ABN AMRO Clearing Bank N.V.
Annual Report 2017

Notes to the reader

This is the Annual Report for the year 2017 of ABN AMRO Clearing Bank N.V. The Annual Report consists of the Managing Board report, Supervisory Board report, the Annual Financial Statements and other information.

The financial information contained in this Annual Report has been prepared in accordance with International Reporting Standards (IFRS) as adopted by the European Union (EU) and the financial reporting requirements included in title 9, Book 2 of the Dutch Civil Code. Some chapters in the Risk management section of this Annual Report contain audited information and are part of the Annual Financial Statements. Audited information in these sections is labeled as 'audited' in the respective headings.

This Annual Report is presented in euros (EUR).

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

In the Income Statement intergroup rebilled costs are re-allocated to the different cost categories in the Income Statement. For comparison purposes, the 2016 numbers are adjusted in this Financial Statement in the same way.

For more information please visit us at **abnamroclearing.com**

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From left to right:

Alex Posthuma, Stijn van den Dungen - Amsterdam office.


ABN·AMRO

ABN AMRO Clearing at a glance

Governance

ABN AMRO Group N.V.
100%
ABN AMRO Bank N.V. → Supervisory Board
100%
ABN AMRO Clearing Bank N.V. estalished 1982 → Managing Board

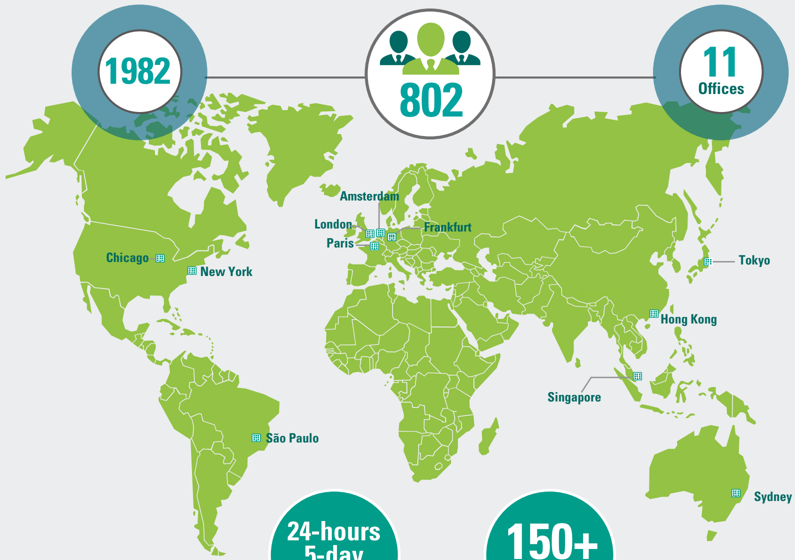
Banking Licence

- **Regulated by the**
  - Dutch Central Bank
  - European Central Bank
  - Autority for the Financial Markets

Established 1982

Number of FTEs 802

Worldwide 11 Offices



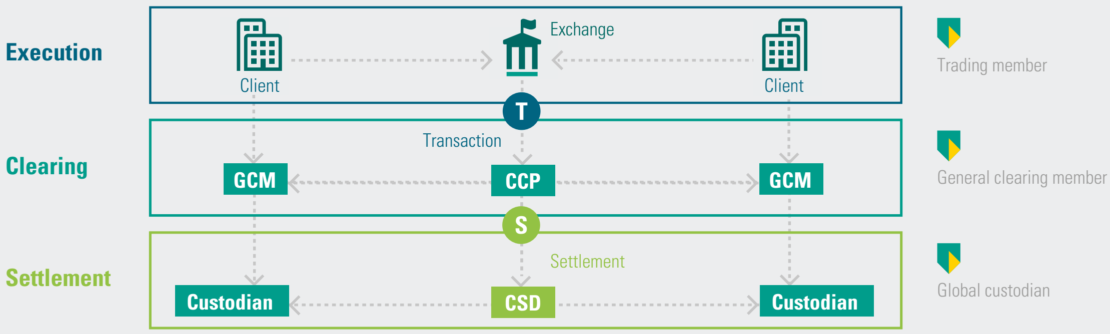
24-hours 5-day global services

150+ liquidity centres

- Top three ranking on turnover and market share
- Self-supporting operating model
- No proprietary trading

Client Segments	Disciplines	Regions
Professional Trading Groups	Execution	Americas
Corporate Hedgers	Clearing	Europe
Prime	Settlement	Asia-Pacific

The value chain



Net profit
Underlying net profit (x EUR 1.000)
2017
79
2016
68

Cost/Income ratio
2017 72%
2016 73%

Client satisfaction on a scale from 1 to 7: 5,8

NPS on a scale from -100 to +100: 25

Employee Engagement 80%

Message from the Managing Board

2017 marked AACB's 35th anniversary and although AACB continued to be confronted with a number of (regulatory) challenges, 2017 was a relatively good year. Market circumstances throughout the year were less than favourable but AACB was able to report solid results regardless. AACB ended 2017 with a net profit of EUR 79 million, an increase of EUR 12 million compared to 2016.

In addition, good progress was made on a number of important items. The first part of a two-step migration to a global clearing platform in the US was successfully completed. As a consequence, AACB is now very close to operating on one global clearing system. In our efforts to standardise and globalise our IT landscape, we transferred part of our IT infrastructure to an external vendor and are in the process of consolidating our data centres across the globe from 12 to 4. This is going to be a long journey as it involves all three regions and includes a large transformation of the entire organisation. Eventually this transformation will lead to improved and aligned services worldwide and will increase AACB's efficiency.

AACB also continued preparations for Brexit to ensure it remains open for business under its current model and to preserve access to the UK markets from the continent and vice versa.

During 2017 we decided to announce a reorganisation within the bank's operations areas. We want to prepare ourselves for the future through optimisation and automation, but this already has had and will have an impact on our employees. As a result of this announcement a restructuring provision is included in AACB's 2017 financial statements.

In our aim to be fit for the future, AACB is further rolling out the agile way of working in its IT and product development areas. In our view an agile approach stimulates development of ideas and enables AACB to implement changes more rapidly, improving our services and products for the benefit of our clients.

On the regulatory side, there are a number of important developments that impact AACB and the industry itself. Firstly, Basel IV rules were agreed at the end of 2017. These regulations should improve the level playing field and comparability between banks. AACB is currently analysing the impact of the proposed reforms on its business model. Secondly, financial institutions are increasingly exposed to cyber security risks. In order to continue to protect the organisation and its clients, AACB is further investing in this area. Last but not least, the implementation and preparations for MiFiD II, effective as of January 2018, demanded a lot of focus from AACB and its clients. The adjustments in (interpretations of) rules and regulations are still ongoing in several areas creating a challenging and changing operating environment throughout the financial industry.

