Option Plan' were discussed with the shareholders and approved by the General Meeting of Shareholders on 13 May 2004.

II.2.3 Shares granted to management board members without financial consideration shall be retained for a period of at least five years or until at least the end of the employment, if this period is shorter. The number of shares to be granted shall be dependent on the achievement of clearly quantifiable and challenging targets specified beforehand.

KAS BANK already applies this best-practice provision. The scheme under which KAS BANK shares or depositary receipts are to be allocated to members of the Managing Board without financial consideration has been formulated and will be submitted for approval to the General Meeting of Shareholders on 12 May 2005. This scheme complies with the stated criteria. The allocation of shares to members of the Managing Board will be conditional. Final allocation will depend on the achievement of clearly quantifiable and challenging targets which are specified in advance. The allocated options must be retained for five years in each case.

II.2.4 The option exercise price shall not be fixed at a level lower than a verifiable price or a verifiable price average in accordance with the official listing on one or more predetermined days during a period of not more than five trading days prior to and including the day on which the option is granted.

KAS BANK already applies this best-practice provision. The option exercise price is determined on the basis of the average share price on one or more days prior to the grant of the option. This is also laid down in the 'Regulations of the KAS BANK Staff Stock Option Plan'.

II.2.5 Neither the exercise price nor the other conditions regarding the granted options shall be modified during the term of the options, except in so far as prompted by structural changes relating to the shares or the company in accordance with established market practice.

KAS BANK already applies this best-practice provision. The policy is not to vary the exercise price and/or other conditions relating to options once granted. The

'Regulations of the KAS BANK Staff Stock Option Plan' make an exception, however, for changes in the share capital due to share splits, reductions in capital, share issues, stock dividends and similar actions.

- II.2.6 The supervisory board shall draw up regulations concerning ownership of and transactions in securities by management board members, other than securities issued by their 'own' company. The regulations shall be posted on the company's website. A management board member shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the company has not appointed a compliance officer, to the chairman of the supervisory board. A management board member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.

KAS BANK already applies this best-practice provision. The 'Regulations on Insider Trading by and Private Investment Transactions of KAS BANK N.V. Employees', which also apply to the members of the Managing Board, impose rules relating to ownership of and transactions in securities other than those issued by their 'own' company and transactions in securities issued by KAS BANK itself. All members of the Managing Board are required to notify the bank's Compliance Officer immediately of their private transactions in KAS BANK shares and in other securities, with the exception of transactions in investment funds with a (semi-) open-ended structure and government bonds issued by OECD countries. KAS BANK intends to formulate separate regulations for the investments of members of the Managing Board. When finalised, these regulations will be posted on the company's website.

- II.2.7 The maximum remuneration in the event of dismissal is one year's salary (the 'fixed' remuneration component). If the maximum of one year's salary would be manifestly unreasonable for a management board member who is dismissed during his first term of office, such board member shall be eligible for a severance pay not exceeding twice the annual salary.

KAS BANK's policy on severance arrangements for members of the Managing Board is to pay compensation if it can reasonably be justified, taking into account all relevant circumstances. This is an element of the remuneration policy adopted by the General Meeting of Shareholders on 13 May 2004.

- II.2.8 The company shall not grant its management board members any personal loans, guarantees or the like unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the supervisory board. No remission of loans shall be granted.

KAS BANK already applies this best-practice provision. All loans or credit advanced by the bank to members of the Managing Board are on market terms and in conformity with the Nederlandsche Bank's regulations on credit facilities to individual directors or other senior officers (Regeling Bestuurderskredieten). The granting of loans or credit to members of the Managing Board is subject to the approval of the Supervisory Board. Loans are not waived.

Determination and disclosure of remuneration

- Principle** The report of the supervisory board shall include the principal points of the remuneration report of the supervisory board concerning the remuneration policy of the company, as drawn up by the remuneration committee. The notes to the annual accounts shall, in any event, contain the information prescribed by law on the level and structure of the remuneration of the individual members of the management board. The remuneration policy proposed for the next financial year and subsequent years as specified in the remuneration report shall be submitted to the general meeting of shareholders for adoption. Every

material change in the remuneration policy shall also be submitted to the general meeting of shareholders for adoption. Schemes whereby management board members are remunerated in the form of shares or rights to subscribe for shares, and major changes to such schemes, shall be submitted to the general meeting of shareholders for approval.

The supervisory board shall determine the remuneration of the individual members of the management board, on a proposal by the remuneration committee, within the scope of the remuneration policy adopted by the general meeting of shareholders.

Best-practice provisions

II.2.9 The remuneration report of the supervisory board shall contain an account of the manner in which the remuneration policy has been implemented in the past financial year, as well as an overview of the remuneration policy planned by the supervisory board for the next financial year and subsequent years.

KAS BANK already applies this best-practice provision. The 'Report of the Supervisory Board' in the annual report provides an overview of the remuneration policy and verifies that the remuneration of the members of the Managing Board was in accordance with the duly adopted remuneration policy. The remuneration policy as adopted by the General Meeting of Shareholders is discussed at length in the 'Report of the Managing Board'.

II.2.10 The overview referred to in II.2.9 shall, in any event, contain the following information:

- a) a statement of the relative importance of the variable and non-variable remuneration components and an explanation of this ratio;
- b) an explanation of any absolute change in the non-variable remuneration component;
- c) if applicable, the composition of the group of companies (peer group) whose remuneration policy determines in part the level and composition of the remuneration of the management board members;
- d) a summary and explanation of the company's policy with regard to the term of the contracts with management board members, the applicable periods of notice and redundancy schemes and an explanation of the extent to which best-practice provision II.2.7 is endorsed;
- e) a description of the performance criteria on which any right of the management board members to options, shares or other variable remuneration components is dependent;
- f) an explanation of the chosen performance criteria;
- g) a summary of the methods that will be applied in order to determine whether the performance criteria have been fulfilled and an explanation of the choice of these methods;
- h) if performance criteria are based on a comparison with external factors, a summary should be given of the factors that will be used to make the comparison; if one of the factors relates to the performance of one or more companies (peer group) or of an index, it should be stated which companies or which index has been chosen as the yardstick for comparison;
- i) a description and explanation of each proposed change to the conditions on which a management board member can acquire rights to options, shares or other variable remuneration components;
- j) if any right of a management board member to options, shares or other variable remuneration components is not performance-related, an explanation of why this is the case;
- k) current pension schemes and the related financing costs;
- l) agreed arrangements for the early retirement of management board members.

KAS BANK already applies this best-practice provision. These elements are part of the remuneration policy discussed in the 'Report of the Managing Board'.

II.2.11 The main elements of the contract of a management board member with the company shall be made public immediately after it is concluded. These elements shall in any event include the amount of the fixed salary, the structure and amount of the variable remuneration component, any redundancy scheme, pension arrangements and performance criteria.

The contracts with the individual members of the Managing Board are consistent with the remuneration policy adopted by the General Meeting of Shareholders which, in the company's view, provides adequate transparency.

II.2.12 If a management board member or former management board member is paid special remuneration during a given financial year, an explanation of this remuneration shall be included in the remuneration report. The remuneration report shall in any event account for and explain remuneration paid or promised in the year under review to a management board member by way of severance pay.