AACB is actively looking into new and innovative (technological) developments such as Blockchain, Big Data and Artificial Intelligence. These developments are regarded as important opportunities for AACB and will become increasingly more important for the industry.

From left to right:

Managing Board: Jan Bart de Boer, Frederik ten Veen, Lieve Vanbockrijck, Rutger Schellens

2017 was also marked by management changes. We welcomed Rutger Schellens as our new CEO and saw the departure of our CRO, Boudewijn Duinstra, who decided to pursue his career outside AACB. We would like to thank Boudewijn for his commitment, dedication and contribution to AACBs success over the years. His successor Frederik ten Veen was appointed on 27 March, 2018.

We are grateful for the partnership and loyalty of our clients and for the commitment of our staff and shareholder. We feel confident we have made the right steps to keep our business aligned with our stakeholders going forward.

Amsterdam, 18 May 2018

Managing Board

Rutger Schellens, Chief Executive Officer
Jan Bart de Boer, Chief Commercial Officer
Lieve Vanbockrijck, Chief Financial Officer
Frederik ten Veen, Chief Risk Officer

ABN AMRO Clearing Bank N.V.,
registered in Amsterdam.
Gustav Mahlerlaan 10, 1082 PP Amsterdam,
The Netherlands.
Trade Register entry no. 33170459

Frans van der Horst
Supervisory Board member

Frans van der Horst was appointed to the Supervisory Board of ABN AMRO Clearing Bank N.V. on 15 September 2014 and was subsequently appointed Vice-Chair with effect from 2 February 2016. In February 2017, Frans was appointed CEO Retail ABN AMRO Bank N.V. and Executive Committee member of ABN AMRO. In October 2017, Frans was appointed Chair of the Supervisory Board of ABN AMRO Clearing Bank N.V.

Toon Peek
Supervisory Board member

Toon Peek was appointed to the Supervisory Board of ABN AMRO Clearing Bank N.V. on 1 July 2011 and was subsequently appointed Chair of the Audit, Risk and Compliance Committee of ABN AMRO Clearing Bank N.V. with effect from 21 May 2015. As of March 2016, Toon is Head of Learning Risk Management of ABN AMRO.

Alexander Rahusen
Supervisory Board member

Alexander Rahusen was appointed to the Supervisory Board of ABN AMRO Clearing Bank N.V. on 15 September 2014. As of January 2017, Alexander was appointed CFO a.i. of ABN AMRO and as of 1 September 2017 he is Head of Private Banking Europe of ABN AMRO.

Rintse Zijlstra
Supervisory Board member

Rintse Zijlstra was appointed to the Supervisory Board of ABN AMRO Clearing Bank N.V. on 20 October 2015. As of May 2017, Rintse was appointed Head of Strategy & Sustainability of ABN AMRO. In October 2017, Rintse was appointed Vice-Chair of the Supervisory Board of ABN AMRO Clearing Bank N.V.

Supervisory Board

In 2017, the Supervisory Board underwent changes. Until March, it comprised five members and continued for the remainder of the year with four members after the Supervisory Board Chair assumed the role of CEO of the Managing Board.

Self-assessment

The Supervisory Board conducted a performance self-assessment for 2017. This was completed in the second quarter of 2017 and the results were evaluated and discussed in the third quarter. Topics covered in the assessment were: the Supervisory Board role with respect to strategy, risk management and internal control; culture and behaviour within the organisation; Supervisory Board composition and expertise; dynamics between members; and Audit Risk & Compliance Committee (ARCC) performance.

The Supervisory Board believes that it possesses the required knowledge, expertise and experience to adequately perform its supervisory duties. A description of its duties, responsibilities and current composition is provided in the Corporate Governance section of this Annual Report.

Supervisory Board meetings

The Supervisory Board held six plenary meetings and one extraordinary meeting in 2017. Focus areas included its permanent-education programme, changes to the AACB Managing Board, the impact of laws and regulations on the organisation, and contacts with regulators.

Prior to each meeting, the Supervisory Board took sufficient time to discuss topics without the attendance of the Managing Board. All scheduled plenary meetings were held in the presence of the Managing Board and the Company Secretary. Senior management and subject-matter experts were regularly invited to present topics related to the clearing business.

Beyond Supervisory Board meetings, members are in regular contact with the Managing Board. The Supervisory Board Chair and the Company Secretary prepared agendas for Supervisory Board meetings in 2017. Recurring agenda items included financial performance, risk management, compliance, audit findings, market and regulatory developments, and strategy. A more-detailed description of the topics discussed is provided further in this chapter.

The Supervisory Board is satisfied with AACB financial performance given the market circumstances. Financial information was audited by both internal and external auditors and regularly provided by the Managing Board in order to show AACB risks, results, and capital and liquidity positions.

The independent external auditor, EY, presented its audit plan to the Audit Risk & Compliance Committee (ARCC) in November 2017. The 2017 Financial Statements and 2017 Annual Report were audited and discussed by the Supervisory Board, Managing Board, ABN AMRO Group Audit and EY on 18 May 2018. The Supervisory Board noted the independent auditor's report on the Financial Statements 2017 issued by EY.

Throughout the year, the Supervisory Board monitored strategy implementation and supported the Managing Board in its efforts to give priority to client interests and maintain a moderate risk profile as part of the bank's long-term strategy. The Supervisory Board is also satisfied with the results of AACB's Client Survey and Employee Engagement Survey. AACB's Risk Management Report, which is regularly provided in the ARCC, served as the basis for effective discussions on key AACB risks.

The Managing Board regularly informed and briefed the Supervisory Board on intended organisational changes, strategic initiatives, and incidents.

Audit Risk & Compliance Committee (ARCC)

Established in November 2015, the ARCC comprises the following members: Toon Peek (Chair), Frans van der Horst and Alexander Rahusen. Moreover, the ARCC includes compliance, legal, risk and audit. ARCC responsibilities are to assist the Supervisory Board in performing its duties as well as in reviewing and assessing relevant topics related to internal risk controls, capital management and regulatory-compliance matters in order to render adequate advice. Decisions made in the ARCC are endorsed in the Supervisory Board. In 2017, the ARCC held four plenary meetings to discuss audit, legal, risk and compliance-related topics as well as the bank's capital and liquidity positions. On one occasion, ARCC members held a separate meeting with the external auditor and without the Managing Board to discuss AACB financial statements.

Permanent education

Supervisory Board members continuously improve their knowledge of clearing topics by participating in sessions for permanent-education purposes. Permanent education for the Supervisory Board is designed to keep member expertise current and to broaden and deepen knowledge, particularly of clearing topics. Appropriate actions have been taken to organise, execute and monitor this accordingly.