KAS BANK already applies this best-practice provision.

II.2.13 The remuneration report of the supervisory board shall, in any event, be posted on the company's website.

KAS BANK already applies this best-practice provision. The remuneration report of the Supervisory Board is posted on the company's website as part of the 'Report of the Supervisory Board'.

II.2.14 The company shall state in the notes to the annual accounts, in addition to the information to be included pursuant to article 2:383d of the Civil Code, the value of any options granted to the management board and the personnel and shall indicate how this value is determined.

KAS BANK already applies this best-practice provision.

II.3 Conflicts of interest

Principle Any conflict of interest or apparent conflict of interest between the company and management board members shall be avoided. Decisions to enter into transactions under which management board members would have conflicts of interest that are of material significance to the company and/or to the relevant management board member require the approval of the supervisory board.

Best-practice provisions

II.3.1 A management board member shall:

- a) not enter into competition with the company;
- b) not demand or accept (substantial) gifts from the company for himself or for his wife, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree;
- c) not provide unjustified advantages to third parties to the detriment of the company;
- d) not take advantage of business opportunities to which the company is entitled for himself or for his wife, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree.

KAS BANK already applies this best-practice provision, with which the members of the Managing Board comply.

II.3.2 A management board member shall immediately report any conflict of interest or potential conflict of interest that is of material significance to the company and/or to him, to the chairman of the supervisory board and to the other members of the management board and shall provide all relevant information, including information concerning his wife, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. The supervisory board shall

decide, without the management board member concerned being present, whether there is a conflict of interest. A conflict of interests exists, in any event, if the company intends to enter into a transaction with a legal entity (i) in which a management board member personally has a material financial interest; (ii) which has a management board member who has a relationship under family law with a management board member of the company, or (iii) in which a management board member of the company has a management or supervisory position.

KAS BANK already applies this best-practice provision, with which the members of the Managing Board comply.

- II.3.3 A management board member shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a conflict of interest with the company.

KAS BANK already applies this best-practice provision, with which the members of the Managing Board comply.

- II.3.4 All transactions in which there are conflicts of interest with management board members shall be agreed on terms that are customary in the sector concerned. Decisions to enter into transactions in which there are conflicts of interest with management board members that are of material significance to the company and/or to the relevant board members require the approval of the supervisory board. Such transactions shall be published in the annual report, together with a statement of the conflict of interest and a declaration that best-practice provisions II.3.2 to II.3.4 inclusive have been complied with.

KAS BANK already applies this best-practice provision, with which the members of the Managing Board comply.

III. Supervisory Board

III.1 Role and procedure

Principle -The role of the supervisory board is to supervise the policies of the management board and the general affairs of the company and its affiliated enterprise, as well as to assist the management board by providing advice. In discharging its role, the supervisory board shall be guided by the interests of the company and its affiliated enterprise, and shall take into account the relevant interests of the company's stakeholders. The supervisory board is responsible for the quality of its own performance.

Best-practice provisions

- III.1.1 The division of duties within the supervisory board and the procedure of the supervisory board shall be laid down in a set of regulations. The supervisory board shall include in the regulations a paragraph dealing with its relations with the management board, the general meeting of shareholders and the works council, where relevant. The regulations shall, in any event, be posted on the company's website.

KAS BANK already applies this best-practice provision. The allocation of duties within and procedures of the Supervisory Board are laid down in the by-laws of the Supervisory Board, which include a section dealing with its relations with the Managing Board, the General Meeting of Shareholders and the Employees' Council. The by-laws of the Supervisory Board are currently being revised and will be posted on the company's website in 2005.

- III.1.2 The annual financial report of the company shall include a report of the supervisory board in which the supervisory board describes its activities in the financial year and

which includes the specific statements and information required by the provisions of this code.

KAS BANK already applies this best-practice provision. The Supervisory Board renders account for its activities in the financial year in the 'Report of the Supervisory Board', which is part of the annual report. It also includes the specific statements and information required by the code.

- III.1.3 The following information about each supervisory board member shall be included in the report of the supervisory board:
- a) gender;
 - b) age;
 - c) profession;
 - d) principal position;
 - e) nationality;
 - f) other positions, in so far as they are relevant to the performance of the duties of the supervisory board member;
 - g) date of initial appointment;
 - h) the current term of office.

KAS BANK already applies this best-practice provision. This information is provided in the Personal data section at the front of the annual report.

- III.1.4 A supervisory board member shall retire early in the event of inadequate performance, structural incompatibility of interests, and in other instances in which this is deemed necessary by the supervisory board.

KAS BANK already applies this best-practice provision.

- III.1.5 Supervisory board members who are frequently absent shall be called to account for this. The report of the supervisory board shall state which supervisory board members have been frequently absent from meetings of the supervisory board.

KAS BANK already applies this best-practice provision.

- III.1.6 The supervision of the management board by the supervisory board shall include:
- a) achievement of the company's objectives;
 - b) corporate strategy and the risks inherent in the business activities;
 - c) the structure and operation of the internal risk management and control systems;
 - d) the financial reporting process;
 - e) compliance with the legislation and regulations.

KAS BANK already applies this best-practice provision. These tasks are defined in the by-laws of the Supervisory Board.

- III.1.7 The supervisory board shall discuss at least once a year on its own, i.e. without the management board being present, both its own functioning and that of its individual members, and the conclusions that must be drawn on the basis thereof. The desired profile, composition and competence of the supervisory board shall also be discussed. Moreover, the supervisory board shall discuss at least once a year without the management board being present both the functioning of the management board as an organ of the company and the performance of its individual members, and the conclusions that must be drawn on the basis thereof. Reference to these discussions shall be made in the report of the supervisory board.

KAS BANK already applies this best-practice provision. This requirement is defined in the by-laws of the Supervisory Board and account is rendered of these discussions in the 'Report of the Supervisory Board' in the annual report.

III.1.8 The supervisory board shall discuss at least once a year the corporate strategy and the risks of the business, and the result of the assessment by the management board of the structure and operation of the internal risk management and control systems, as well as any significant changes thereto. Reference to these discussions shall be made in the report of the supervisory board.

KAS BANK already applies this best-practice provision. This requirement is defined in the by-laws of the Supervisory Board and account is rendered of these discussions in the 'Report of the Supervisory Board' in the annual report.

III.1.9 The supervisory board and its individual members each have their own responsibility for obtaining all information from the management board and the external auditor that the supervisory board needs in order to be able to carry out its duties properly as a supervisory organ. If the supervisory board considers it necessary, it may obtain information from officers and external advisers of the company. The company shall provide the necessary means for this purpose. The supervisory board may require that certain officers and external advisers attend its meetings.

KAS BANK already applies this best-practice provision. This requirement will be defined more closely in the by-laws of the Supervisory Board.

III.2 Independence

Principle The composition of the supervisory board shall be such that the members are able to act critically and independently of one another and of the management board and any particular interests.

Best-practice provisions

III.2.1 All supervisory board members, with the exception of not more than one person, shall be independent within the meaning of best-practice provision III.2.2.