Supervisory Board members are also invited to participate in ABN AMRO's lifelong learning programme. In addition, AACB regularly organises educational sessions for Supervisory Board members on specific clearing topics. These ensure a balanced programme that covers relevant aspects of AACB performance and takes current clearing-industry developments into account. Sessions included: subject-matter participation in Supervisory Board meetings; an AAC Chicago office visit in June 2017, for which an extensive programme was organised and hosted by Andrej Bolkovic (Regional CEO AAC Chicago LLC); client visits; a European exchange; and a central counterparty (CCP).

AACB applies the Dutch Banking Code's principles on risk appetite, risk policy and risk management on a consolidated basis. ABN AMRO Group Audit and the external auditor attend a Supervisory Board meeting at least once per year.

Amsterdam, 18 May 2018.

Supervisory Board

Frans van der Horst
Toon Peek
Alexander Rahusen
Rintse Zijlstra

Rutger Schellens
Chief Executive Officer

Rutger Schellens was appointed as CEO and as Chair to the Managing Board of ABN AMRO Clearing Bank N.V. on 15 June 2017.

Jan Bart de Boer
Chief Commercial Officer

Jan Bart de Boer was appointed as CCO and as member to the Managing Board of ABN AMRO Clearing Bank N.V. on 29 November 2004.

Lieve Vanbockrijck
Chief Financial Officer

Lieve Vanbockrijck was appointed as CFO and as member to the Managing Board of ABN AMRO Clearing Bank N.V. on 4 December 2013.

Frederik ten Veen
Chief Risk Officer

Frederik ten Veen was appointed as CRO and as member to the Managing Board of ABN AMRO Clearing Bank N.V. on 27 March 2018.

Managing Board

Financial review 2017

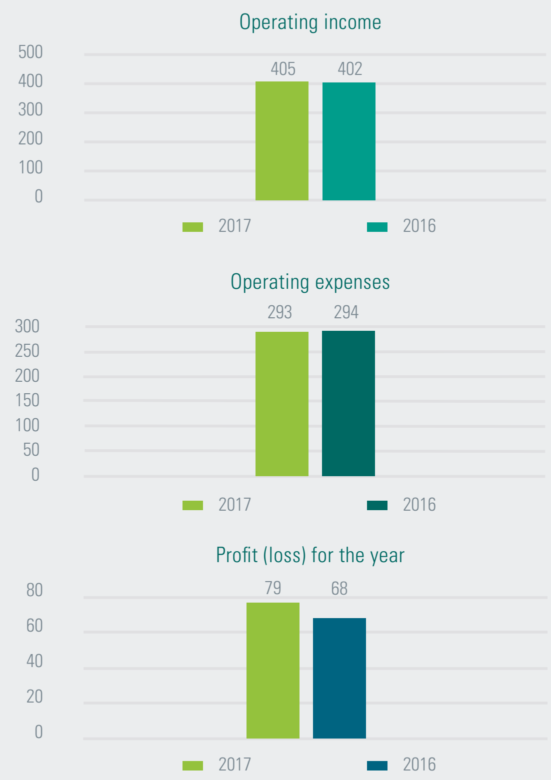
AACB ended 2017 with a net profit of EUR 79 million, an increase of EUR 12 million compared to 2016. Higher operating income in combination with a decrease in operating and income tax expenses, contributed positively to the 2017 results compared to prior year.

Net interest income was EUR 158 million, an increase of EUR 16 million, primarily due to higher client financing needs and realised treasury efficiencies.

Net fee and commission income was at EUR 239, EUR 22 million lower than in 2016. As a result of the gradually improving stock markets, volatility eased away after a tumultuous 2016 which included the outcome of the Brexit referendum and the US elections. The VIX index dropped in 2017 to historically low levels, leading to lower volumes in the area of individual stock and indices clearing. Other operating income improved by EUR 9 million as 2016 was unfavourable influenced by an EUR 8 million impairment on a minority interest which terminated its activities.

Operating expenses ended at EUR 293 million, a decrease of EUR 1 million compared to 2016. 2017 was largely focused on investments in programmes to create further efficiencies in our organisation. Through global IT and operational alignment AACB will gain advantage from standardisation benefits, data centre consolidation, new End User Service environment and by outsourcing part of the core infrastructure services to a third party IT vendor. As a result, AACB recorded a EUR 4 million restructuring provision related to the announced reorganisations.

Summary (x EUR 1.000)



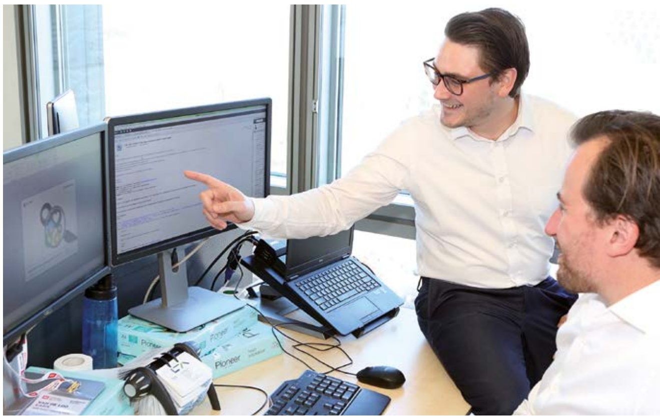
Already in 2017 the effect of the outsourcing was visible in a reduction of number of FTE as part were transferred to a third party IT vendor. Furthermore, the level of depreciation decreased by EUR 2m, primarily due to the asset transfer between AACB and the third party IT vendor.

Regulatory expenses, related to contributions to the European Resolution Fund and the Dutch Banking Tax, continued its rising trend over the years and increased by EUR 5 million to a level of EUR 16 million in 2017. Overhead charges from ABN AMRO Group N.V. (the Group) for various services decreased in 2017 by EUR 6 million to a level of EUR 47 million.

In 2017 no impairment charges on loans and other receivables were reported.

As both operating income as well as operating expenses improved a reduction of one percentage point is seen in AACB's cost/income ratio at 72% in 2017.

ADMS Trade Capture team - Frankfurt office.