KAS BANK already applies this best-practice provision. This principle is defined in the by-laws of the Supervisory Board. All members of KAS BANK's Supervisory Board are currently independent within the meaning of best-practice provision III.2.2.

III.2.2 A supervisory board member shall be deemed to be independent if the following criteria of dependence do not apply to him. The said criteria are that the supervisory board member concerned or his wife, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree:

- a) has been an employee or member of the management board of the company (including associated companies as referred to in section 1 of the Disclosure of Major Holdings in Listed Companies Act (WMZ) 1996) in the five years prior to the appointment;
- b) receives personal financial compensation from the company, or a company associated with it, other than the compensation received for the work performed as a supervisory board member and in so far as this is not in keeping with the normal course of business;
- c) has had an important business relationship with the company, or a company associated with it, in the year prior to the appointment. This includes the case where the supervisory board member, or the firm of which he is a shareholder, partner, associate or adviser, has acted as adviser to the company (consultant, external auditor, civil notary and lawyer) and the case where the supervisory board member is a management board member or an employee of any bank with which the company has a lasting and significant relationship;
- d) is a member of the management board of a company in which a member of the management board of the company which he supervises is a supervisory board member;
- e) holds at least ten percent of the shares in the company (including the shares held by natural persons or legal entities which cooperate with him under an express or tacit, oral or written agreement);

- f) is a member of the management board or supervisory board – or is a representative in some other way – of a legal entity which holds at least ten percent of the shares in the company, unless such entity is a member of the same group as the company;
- g) has temporarily managed the company during the previous twelve months where management board members have been absent or unable to discharge their duties.

KAS BANK already applies this best-practice provision.

- III.2.3 The report of the supervisory board shall state that, in the view of the supervisory board members, best-practice provision III.2.1 has been fulfilled, and shall also state which supervisory board member is not considered to be independent, if any.

KAS BANK already applies this best-practice provision. The 'Report of the Supervisory Board' states that, in the opinion of the Supervisory Board, best-practice provision III.2.1 of the code is satisfied.

III.3 Expertise and composition

Principle

Each supervisory board member shall be capable of assessing the broad outline of the overall policy. Each supervisory board member shall have the specific expertise required for the fulfilment of the duties assigned to the role designated to him within the framework of the supervisory board profile. The composition of the supervisory board shall be such that it is able to carry out its duties properly. A supervisory board member shall be reappointed only after careful consideration. The profile criteria referred to above shall also be fulfilled in the case of a reappointment.

Best-practice provisions

- III.3.1 The supervisory board shall prepare a profile of its size and composition, taking account of the nature of the business, its activities and the desired expertise and background of the supervisory board members. The profile shall be made generally available and shall, in any event, be posted on the company's website.

KAS BANK already applies this best-practice provision. The Supervisory Board has drawn up a profile defining its ideal size and composition, taking account of the nature of the enterprise, its activities and the desired expertise and background of the Supervisory Board members. The Supervisory Board profile was discussed at the General Meeting of Shareholders on 13 May 2004 and will be on the agenda again on 12 May 2005. The Supervisory Board profile has been posted on the company's website.

- III.3.2 At least one member of the supervisory board shall be a financial expert, in the sense that he has relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.

KAS BANK already applies this best-practice provision. The Managing Board takes the view that each member of the Supervisory Board should possess adequate knowledge of and experience in financial control. This principle is embodied in the Supervisory Board profile.

- III.3.3 After their appointment, all supervisory board members shall follow an induction programme, which, in any event, covers general financial and legal affairs, financial reporting by the company, any specific aspects that are unique to the company and its business activities, and the responsibilities of a supervisory board member. The supervisory board shall conduct an annual review to identify any aspects with regard to which the supervisory board members require further training or education during their period of appointment. The company shall play a facilitating role in this respect.

KAS BANK already applies this best-practice provision. An induction programme for new members of the Supervisory Board is being implemented. Regular presentations are given to the Supervisory Board on specific aspects which are unique to KAS BANK and its business activities. An assessment will be made to identify any areas in which members of the Supervisory Board require further training or education.

- III.3.4 The number of supervisory boards of Dutch listed companies of which an individual may be a member shall be limited to such an extent that the proper performance of his duties is assured; the maximum number is five, for which purpose the chairmanship of a supervisory board counts double.

KAS BANK already applies this best-practice provision. No member of the Supervisory Board is currently a member of the supervisory boards of more than five Dutch listed companies.

- III.3.5 A person may be appointed to the supervisory board for a maximum of three 4-year terms.

KAS BANK already applies this best-practice provision. This principle is embodied in the Supervisory Board profile.

- III.3.6 The supervisory board shall draw up a retirement schedule in order to avoid, as far as possible, a situation in which many supervisory board members retire at the same time. The retirement schedule shall be made generally available and shall, in any event, be put on the company's website.

KAS BANK already applies this best-practice provision. The Supervisory Board has drawn up a retirement rota. This is included in the annual report, which is posted on the company's website.

- III.4 Role of the chairman of the supervisory board and the company secretary**
Principle **The chairman of the supervisory board determines the agenda, chairs the supervisory board meetings, monitors the proper functioning of the supervisory board and its committees, arranges for the adequate provision of information to the members, ensures that there is sufficient time for making decisions, arranges for the induction and training programme for the members, acts on behalf of the supervisory board as the main contact for the management board, initiates the evaluation of the functioning of the supervisory board and the management board and ensures, as chairman, the orderly and efficient conduct of the general meeting of shareholders. The chairman of the supervisory board is assisted in his role by the company secretary.**

Best-practice provisions

- III.4.1 The chairman of the supervisory board shall see to it that:
- a) the supervisory board members follow their induction and education or training programme;
 - b) the supervisory board members receive in good time all information which is necessary for the proper performance of their duties;
 - c) there is sufficient time for consultation and decision-making by the supervisory board;
 - d) the committees of the supervisory board function properly;
 - e) the performance of the management board members and supervisory board members is assessed at least once a year;
 - f) the supervisory board elects a vice-chairman;
 - g) the supervisory board has proper contact with the management board and the works council (or central works council).

KAS BANK already applies this best-practice provision. These tasks and responsibilities are performed by the chairman of the Supervisory Board.

III.4.2 The chairman of the supervisory board shall not be a former member of the management board of the company.

KAS BANK already applies this best-practice provision.

III.4.3 The supervisory board shall be assisted by the company secretary. The company secretary shall see to it that the correct procedures are followed and that the supervisory board acts in accordance with its statutory obligations and its obligations under the articles of association. He shall assist the chairman of the supervisory board in the actual organisation of the affairs of the supervisory board (information, agenda, evaluation, training programme, etc.). The company secretary shall, either on the recommendation of the supervisory board or otherwise, be appointed and dismissed by the management board, after the approval of the supervisory board has been obtained.

-KAS BANK already applies this best-practice provision. The company secretary is responsible for ensuring that the Supervisory Board acts in accordance with the statutory provisions and the provisions of the Articles of Association. The company secretary assists the chairman of the Supervisory Board in this regard.

III.5
Principle Composition and role of three key committees of the supervisory board
-If the supervisory board consists of more than four members, it shall appoint from among its members an audit committee, a remuneration committee and a selection and appointment committee. The function of the committees is to prepare the decision-making of the supervisory board. If the supervisory board decides not to appoint an audit committee, remuneration committee or selection and appointment committee, best-practice provisions III.5.4, III.5.5, III.5.8, III.5.9, III.5.10, III.5.13, V.1.2, V.2.3 and V.3.1 shall apply to the entire supervisory board. In its report, the supervisory board shall report on how the duties of the committees have been carried out in the financial year.

Best-practice provisions

III.5.1 -The supervisory board shall draw up a set of regulations for each committee. The regulations shall indicate the role and responsibility of the committee concerned, its composition and the manner in which it discharges its duties. The regulations shall in any event contain a provision that a maximum of one member of each committee need not be independent within the meaning of best-practice provision III.2.2. The regulations and the composition of the committees shall, in any event, be posted on the company's website.

KAS BANK will apply this best-practice provision. The Supervisory Board has appointed three committees: the Risk Management Supervision Committee, the Audit Committee and the Appointments and Remuneration Committee. Terms of reference have been drawn up for the Audit Committee by the Supervisory Board. The tasks and responsibilities of the other two committees are defined in the by-laws of the Supervisory Board. Individual by-laws will be drawn up by the Supervisory Board for each committee, which will be posted on the company's website.

III.5.2 The report of the supervisory board shall state the composition of the individual committees, the number of committee meetings and the main items discussed.

KAS BANK already applies this best-practice provision. The information referred to is provided in the 'Report of the Supervisory Board'.

III.5.3 The supervisory board shall receive from each of the committees a report of its deliberations and findings.

KAS BANK already applies this best-practice provision. The minutes of all committee meetings are discussed by the Supervisory Board.

Audit committee

- III.5.4 The audit committee shall in any event focus on supervising the activities of the management board with respect to the operation of the internal risk management and control systems, including supervision of the enforcement of the relevant legislation and regulations, and supervising the operation of codes of conduct;
- a) the provision of financial information by the company (choice of accounting policies, application and assessment of the effects of new rules, information about the handling of estimated items in the annual accounts, forecasts, work of internal and external auditors, etc.);
 - b) compliance with recommendations and observations of internal and external auditors;
 - c) the role and functioning of the internal audit department;
 - d) the policy of the company on tax planning;
 - e) -relations with the external auditor, including, in particular, his independence, remuneration and any non-audit services for the company;
 - f) the financing of the company;
 - g) the applications of information and communication technology (ICT).

KAS BANK already applies this best-practice provision. The Supervisory Board has allocated these duties and responsibilities to the Audit Committee and the Risk Management Supervision Committee. Together, the committees cover all the areas mentioned. The internal risk control and monitoring systems fall within the terms of reference of both committees, in the case of the Audit Committee from the financial accounting viewpoint and in the case of the Risk Management Supervision Committee from the banking viewpoint. The allocation of responsibilities to the two committees is discussed in the Report of the Supervisory Board.

- III.5.5 The audit committee shall act as the principal contact for the external auditor if he discovers irregularities in the content of the financial reports.

KAS BANK already applies this best-practice provision.

- III.5.6 The audit committee shall not be chaired by the chairman of the supervisory board or by a former member of the management board of the company.

KAS BANK already applies this best-practice provision. The chairman of the Supervisory Board does not chair the Audit Committee.

- III.5.7 At least one member of the audit committee shall be a financial expert within the meaning of best-practice provision III.3.2.

KAS BANK already applies this best-practice provision.

- III.5.8 The audit committee shall decide whether and, if so, when the chairman of the management board (chief executive officer), the chief financial officer, the external auditor and the internal auditor, should attend its meetings.

KAS BANK already applies this best-practice provision. It is normal practice for the chairman of the Managing Board, the controller and the internal and external auditors to attend the meetings of the Audit Committee. Depending on the business to be transacted, other senior managers of the bank are invited to attend the meetings.

- III.5.9 The audit committee shall meet with the external auditor as often as it considers necessary, but at least once a year, without management board members being present.

KAS BANK already applies this best-practice provision. In principle, the Audit Committee meets the external auditors once a year, in the absence of the Managing Board, after the regular meeting.

Remuneration committee

- III.5.10 The remuneration committee shall in any event have the following duties:
- a) drafting a proposal to the supervisory board for the remuneration policy to be pursued;
 - b) drafting a proposal for the remuneration of the individual members of the management board, for adoption by the supervisory board; such proposal shall, in any event, deal with: (i) the remuneration structure and (ii) the amount of the fixed remuneration, the shares and/or options to be granted and/or other variable remuneration components, pension rights, redundancy pay and other forms of compensation to be awarded, as well as the performance criteria and their application;
 - c) preparing the remuneration report as referred to in best-practice provision

The Supervisory Board has appointed an Appointments and Remuneration Committee, which is a combination of the remuneration committee and the selection and appointment committee referred to in the code. For a small cap company such as KAS BANK, little value is added by appointing two separate committees. The duties referred to in this best-practice provision are performed by the Appointments and Remuneration Committee, consisting of four members. The duties and responsibilities of the Appointments and Remuneration Committee are discussed in the 'Report of the Supervisory Board'.

- III.5.11 The remuneration committee shall not be chaired by the chairman of the supervisory board or by a former member of the management board of the company, or by a supervisory board member who is a member of the management board of another listed company.

The Appointments and Remuneration Committee is chaired by the chairman of KAS BANK's Supervisory Board. As explained in the comments on best-practice III.5.10, there is no good reason for KAS BANK to split this committee. KAS BANK considers the chairman of the Supervisory Board to be eminently suited to chair this committee and attaches great value to his coordinating role and overview in respect of the selection and appointment of members of the Supervisory Board and Managing Board.

- III.5.12 No more than one member of the remuneration committee shall be a member of the management board of another Dutch listed company.

KAS BANK already applies this best-practice provision. No member of the Appointments and Remuneration Committee is currently a member of the management board of another Dutch listed company.

Selection and appointment committee

- III.5.13 The selection and appointment committee shall in any event focus on:
- a) drawing up selection criteria and appointment procedures for supervisory board members and management board members;
 - b) periodically assessing the size and composition of the supervisory board and the management board, and making a proposal for a composition profile of the supervisory board;
 - c) periodically assessing the functioning of individual supervisory board members and management board members, and reporting on this to the supervisory board;
 - d) making proposals for appointments and reappointments;
 - e) supervising the policy of the management board on the selection criteria and appointment procedures for senior management.

As explained with reference to best-practice provision III.5.10 of the code, the Supervisory Board has combined the selection and appointment committee and the remuneration committee referred to in the code to form the Appointments and Remuneration Committee. The duties referred to here are performed by the

Appointments and Remuneration Committee, except that the periodic assessment of the functioning of individual members of the Supervisory Board and Managing Board are discussed in the annual (plenary) meeting of the Supervisory Board, which is not attended by the Managing Board.