From left to right:

Maik Oud, Lars van de Loo - Amsterdam office

Seated from left to right: Leona Ng, Tim Ward, Peter Mok, Richard Yang, Heinz Mak, Vincez Chiu. Standing from left to right: Vince Cheung, Alex Lee, Pan Mak, Ryan Leung, Cheung Leung, Chris Lo, David Chan, Simon Chan - Hong Kong office

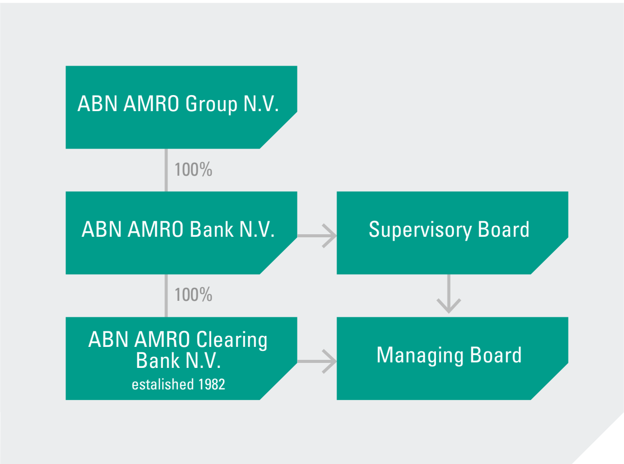
Corporate Governance

AACB is a public company with limited liability, incorporated on 25 November 1982 under Dutch Law, and is a wholly owned subsidiary of ABN AMRO Bank N.V., which is in turn wholly owned by ABN AMRO Group N.V. (the Group). AACB's financial statements are incorporated in the consolidated financial statements of the Group. As of November 2015, the Group is listed on the Euronext Amsterdam exchange.

Corporate structure

The Group issued a 403 Statement with respect to AACB, assuming joint and several liability for all liabilities arising from legal acts of its subsidiaries. The 403 Statement refers to section 2:403 of the Dutch Civil Code and must be filed with the Trade Register of the Chamber of Commerce.

AACB has a two-tier board structure consisting of a Managing Board and a Supervisory Board. The responsibilities and activities of the Managing Board and the Supervisory Board are governed by Dutch corporate law and the AACB Articles of Association as well as regulatory requirements. Furthermore, AACB has established procedural rules for the Managing Board and Supervisory Board regarding their duties, powers and responsibilities.



Managing Board

Responsibilities

Managing Board members collectively manage AACB and are responsible for its strategy, structure and performance, including the assessment and management of risks related to AACB activities. In performing their duties, Managing Board members are guided by the interests and continuity of AACB and its affiliated entities. As such, they take the interests of all AACB stakeholders and society at large into consideration.

Managing Board members are accountable to the Supervisory Board and to the General Meeting of Shareholders (General Meeting) for the performance of their duties. The Managing Board is obliged to inform the Supervisory Board of AACB operational and financial objectives, annual accounts, strategy and parameters applied in relation to the strategy.

Appointment, suspension and dismissal

Managing Board members are appointed by the General Meeting. The Supervisory Board and the General Meeting may suspend a member of the Managing Board at any time. Managing Board members can only be dismissed by the General Meeting.

An overview of the Managing Board's current composition is provided in the Managing Board Report.

Remuneration

AACB Managing Board members are subject to ABN AMRO's Global Reward Policy. This policy provides a framework for managing reward and performance effectively and applies globally within ABN AMRO at all levels and in all countries. The Global Reward Policy also specifies rules with respect to employees whose professional activities could have a material impact on ABN AMRO's risk profile. This group of employees is referred to as Identified Staff. All AACB Managing Board members qualify as ABN AMRO Identified Staff.

The remuneration packages for Identified Staff have been structured in accordance with financial-sector regulations and typically consist of the following components:

- Annual base salary.
- Annual variable remuneration (with deferred payout).
- Benefits and other entitlements.

Effective from 7 February 2015, remuneration restrictions under the Bonus Prohibition Act were extended to senior management as described in the Act on Remuneration Policies of Financial Undertakings (*Wet beloningsbeleid financiële ondernemingen - Wbfo*).

Supervisory Board

Responsibilities

The Supervisory Board supervises the Managing Board as well as the general course of AACB affairs and those of its affiliated entities. In addition, the Supervisory Board assists the Managing Board by rendering advice.

In performing their duties, Supervisory Board members are guided by the interests and continuity of AACB and its affiliated entities, taking into consideration the interests of all AACB stakeholders and society at large. Several powers are vested in the Supervisory Board, including approval of certain resolutions proposed by the Managing Board.

The Supervisory Board meets at least four times per year and whenever any Supervisory Board member deems necessary.

Appointment, suspension and dismissal

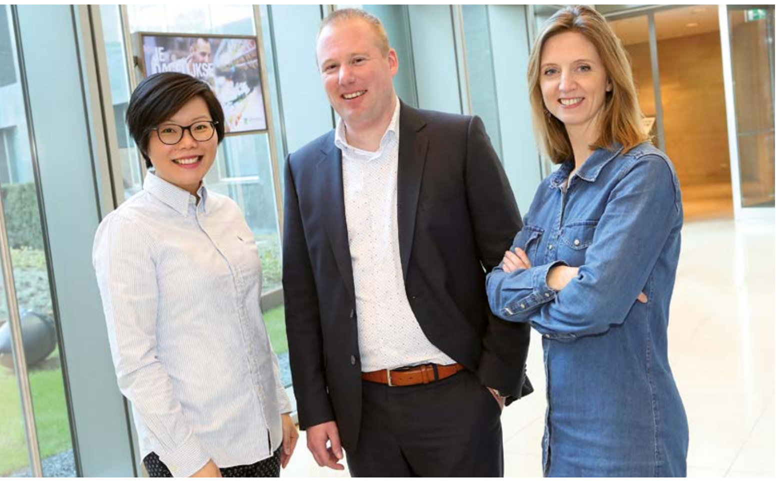
An overview of the current composition of the Supervisory Board is provided in the Supervisory Board chapter. All Supervisory Board members are employed by ABN AMRO and do not receive separate compensation for AACB Supervisory Board membership. Supervisory Board members are appointed and may be suspended or dismissed by the General Meeting.

From left to right:

Vicky Leigh, Neil Nicholls, Kelly Seward, Gary John-Baptiste, Anthony Burnett - London office.

Diversity

The Managing Board and the Supervisory Board consist exclusively of natural persons. At the end of 2017, the Managing Board consisted of 33% female members and the Supervisory Board of 100% male members. In the event of vacancies, AACB will give due consideration to any applicable gender requirements in its search to find suitable new members who meet the proper requirements under the Dutch Act on Financial Supervision.



From left to right:
Kaling Wu, Wouter Vlag, Charlotte Hülsenbeck - Amsterdam office.

Dutch Banking Code

The Dutch Banking Code was introduced on 1 January 2010 and sets out principles that banks should adhere to in terms of corporate governance, risk management, audit and remuneration. The Dutch Banking Code applies to AACB as a licensed bank under the Act on Financial Supervision (*Wet op het financieel toezicht*). The principles of the Dutch Banking Code are fully applied by ABN AMRO to its subsidiaries on a consolidated basis by developing group-wide policies and standards to promote compliance with internal and external rules and best practice provisions.