III.6 Conflicts of interest

Principle Any conflict of interest or apparent conflict of interest between the company and supervisory board members shall be avoided. Decisions to enter into transactions under which supervisory board members would have conflicts of interest that are of material significance to the company and/or to the relevant supervisory board members require the approval of the supervisory board. The supervisory board is responsible for deciding on how to resolve conflicts of interest between management board members, supervisory board members, major shareholders and the external auditor on the one hand and the company on the other.

Best-practice provisions

III.6.1 A supervisory board member shall immediately report any conflict of interest or potential conflict of interest that is of material significance to the company and/or to him, to the chairman of the supervisory board and shall provide all relevant information, including information concerning his wife, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. If the chairman of the supervisory board has a conflict of interest or potential conflict of interest that is of material significance to the company and/or to him, he shall report this immediately to the vice-chairman of the supervisory board and shall provide all relevant information, including information concerning his wife, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. The supervisory board member concerned shall not take part in the assessment by the supervisory board of whether a conflict of interest exists. A conflict of interest exists in any event if the company intends to enter into a transaction with a legal entity i) in which a supervisory board member personally has a material financial interest; ii) which has a management board member who has a relationship under family law with a member of the supervisory board of the company, or iii) in which a member of the supervisory board of the company has a management or supervisory position.

KAS BANK already applies this best-practice provision, with which the members of the Supervisory Board comply. The procedure in the event of an actual or potential conflict of interest with a member of the Supervisory Board is defined in the by-laws of the Supervisory Board. The relevant provision will be brought into line with this best-practice provision.

III.6.2 A supervisory board member shall not take part in a discussion and/or decision-making on a subject or transaction in relation to which he has a conflict of interest with the company.

KAS BANK already applies this best-practice provision, with which the members of the Supervisory Board comply. This principle is embodied in the by-laws of the Supervisory Board.

III.6.3 All transactions in which there are conflicts of interest with supervisory board members shall be agreed on terms that are customary in the sector concerned. Decisions to enter into transactions in which there are conflicts of interest with supervisory board members that are of material significance to the company and/or to the relevant supervisory board members require the approval of the supervisory board. Such transactions shall be published in the annual report, together with a statement of the conflict of interest and a declaration that best-practice provisions III.6.1 to III.6.3 inclusive have been complied with.

KAS BANK already applies this best-practice provision, with which the members of the Supervisory Board comply.

- III.6.4 All transactions between the company and legal or natural persons who hold at least ten percent of the shares in the company shall be agreed on terms that are customary in the sector concerned. Decisions to enter into transactions in which there are conflicts of interest with such persons that are of material significance to the company and/or to such persons require the approval of the supervisory board. Such transactions shall be published in the annual report, together with a declaration that best-practice provision III.6.4 has been observed.

KAS BANK already applies this best-practice provision, which will be included in the by-laws of the Supervisory Board. No transactions such as those referred to here were engaged in by the company in 2004.

- III.6.5 The regulations of the supervisory board shall contain rules on dealing with conflicts of interest and potential conflicts of interest between management board members, supervisory board members and the external auditor on the one hand and the company on the other. The regulations shall also stipulate which transactions require the approval of the supervisory board.

KAS BANK will apply this best-practice provision. The by-laws of the Supervisory Board will be brought into line with it.

- III.6.6 A delegated supervisory board member is a supervisory board member who has a special duty. The delegation may not extend beyond the duties of the supervisory board itself and may not include the management of the company. It may entail more intensive supervision and advice and more regular consultation with the management board. The delegation shall be of a temporary nature only. The delegation may not detract from the role and power of the supervisory board. The delegated supervisory board member remains a member of the supervisory board.

KAS BANK already applies this best-practice provision.

- III.6.7 A supervisory board member who temporarily takes on the management of the company, where the management board members are absent or unable to fulfil their duties, shall resign from the supervisory board.

KAS BANK already applies this best-practice provision. This principle is embodied in the by-laws of the Supervisory Board.

III.7 Remuneration

Principle -The general meeting of shareholders shall determine the remuneration of supervisory board members. The remuneration of a supervisory board member is not dependent on the results of the company. The notes to the annual accounts shall, in any event, contain the information prescribed by law on the level and structure of the remuneration of individual supervisory board members.

Best-practice provisions

- III.7.1 A supervisory board member shall not be granted any shares and/or rights to shares by way of remuneration.

KAS BANK already applies this best-practice provision.

- III.7.2 Any shares held by a supervisory board member in the company on whose board he sits are long-term investments.

KAS BANK already applies this best-practice provision. This principle is embodied in the by-laws of the Supervisory Board.

- III.7.3 The supervisory board shall adopt a set of regulations containing rules governing ownership of and transactions in securities by supervisory board members, other than securities issued by their 'own' company. The regulations shall be posted on the company's website. A supervisory board member shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the company has not appointed a compliance officer, to the chairman of the supervisory board. A supervisory board member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.

KAS BANK already applies this best-practice provision. The 'Regulations on Insider Trading by and Private Investment Transactions of KAS BANK N.V. Employees' apply to the members of the Supervisory Board. These regulations require immediate notification to the bank's Compliance Officer of ownership of and transactions in securities in both KAS BANK and other securities. Notification is not required of transactions in investment funds with a (semi-) open-ended structure and government bonds issued by OECD countries. These regulations will shortly be updated in line with the latest developments, including the European directive on market abuse. The new regulations will be posted on the company's website.

- III.7.4 The company shall not grant its supervisory board members any personal loans, guarantees or the like unless in the normal course of business and after approval of the supervisory board. No remission of loans shall be granted.

KAS BANK already applies this best-practice provision.

III.8 One-tier management structure

Principle The composition and functioning of a management board comprising both members having responsibility for the day-to-day running of the company (executive directors) and members not having such responsibility (non-executive directors) shall be such that proper and independent supervision by the latter category of members is assured.

Best-practice provisions

- III.8.1 The chairman of the management board shall not also be and shall not have been an executive director.
- III.8.2 The chairman of the management board shall check the proper composition and functioning of the entire board.
- III.8.3 The management board shall apply chapter III.5 of this code. The committees referred to in chapter III.5 shall consist only of non-executive management board member.
- III.8.4 The majority of the members of the management board shall be non-executive directors and are independent within the meaning of best-practice provision III.2.2.

Because KAS BANK has a two-tier management structure, III.8 does not apply.

IV. The shareholders and general meeting of shareholders

IV.1 Powers

Principle -Good corporate governance requires the fully-fledged participation of shareholders in the decision-making in the general meeting of shareholders. It is in the interest of the company that as many shareholders as possible take

part in the decision-making in the general meeting of shareholders. The company shall, in so far as possible, give shareholders the opportunity to vote by proxy and to communicate with all other shareholders.

The general meeting of shareholders should be able to exert such influence on the policy of the management board and the supervisory board of the company that it plays a fully-fledged role in the system of checks and balances in the company.

Any decisions of the management board on a major change in the identity or character of the company or the enterprise shall be subject to the approval of the general meeting of shareholders.

Best-practice provisions

IV.1.1 The general meeting of shareholders of a company not having statutory two-tier status (structuurregime) may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the management board or of the supervisory board and/or a resolution to dismiss a member of the management board or of the supervisory board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favour of a resolution to cancel the binding nature of a nomination, or to dismiss a board member, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting.