AACB has implemented the relevant parts of the Dutch Banking Code. A principle-by-principle overview of the manner in which ABN AMRO and its subsidiaries comply with the Dutch Banking Code is published on abnamro.com

An updated Dutch Banking Code came into effect on 1 January 2015, along with the Social Charter (*Maatschappelijk Statuut*) that complements it.
The updated Dutch Banking Code takes into account Banking Code Monitoring Commission recommendations, the Committee on the Structure of Banks report, government views on the Dutch banking industry, and the vision of the Dutch Banking Association. The new Dutch Banking Code – along with the introduction of the Social Charter and implementation of the Banker's Oath (together with the associated rules of conduct and disciplinary rules) applicable to all employees of financial institutions in the Netherlands – emphasises the social role of banks and their commitment to meet the expectations of society at large.

General Meeting of Shareholders

At least one General Meeting is held each year within six months after the end of the financial year. The General Meeting is entitled to adopt the annual accounts and important decisions regarding the identity or character of AACB. The agenda must include the following items at a minimum: the Annual Report, adoption of the annual accounts, and granting discharge to members of the Managing Board and Supervisory Board.

The AACB General Meeting was held on 22 May 2017. The General Meeting adopted the 2017 annual accounts and granted discharge to members of the Managing Board and Supervisory Board.

Legal structure

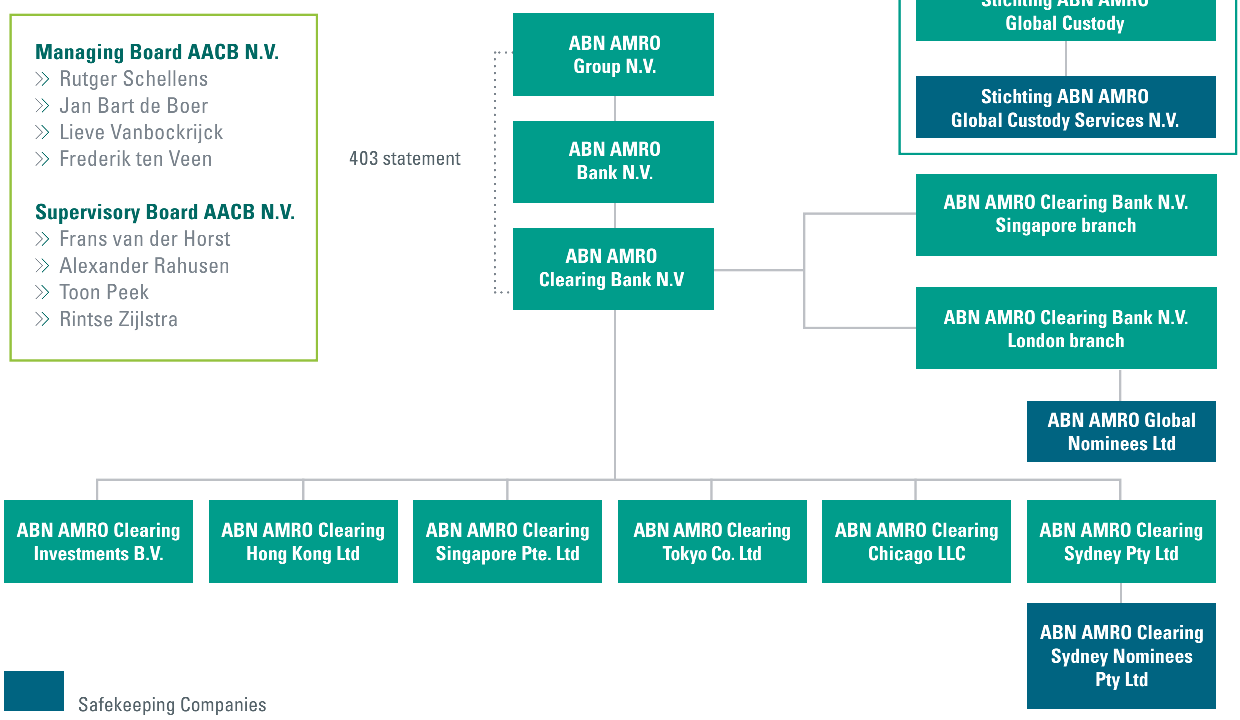
AACB is a wholly owned subsidiary of ABN AMRO Bank which is a wholly owned subsidiary of ABN AMRO Group. AACB has been a fully licensed bank since 30 September 2003. Under the Single Supervisory Mechanism implemented in November 2014, AACB is subject to joint prudential supervision by the European Central Bank (ECB) and the Dutch central bank (DNB).

On 31 December 2017, all shares in the capital of the Group were held by two foundations: Stichting administratie-kantoor beheer financiële instellingen (NLFI) and Stichting Administratiekantoor Continuïteit ABN AMRO Group (STAK AAG). At that date, NLFI held 56.3% in ABN AMRO, of which 49.9% was directly held via ordinary shares and 6.4% was indirectly held via depositary receipts for shares in ABN AMRO. STAK AAG's held 50,1% of the shares in the issued capital of ABN AMRO Group N.V. The Dutch State holds an interest in ABN AMRO Group N.V. through NLFI. NLFI was set up as a means to avoid potential conflicting responsibilities that the Dutch Minister of Finance might otherwise face, as a shareholder and as a regulator, as well as to avoid undesired political influence being exerted. STAK AAG is independent from ABN AMRO and the holder of shares in ABN AMRO Group's issued share capital and has issued depositary receipts (certificaten) representing such shares and which are traded on Euronext Amsterdam. The issuing of depositary receipts is primarily used as a protective measure.

AACB provides clearing and related services in Europe through AACB Amsterdam and through AACB's London Branch. AACB provides services outside Europe through its wholly owned subsidiaries ABN AMRO Clearing Chicago, ABN AMRO Clearing Sydney, ABN AMRO Clearing Tokyo, ABN AMRO Clearing Hong Kong, ABN AMRO Clearing Singapore and AACB Singapore Branch. Moreover, AACB has offices in São Paulo, Paris, Frankfurt and New York.

ABN AMRO Global Custody Services N.V. (AAGCS) is the safekeeping company of AACB and maintains AACB client securities (with the exception of derivatives). AAGCS is structured as a bankruptcy-remote vehicle.

ABN AMRO Clearing Bank N.V. Group structure



This chart shows 100% entities of ABN AMRO Clearing Bank N.V. within ABN AMRO Group N.V.

Regulatory environment

Global political and economic developments over the course of 2017 affected financial markets as well as AACB and its clients. The primary regulatory requirements and developments were centred around capital requirements and the ongoing implementation of the Markets in Financial Instruments Directive/Regulation (MiFID II/MiFIR) framework on 3 January 2018.

Throughout 2017, global regulatory developments continued to have an impact on AACB products and services, as well as on its business and operating model. AACB is committed to meet all its regulatory obligations. AACB proactively monitors and anticipates new regulatory developments, for which it closely aligns with local and international regulators and policymakers to ensure a proactive approach. AACB is in constant dialogue with and actively involved in the proceedings of many market and industry groups. These include the Futures Industry Association and the European Banking Federation.

In 2017, AACB focused on the implications of capital requirements as part of the Basel III framework implemented in the European Economic Area as Capital Requirements Directive IV/Regulation, most notably, on the impact of the leverage ratio (LR) for AACB and its clients. Furthermore, implementation efforts remained focused on the MiFID II/MiFIR framework.

The regulatory environment affecting AACB globally can be divided into five main areas:

- Market and infrastructure reform
- Behaviour, transparency and governance
- Capital and tax
- Basel IV
- Brexit

Market infrastructure reform

The main development affecting market infrastructure in Europe has been MiFID II/ MiFIR. The MiFID II/ MiFIR framework has completely overhauled market infrastructure and existing trading practices. It is aimed at increasing investor protection, mandatory on-exchange trading of certain over-the-counter (OTC) derivatives, and a range of new transparency requirements. It is anticipated that MiFID II/MiFIR will also have cross-border implications for AACB's business model. A particular element of MiFID concerns a broad interpretation of the systematic internaliser definition that would impact a level playing field with regulated markets and multilateral trading facilities.

In May and June 2017, the European Commission (EC) presented its review proposal for the European Market Infrastructure Regulation (EMIR). The proposal is consists of two separate sections:

1. Regulatory Fitness and Performance program REFIT: as part of the EC's Better Regulation Strategy containing improvements in the existing framework.
2. A second set of amendments that relates to procedures, authorities involved in the authorisation of CCPs and requirements for the recognition of third-country CCPs, which should be considered within the context of supervision of CCPs in the United Kingdom (UK) following Brexit.

Building on EMIR, the EC has proposed a framework for the recovery and resolution of a CCP as a result of default and non-default losses. AACB has taken note of the proposal and is actively engaging policymakers and regulators to address a number of unintended consequences, particularly around resolution tools such as Variation Margin Gains Haircutting.

The EC and European Securities Markets Authority (ESMA) are finalising equivalence determinations with third-country regimes regarding CCP governance and subsequent capital requirements. AACB and its clients remain concerned about the lack of progress in determining equivalence with the CCP governance regime under supervision of the US Securities and Exchange Commission (SEC) and have been involved in advocacy efforts to address the potential consequences of a lack of equivalence for global financial markets. Lastly, AACB is in the process of implementing a new control framework related to third-party payments within the context of the Payment Services Directive II.

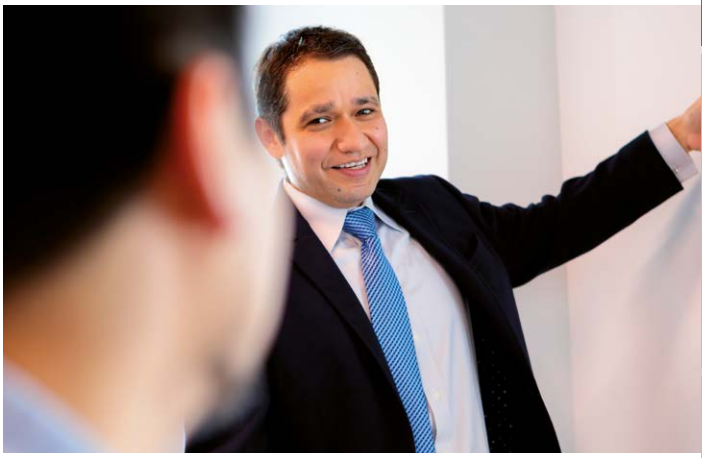
Behaviour, transparency and governance requirements

Globally, AACB is confronted with enhanced prudential requirements where it is vital to ensure solid and sustainable corporate governance. Therefore, implementation and analysis of regulatory transaction reporting and transparency requirements continued to be a key focus in 2017.

In September 2017, the EC proposed amendments to the European Supervisory Authorities (ESA) Regulation. Cornerstones of the amendments related to the three ESAs (ESMA, European Banking Authority, and European Insurance and Occupational Pensions Authority) are more powers, governance rules, and a new line of funding. The main changes affecting AACB are a focus on third-country equivalence and the addition of some direct supervision responsibilities to ESMA. It also aims to strengthen and harmonise CCP supervision through greater cooperation with competent authorities and through supervisory convergence.

The General Data Protection Regulation (GDPR) is designed to harmonise data-privacy laws across the Europe. Key objectives are to protect and strengthen the data privacy of all European Union (EU) citizens. The GDPR reshapes and changes the way AACB approaches data privacy globally.

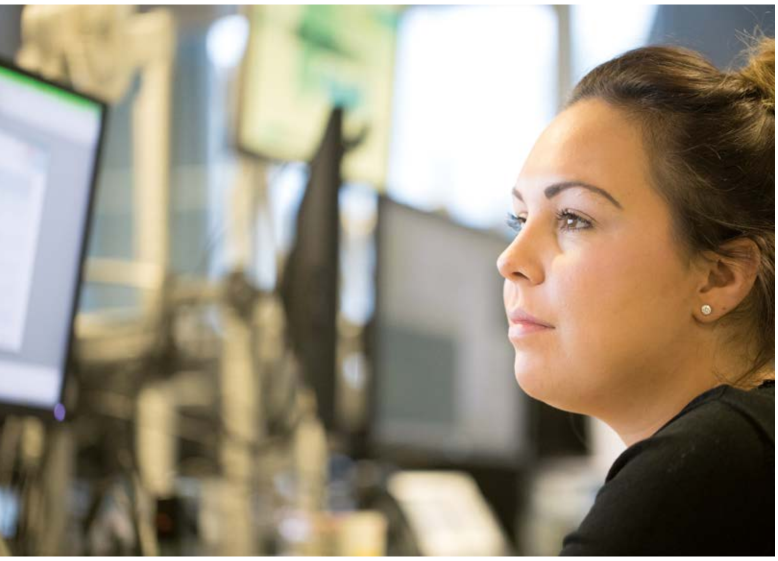
In the United States (US), the Commodity Futures Trading Commission (CFTC) retracted its efforts on a reform proposal for increased oversight capabilities and behavioural requirements related to automated trading in the US. Furthermore, the US Treasury published a comprehensive report on a range of changes to the US financial regulatory framework, including derivatives. This excludes major deregulation initiatives in areas concerning AACB, as was widely expected by the current administration.



Leo Ferreira - Chicago office.

Capital and tax

One of the most-significant implementations aimed at reducing systemic risk is the EU-wide implementation of Basel III, collectively known as CRDIV and CRR. ABN AMRO continues to be heavily impacted by the LR ratio as a result of the AACB guarantee of client performance at CCPs. Under current LR interpretations, methodologies and guidance, the concept of netting exposures to CCPs for exchange-traded derivatives (i.e. futures and options) is inadequately recognised.



Hayley Rogers - London office.