Because KAS BANK has a two-tier management structure, best-practice provision IV.1.1 does not apply.

IV.1.2 The voting right on financing preference shares shall be based on the fair value of the capital contribution. This shall in any event apply to the issue of financing preference shares.

Because KAS BANK has no financing preference shares, best-practice provision IV.1.2 does not apply.

IV.1.3 If a serious private bid is made for a business unit or a participating interest and the value of the bid exceeds the threshold referred to in draft article 2:107a paragraph 1 (c), Civil Code, and such bid is made public, the management board of the company shall, at its earliest convenience, make public its position on the bid and the reasons for this position.

KAS BANK already applies this best-practice provision. This principle will be embodied in the by-laws of the Managing Board. KAS BANK's Articles of Association will be amended in accordance with Section 107a, Book 2, of the Netherlands Civil Code.

IV.1.4 The policy of the company on additions to reserves and on dividends (the level and purpose of the addition to reserves, the amount of the dividend and the type of dividend) shall be dealt with and explained as a separate agenda item at the general meeting of shareholders.

KAS BANK already applies this best-practice provision. Profit-retention and dividend policy was explained and discussed at the General Meeting of Shareholders on 13 May 2004.

IV.1.5 A resolution to pay a dividend shall be dealt with as a separate agenda item at the general meeting of shareholders.

KAS BANK already applies this best-practice provision. A resolution to declare a dividend has been a separate item on the agenda of the General Meeting of Shareholders since 2004.

- IV.1.6 Resolutions to approve the policy of the management board (discharge of management board members from liability) and to approve the supervision exercised by the supervisory board (discharge of supervisory board members from liability) shall be voted on separately in the general meeting of shareholders.

KAS BANK already applies this best-practice provision. Resolutions to discharge the members of the Managing Board and Supervisory Board of liability have been voted on as separate items on the agenda of the General Meeting of Shareholders for several years. KAS BANK's Articles of Association will be amended accordingly.

- IV.1.7 The company shall determine a registration date for the exercise of the voting rights and the rights relating to meetings.

KAS BANK already applies this best-practice provision. Authority to set a registration date was vested in the Managing Board by the General Meeting of Shareholders in 2001, for a period of five years. This authority has been exercised by the Managing Board since 2002. The General Meeting of Shareholders on 12 May 2005 will be invited to extend this authority.

IV.2 Depositary receipts for shares

Principle Depositary receipts for shares are a means of preventing a (chance) minority of shareholders from controlling the decision-making process as a result of absenteeism at a general meeting of shareholders. Depositary receipts for shares shall not be used as an anti-takeover measure. The management of the trust office shall issue proxies in all circumstances and without limitation to the holders of depositary receipts who so request. The holders of depositary receipts thus authorised can exercise the voting right at their discretion. The management of the trust office shall have the confidence of the holders of depositary receipts. Depositary receipt holders shall have the possibility of recommending candidates for the management of the trust office. The company shall not disclose to the trust office information which has not been made public.

Best-practice provisions

- IV.2.1 The management of the trust office shall enjoy the confidence of the depositary receipt holders and operate independently of the company which has issued the depositary receipts. These matters shall be discussed explicitly during a meeting of holders of depositary receipts after this code enters into effect. The trust conditions shall specify in what cases and subject to what conditions holders of depositary receipts may request the trust office to call a meeting of holders of depositary receipts.

KAS BANK supports the principle that the Registrar's Office should enjoy the confidence of the depositary receipt holders. The circumstances in which and conditions on which depositary receipt holders may request the Registrar's Office to convene a meeting of depositary receipt holders are defined in the Administration Conditions. Discussions will be held with the Executive Committee of the Registrar's Office on whether a meeting of depositary receipt holders is to be held.

- IV.2.2 The managers of the trust office shall be appointed by the management of the trust office. The meeting of holders of depositary receipts may make recommendations to the management of the trust office for the appointment of persons to the position of manager. No management board members or former management board members, supervisory board members or former supervisory board members, employees or permanent advisers of the company should be part of the management of the trust office.

The Executive Committee of the Registrar's Office is still appointed by KAS BANK's Supervisory Board. The Executive Committee of the Registrar's Office no longer includes members or former members of KAS BANK's Managing Board. The chairman of the Supervisory Board will continue to be a member of the Executive Committee of the Registrar's Office for the time being, because the Managing Board and Supervisory Board consider that this best safeguards the flow of essential information to the Executive Committee of the Registrar's Office. This is particularly important in situations where the Executive Committee of the Registrar's Office has to decide whether the issue of proxies to depositary receipt holders should be restricted or excluded or whether previously issued proxies should be revoked. This situation might arise, for example, if the exercise of voting rights by depositary receipt holders conflicts fundamentally with the interests of the company or its business. In the view of the Managing Board and Supervisory Board, the presence of the chairman of the Supervisory Board in the Executive Committee of the Registrar's Office is essential, to explain and defend those interests where necessary. Reference is also made in this context to best-practice provision IV.2.8. No information is disclosed to the Registrar's Office which is not already in the public domain. These points will be discussed further with the Executive Committee of the Registrar's Office.

- IV.2.3 A person may be appointed to the management of the trust office for a maximum of three 4-year terms.

The proposed maximum term of 3 x 4 years will be discussed with the Executive Committee of the Registrar's Office.

- IV.2.4 The management of the trust office shall be present at the general meeting of shareholders and shall, if desired, make a statement about how it proposes to vote at the meeting.

KAS BANK already applies this best-practice provision. The Executive Committee of the Registrar's Office has attended KAS BANK's General Meeting of Shareholders for many years and is prepared if requested to explain how it proposes to vote.

- IV.2.5 In exercising its voting rights, the trust office shall be guided primarily by the interests of the depositary receipt holders, taking the interests of the company and its affiliated enterprise into account.

KAS BANK intends for the time being to abide by the principle that the Registrar's Office should be guided in the exercise of its voting rights by the interests of the company, the enterprise associated therewith and all its stakeholders, including the depositary receipt holders, which is enshrined in the Constitution of the Registrar's Office. KAS BANK is thereby complying with the new two-tier management structure legislation which, in Section 118a, subsection 2, of Book 2 of the Netherlands Civil Code, exclusively refers to the interests of the company and the enterprise associated therewith as the basis on which the Registrar's Office should decide whether or not to issue proxies to depositary receipt holders. The Managing Board and Supervisory Board attach particular value to this principle, not only because it is the law, but because it is conducive to the bank's independence and neutrality, which are essential for its operations and are inextricably linked with its strategy and objectives. To safeguard KAS BANK's continuity, the interests of the company, of the enterprise associated therewith and of all the stakeholders must prevail over those of any single group. These points will be discussed in greater detail with the Executive Committee of the Registrar's Office.

- IV.2.6 The trust office shall report periodically, but at least once a year, on its activities. The report shall, in any event, be posted on the company's website.

KAS BANK already applies this best-practice provision. The report of the Registrar's Office on its activities is included in KAS BANK's annual report, which is posted on the company's website.