The EC proposed a number of amendments to the CRD/CRR framework as part of its mandatory review. This includes the introduction of the Standardised Approach for Counterparty Credit Risk (SA-CCR) as the main exposure measure, a binding LR, a net stable funding ratio, and a total loss absorbing capacity for the largest institutions. The LR-ratio calculation methodology is aligned with measures advocated by AACB and its clients.

AACB has been cooperating closely with clients, industry groups and infrastructure providers to advocate for a tailored, new capital regime for investment firms outside the CRD/CRR framework. The EC put forward a formal legislative proposal on investment firm's capital requirements in December 2017.

A significant development in the Netherlands was the Dutch Central Bank (*de Nederlandsche Bank* (DNB)) decision in November 2017 to end the Dutch capital regime for Dutch dealers on own account and market makers/liquidity providers. All Dutch dealers on own-account clients will be seriously affected by this sudden change in prudential requirements. AACB is closely engaged with the Dutch principle-trading-group community and its key clients on this topic.

Basel IV

On 7 December 2017, the Basel Committee on Banking Supervision presented the long-awaited finalisation of the Basel III reform package, widely referred to as Basel IV or Basel 3.5. The main elements of the package include:

1. Revisions to standardised risk-measurement approaches for calculating credit risk, market risk, credit-valuation adjustment and operational risk
2. Constraints on using internal models in order to reduce variability in bank calculations of risk-weighted assets and ensure greater risk sensitivity and comparability between banks
3. An output floor of 72.5% (compared to standardised models) for banks using internal models to calculate minimum capital requirements in order to increase comparability between institutions and jurisdictions
4. Revised leverage-ratio exposure measure (based on the SA-CCR) and a surcharge for global systemically important banks. Their proposals must now be enacted in local law before becoming binding

Brexit

AACB has performed an impact assessment of the possible consequences of Brexit in relation to its UK activities. This includes activities performed locally by AACB's London Branch as well as activities going into the UK from other EU countries. In determining the impact, AACB considered various soft and hard Brexit scenarios. AACB engaged with various external advisors and industry participants to ensure comprehensive analysis.

A contingency plan has been drafted with the aim of continuing to provide clearing services for UK clients and markets. Service continuity and minimal disruption to our clients and markets have been key drivers of this plan. AACB has frequently engaged with UK and European regulators to discuss its plans, ensure acceptance, and guarantee the ability to execute in a timely manner, taking current circumstances and possible outcomes into account.

Corporate social responsibility

AACB acknowledges the importance of working together towards a more sustainable social responsible market. Initially, a risk-based approach was applied to analyse potential corporate social responsibility (CSR)-related risks at client and product level. With the introduction of screening for new clients in 2016, AACB has integrated sustainability into client due-diligence and onboarding processes and procedures. Each new client is screened accordingly and the results have led to a comprehensive view of potential sustainability risks in our portfolio in 2017. This screening is now also included in the review cycle.

Promoting sustainable capital markets

AACB believes that a clearing firm has a central role in promoting sustainable capital markets. This can only be achieved through close partnership and collaboration with stakeholders within the value chain. As of September 2017, AACB has engaged with the United Nations Sustainable Stock Exchange (SSE) initiative and was admitted to their Investor Working Group (IWG).

As part of the IWG, AACB participates in roundtable discussions and contribute to achieving SSEs goals by using its leverage. This is the start of active engagement within the IWG in order to increase transparency on environmental, social and corporate-governance performance in capital markets.

We also see that sustainability is becoming increasingly important to our clients. As a result, ABN AMRO has taken the first steps to align its activities and ambitions with the UN Sustainable Development Goals (SDGs) – a set of 17 high-level, interconnected and indivisible goals designed to achieve a better world by 2030.

AACB strives to contribute to achieving these global development goals, which represent a commitment to working with the UN through 2030 with specific industry knowledge and through active participation in round-table discussions.

On a global scale, we encourage our staff to make time to contribute to various charity initiatives. Such initiatives include:

Asia-Pacific:

- **Singapore**: Orphanage Panti Asuhan Assyaamil in Batam Indonesia, where an AACB team held an offsite at the orphanage and helped build rooms.
- **Singapore**: AACB employees helped plant trees in the Singapore National Park.'
- **Singapore**: 'back to school' kits and book vouchers were donated to Singapore's Club Rainbow, a local charity supporting children suffering from chronic and life-threatening illnesses
- **Singapore**: Home Nursing Foundation, for which a blood drive and gift packs were organised.
- **Singapore**: Willing hearts, which prepares food for the underprivileged.

US:

- **Chicago**: AACC continued its longstanding support for Misericordia, a home for disadvantaged individuals in Chicago.
- **New York and Chicago**: AACC supports a financial-services-sponsored charity A Leg To Stand On (ALTSO), which holds two fundraising events in the fall – one in New York and one in Chicago. Money raised by ALTSO is used to pay for prosthetic limbs for children in developing countries. Our annual contribution over the last several years has been USD 5,000.
- **Chicago**: FIA Cares Corporate Challenge: 2nd time win by raising a total of USD 30,000 benefiting the Greater Chicago Food Depository.
- **Chicago**: The Chicago Sun Times "Letters to Santa" - sponsored 175 children's Christmas Lists. AACC volunteers loaded and delivered a 10' U-Haul truck with presents to Spencer Tech Pre-K's 3rd graders where 99% of the students are below the poverty level.
- **Chicago**: Autism Speaks Walk: AACC employees walk roughly 5K for Autism Awareness. Sponsorships and employee donations raised nearly USD 11.000.

Europe:

- **Frankfurt**: Johann-Hinrich-Wichern School for underprivileged children and children with learning disabilities has supported by our Frankfurt-based colleagues.
- **The Netherlands**: AACB employees in Amsterdam contribute to various charity initiatives offered by the ABN AMRO Foundation (Kerstengel, Only Friends, Hermitage visits) as well as taking part in the TCS Amsterdam Marathon in October 2017 to raise funds for the Anthony van Leeuwenhoek Cancer research Foundation.

Singapore: Club Rainbow with their 'back to school' kits.

Kerstengel, decorating Christmas trees with eldery.

Panti Asuhan Assyaamil Orphanage Indonesia.

Chicago: Autism Speaks Walk, raising awareness for Autism.

TCS Amsterdam Marathon, raising funds for cancer research.

Chicago: Greater Chicago Food Depository.

Chicago: Letters to Santa, donating gifts for Spencer Tech's 3rd graders.

Chicago: Letters to Santa, a U-haul full of presents for Spencer Tech.

Human resources

The world is rapidly changing, as are the demands of our clients and staff. In order to respond and adapt to these changes, AACB is working in a more-agile way. This will help create an environment in which innovation and co-creation are nurtured. We are committed to attracting, retaining and developing talented, dedicated employees who have the specialised skills and expertise needed for AACB to meet and exceed client expectations.