- IV.2.7 The report referred to in best-practice provision IV.2.6 shall, in any event, set out:
- a) the number of shares for which depositary receipts have been issued and an explanation of changes in this number;
 - b) the work carried out in the year under review;
 - c) the voting behaviour in the general meetings of shareholders held in the year under review;
 - d) the percentage of votes represented by the trust office during the meetings referred to at (c);
 - e) the remuneration of the members of the management of the trust office;
 - f) the number of meetings held by the management and the main items dealt with in them;
 - g) the costs of the activities of the trust office;
 - h) any external advice obtained by the trust office;
 - i) the positions of the managers of the trust office;
 - j) the contact details of the trust office.

KAS BANK already applies this best-practice provision. All the items mentioned in this best-practice provision are covered in the report of the Registrar's Office.

- IV.2.8 The trust office shall, without limitation and in all circumstances, issue proxies to depositary receipt holders who so request. Each depositary receipt holder may also issue binding voting instructions to the trust office in respect of the shares which the trust office holds on his behalf.

The Registrar's Office will comply with the two-tier management structure legislation (Section 118a of Book 2 of the Netherlands Civil Code) and will issue proxies to depositary receipt holders except in the following the circumstances:

- a. *if a public offer for the shares in the capital of the company or depositary receipts is announced or made or if there are justifiable expectations that such an offer will be announced or made, on which agreement has not been reached with the company; or*
- b. *if a depositary receipt holder or several holders of depositary receipts and shares who are parties to a cooperation agreement, whether or not together with subsidiaries, directly or indirectly provide 25% of the issued capital of the company; or*
- c. *if, in the opinion of the holder of voting rights, the exercise of voting rights by depositary receipt holders is fundamentally in conflict with the interests of the company and the enterprise associated therewith.*

In all cases in which proxies are issued by the Registrar's Office, it will also accept binding voting instructions from depositary receipt holders.

Depositary receipt holders who attend the General Meeting of Shareholders of KAS BANK in person are automatically issued with proxies by the Registrar's Office, except in the circumstances referred to above.

IV.3 Provision of information to and logistics of the general meeting of shareholders

Principle

The management board or, where appropriate, the supervisory board shall provide all shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the share price. The contacts between the management board on the one hand and press and analysts on the other shall be carefully handled and structured, and the company shall not engage in any acts that compromise the independence of analysts in relation to the company and vice versa.

The management board and the supervisory board shall provide the general meeting of shareholders with all information that it requires for the exercise of its powers.

If price-sensitive information is provided during a general meeting of shareholders, or the answering of shareholders' questions has resulted in the

disclosure of price-sensitive information, this information shall be made public without delay.

Best-practice provisions

IV.3.1 Meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the company's website and by means of press releases. Provision shall be made for all shareholders to follow these meetings and presentations in real time, for example by means of webcasting or telephone lines. After the meetings, the presentations shall be posted on the company's website.

KAS BANK already applies this best-practice provision. All press conferences and presentations to analysts are announced in advance on the company's website, together with the text of the presentations. If price-sensitive information is disclosed, it is placed simultaneously in the public domain by means of a press release.

IV.3.2 Analysts' reports and valuations shall not be assessed, commented upon or corrected, other than factually, by the company in advance.

KAS BANK already applies this best-practice provision.

IV.3.3 The company shall not pay any fee(s) to parties for the carrying out of research for analysts' reports or for the production or publication of analysts' reports, with the exception of credit rating agencies.

KAS BANK already applies this best-practice provision.

IV.3.4 Analysts meetings, presentations to institutional or other investors and direct discussions with the investors shall not take place shortly before the publication of the regular financial information (quarterly, half-yearly or annual reports).

KAS BANK already applies this best-practice provision.

IV.3.5 The management board and the supervisory board shall provide the general meeting of shareholders with all requested information, unless this would be contrary to an overriding interest of the company. If the management board and the supervisory board invoke an overriding interest, they must give reasons.

KAS BANK already applies this best-practice provision. The business to be transacted at the General Meeting of Shareholders and the necessary background information are stated in the notice of meeting, the agenda and the shareholders' circular. The shareholders are given ample opportunity to ask further questions in the course of the General Meeting of Shareholders, which will be answered frankly and comprehensively by the Managing Board and Supervisory Board, unless this is contrary to an overriding interest of the company. In such cases, the reasons are always given.

IV.3.6 The company shall place and update all information which it is required to publish or deposit pursuant to the provisions of company law and securities law applicable to it, on a separate part of the company's website (i.e. separate from the commercial information of the company) that is recognisable as such. It is sufficient for the company to establish a hyperlink to the website of the institutions that publish the relevant information electronically pursuant to statutory provisions or the stock exchange regulations.

KAS BANK already applies this best-practice provision. A separate part of the company's website, which is recognisable as such, has been or will be set up to provide the information referred to in this best-practice provision.

IV.3.7 If a right of approval is granted to the general meeting of shareholders by law or under the articles of association of the company (e.g. in the case of option schemes, far-reaching decisions as referred to in draft article 2:107a Civil Code), or the management board or the supervisory board requests a delegation of powers (e.g. issue of shares or authorisation for the repurchase of shares), the management board and the supervisory board shall inform the general meeting of shareholders by means of a 'shareholders circular' of all facts and circumstances relevant to the approval, delegation or authorisation to be granted. The shareholders circular shall, in any event, be posted on the company's website.

KAS BANK already applies this best-practice provision. The information referred to in this best-practice provision was presented by KAS BANK for the first time last year in a shareholders' circular. This is also posted on the company's website.

IV.3.8 The report of the general meeting of shareholders shall be made available, on request, to shareholders no later than three months after the end of the meeting, after which the shareholders shall have the opportunity to react to the report in the following three months. The report shall then be adopted in the manner provided for in the articles of association.

KAS BANK will apply this best-practice provision. The procedure for adoption of the minutes of the General Meeting of Shareholders is defined in the Articles of Association.

IV.3.9 The management board shall provide a survey of all existing or potential anti-takeover measures in the annual report and shall also indicate in what circumstances it is expected that these measures may be used.

KAS BANK will apply this best-practice provision. A summary will be given in the annual report of all current or potential defensive measures against acquisition of control of the company, which defines the circumstances in which these anti-takeover measures are likely to be deployed.

IV.4 Responsibility of institutional investors

Principle Institutional investors shall act primarily in the interests of the ultimate beneficiaries or investors and have a responsibility to the ultimate beneficiaries or investors and the companies in which they invest, to decide, in a careful and transparent way, whether they wish to exercise their rights as shareholder of listed companies.

Institutional investors shall be prepared to enter into a dialogue with the company if they do not accept the company's explanation of non-application of a best-practice provision of this code. The guiding principle in this connection is the recognition that corporate governance requires a tailor-made approach and that it is perfectly possible for a company to justify instances of non-application of individual provisions.

Best-practice provisions

IV.4.1 Institutional investors (pension funds, insurers, investment institutions and asset managers) shall publish annually, in any event on their website, their policy on the exercise of the voting rights for shares they hold in listed companies.

IV.4.2 Institutional investors shall report annually, on their website and/or in their annual report, on how they have implemented their policy on the exercise of the voting rights in the year under review.

IV.4.3 Institutional investors shall report at least once a quarter, on their website, on whether and, if so, how they have voted as shareholders in the general meeting of shareholders.

Because KAS BANK is not an institutional investor, these best-practice provisions do not apply.

V. The audit of the financial reporting and the position of the internal auditor function and of the external auditor

V.1 Financial reporting

Principle The management board is responsible for the quality and completeness of publicly disclosed financial reports. The supervisory board shall see to it that the management board fulfils this responsibility.

Best-practice provisions

V.1.1 The preparation and publication of the annual report, the annual accounts, the quarterly and/or half-yearly figures and ad hoc financial information require careful internal procedures. The supervisory board shall supervise compliance with these procedures.

KAS BANK will apply this best-practice provision. Although these procedures have evolved over time and have not yet been defined and documented in every detail, there is a general procedure which is followed for the preparation and publication of the annual report, the annual accounts and the interim figures. The main elements of the existing working methods will be embodied in internal procedures in the period ahead. These will then be submitted for approval to the Supervisory Board, in accordance with the spirit of this provision.

V.1.2 The audit committee shall determine how the external auditor should be involved in the content and publication of financial reports other than the annual accounts.

KAS BANK already applies this best-practice provision. The content of financial reports is submitted to the external auditors in advance of publication.

V.1.3 The management board is responsible for establishing and maintaining internal procedures which ensure that all major financial information is known to the management board, so that the timeliness, completeness and correctness of the external financial reporting are assured. For this purpose, the management board ensures that the financial information from business divisions and/or subsidiaries is reported directly to it and that the integrity of the information is not compromised. The supervisory board shall see to it that the internal procedures are established and maintained.

KAS BANK already applies this best-practice provision. Although formal procedures for these activities have not yet been defined, an adequate system is already in place, in the form of direct submission to the Managing Board of monthly reports, daily balances and summaries of claims and complaints, which gives the management of a small cap company such as KAS BANK all the important financial information needed to ensure the timeliness, completeness and correctness of the external financial reporting.

V.2 Role, appointment, remuneration and assessment of the functioning of the external auditor

Principle The external auditor is appointed by the general meeting of shareholders. The supervisory board shall nominate a candidate for this appointment, for which purpose both the audit committee and the management board advise the supervisory board. The remuneration of the external auditor, and instructions to the external auditor to provide non-audit services, shall be approved by the supervisory board on the recommendation of the audit committee and after consultation with the management board.

Best-practice provisions

V.2.1 The external auditor may be questioned by the general meeting of shareholders in relation to his statement on the fairness of the annual accounts. The external auditor shall therefore attend and be entitled to address this meeting.

KAS BANK already applies this best-practice provision. The external auditors attend the General Meeting of Shareholders and can be questioned by the General Meeting of Shareholders on their report on the true and fair view given by the annual accounts.

V.2.2 The management board and the audit committee shall report their dealings with the external auditor to the supervisory board on an annual basis, including his independence in particular (for example, the desirability of rotating the responsible partners of an external audit firm that provides audit services, and the desirability of the same audit firm providing non-audit services to the company). The supervisory board shall take this into account when deciding its nomination for the appointment of an external auditor, which nomination shall be submitted to the general meeting of shareholders.

KAS BANK already applies this best-practice provision. The Audit Committee receives a letter from the external auditors each year which discusses all the aspects which are relevant to the assessment of the independence of the external auditors. The Managing Board and the Audit Committee report each year to the Supervisory Board on developments affecting the relationship with the external auditors, in particular with reference to their independence.

V.2.3 At least once every four years, the supervisory board and the audit committee shall conduct a thorough assessment of the functioning of the external auditor within the various entities and in the different capacities in which the external auditor acts. The main conclusions of this assessment shall be communicated to the general meeting of shareholders for the purposes of assessing the nomination for the appointment of the external auditor.

KAS BANK already applies this best-practice provision. At least once every four years, the Managing Board and the Audit Committee conduct a thorough review of the functioning of the external auditors and present their main conclusions to the General Meeting of Shareholders, to assist in the assessment of nominations for appointment as external auditors. This principle will be embodied in the by-laws of the Managing Board and the by-laws of the Audit Committee.

V.3 Internal auditor function

Principle The internal auditor, who can play an important role in assessing and testing the internal risk management and control systems, shall operate under the responsibility of the management board.

Best-practice provision

V.3.1 The external auditor and the audit committee shall be involved in drawing up the work schedule of the internal auditor. They shall also take cognizance of the findings of the internal auditor.

KAS BANK already applies this best-practice provision. The activities of the internal auditor are discussed at the annual meeting of the Audit Committee which is held to discuss the external auditors' audit plan. The internal auditor's findings are submitted to the Audit Committee.

V.4 Relationship and communication of the external auditor with the organs of the company

Principle The external auditor shall, in any event, attend the meeting of the supervisory board, at which the annual accounts are to be adopted or approved. The external auditor shall report his findings in relation to the audit of the annual accounts to the management board and the supervisory board simultaneously.

Best-practice provisions

V.4.1 The external auditor shall in any event attend the meeting of the supervisory board, at which the report of the external auditor with respect to the audit of the annual accounts is discussed, and at which annual accounts are to approved or adopted. The external auditor shall receive the financial information underlying the adoption of the quarterly and/or half-yearly figures and other interim financial reports and shall be given the opportunity to respond to all information.

KAS BANK already applies this best-practice provision. The external auditors attend the annual meeting of the Supervisory Board at which the report of the external auditors on their examination of the annual accounts is discussed and the resolution to adopt the annual accounts is considered. Interim external financial reporting is submitted to the internal and external auditors prior to publication.

V.4.2 When the need arises, the external auditor may request the chairman of the audit committee for leave to attend the meeting of the audit committee.

KAS BANK already applies this best-practice provision.

V.4.3 The report of the external auditor pursuant to article 2:393, paragraph 4, Civil Code shall contain the matters which the external auditor wishes to bring to the attention of the management board and the supervisory board in relation to his audit of the annual accounts and the related audits. The following examples can be given:

A. with regard to the audit:

- information about matters of importance to the assessment of the independence of the external auditor;
- information about the course of events during the audit and cooperation with internal auditors and/or any other external auditors, matters for discussion with the management board, a list of corrections that have not been made, etc.

B. with regard to the financial figures:

- analyses of changes in shareholders' equity and results, which do not appear in the information to be published, and which, in the view of the external auditor, contribute to an understanding of the financial position and results of the company;
- comments regarding the processing of one-off items, the effects of estimates and the manner in which they have been arrived at, the choice of accounting policies, when other choices were possible, and special effects of such policies;
- comments on the quality of forecasts and budgets.

C. with regard to the operation of the internal risk management and control systems (including the reliability and continuity of automated data processing) and the quality of the internal provision of information:

- points for improvement, gaps and quality assessments;
- comments about threats and risks to the company and the manner in which they should be reported in the particulars to be published;
- compliance with articles of association, instructions, regulations, loan covenants, requirements of external supervisors, etc.

KAS BANK already applies this best-practice provision. These points are addressed in the Report on the annual accounts which is prepared each year by the external auditors.