AACB offers employees a challenging and rewarding environment in which they add value for clients. We strive to create a culture in which employees are empowered and encouraged to be engaged and help build our organisation. We have a fair remuneration policy, and offer training programmes designed to develop talent and nurture highly skilled and dedicated staff.

In 2017, we organised a global acceleration week in which we challenged employees from all AACB regions to work on strategic topics with senior Management. Allowing them to work on their own development and connect to colleagues from across the globe. Employees also had the opportunity to participate in a global job-rotation programme, giving employees a chance to work in a different department or location for a short period of time. In addition, we hired a group of graduates from across the globe. The latter were offered a 15-month programme with training and rotations in various departments in order to learn about our clients, markets and products. We invested in employee development by offering a personal-development budget for improving employability within or beyond AACB.

Employee engagement

Employees provide management with feedback annually in the Employee Engagement Survey, which helps AACB in becoming a future-proof and successful organisation. In 2017, AACB once again achieved a high employee-engagement score of 80%. The survey was completed by 80% of employees, making the results highly representative. Managers received their teams' results and, as in previous years, were encouraged to discuss them with their teams and take the desired actions.

Leadership

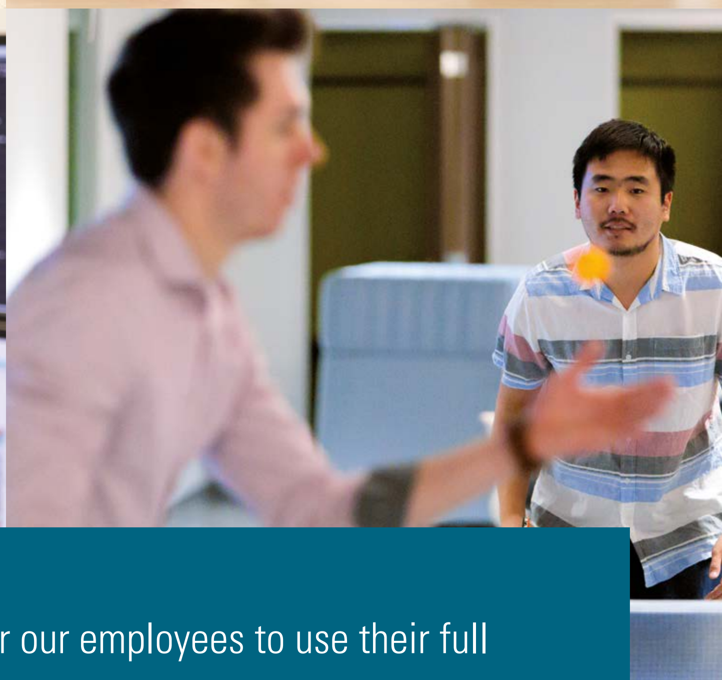
AACB believes that leadership makes the difference. Our leaders support employees in developing their potential to serve our clients optimally with guidance from our bank's cultural principles. Therefore, we encourage our managers to develop their leadership skills through ongoing training. In 2017, this included a tailored leadership programme for regional management teams.

Diversity

AACB aspires to be an organisation in which staff from diverse backgrounds feel welcome and safe, and are given the space and recognition needed to use their talents to foster AACB's growth and our clients' success. According to the 2017 Employee Engagement Survey, our employees are positive about the inclusive environment at AACB.

Operate as one

AACB is a global organisation that operates as one. We create global job opportunities and share best practices. The right employees in the right place at the right time are crucial for serving our clients worldwide and remaining a leading company that's fit for the future.



To be fit for the future, we empower our employees to use their full potential and develop themselves, be best in class, and operate as one.

Photo 1: Global Acceleration week team. from left to right: Ben Moon, Egbert Hessels, Desmond Goh, Danh Nguyen, Kristi Blaisdell, Scott Mollner, Eunice Pareja, Lucas Scholcz, Mathijs Borst, Samuel Madvig, Iris Joosten, Roos Janssen, Juventud Mabulay, Macy Yip, Gabriel Cuevas.

Photo 3: Laurie Roberts - London office.

Photo 2: From left to right: Kristi Blaisdell, Valesca Bousaid - Amsterdam office.

Photo 4: From left to right: Tyler Carson, Alan Ning - Chicago office.

Compliance

The Global Compliance Clearing team (Compliance) is an integral part of the broader ABN AMRO Compliance department. On the one hand, it acts as a linking pin between AACB and ABN AMRO to ensure a consistent and harmonised approach to the overall regulatory compliance of the entire bank. On the other hand, Compliance provides dedicated advice and regulatory support to AACB. Highlights of 2017 are described below and illustrate the joint effort made by Compliance and AACB towards ensuring our organisation's compliance.

Regulatory projects

MiFID II

As for many other European financial institutions, readiness for MiFID II was among the key focus areas for Compliance in 2017. We worked closely with the implementation teams of both AACB and ABN AMRO on numerous MiFID II topics to support AACB preparedness. The result is visible, for example, in the area of transaction reporting, where AACB was able to improve the reaction time and quality of query handling through close collaboration with AACB's dedicated regulatory reporting staff.

Outsourcing

AACB engaged two major outsourcing partners in 2017: Fidessa as global connectivity provider and Cognizant as global IT infrastructure service provider. Compliance worked with AACB on both projects to assist AACB in maintaining regulatory compliance on numerous topics. Aspects ranged from ensuring applicable regulatory notifications were completed on a coordinated global basis to ensuring that topics such as cloud computing and cyber security were adequately addressed.

Client Acceptance and Anti-Money Laundering (CAAML)

A robust client acceptance process aligned with global standards is an important element for an accountable, transparent and ethical organisation. Compliance worked closely with ABN AMRO and AACB for the successful implementation of the new ABN AMRO-wide CAAML Policy. This new policy is also compliant with the 4th EU AML Directive, which raised standards to continue the fight against money laundering and terrorism financing. Information and training sessions were rolled out globally to align all relevant staff on the updated process, and were a joint initiative of AACB and Compliance.

Initiatives

Compliance Insights

The objective of this project is to identify and prioritise key areas and topics that Compliance needs or intends to focus on in the coming period. It promotes discussion between Compliance and AACB on upcoming regulatory issues, themes and trends, and helps keep AACB abreast of worldwide regulatory obligations relevant to its global footprint. This year's theme was "control". Global input was received, constructive discussions took place, and the results were presented to the Managing Board.

Global Compliance Awareness Week

A worldwide event, this year's Global Compliance Awareness Week focused on raising the awareness and importance of compliance and ethics within the organisation. Interactive sessions were held to discuss various topics, including dilemmas. The use of practical and current examples inspired discussions from many different perspectives. The programme also included the

Compliance officer for a day - part of the Compliance Awareness Week.

"Compliance officer for a day"challenge, giving a select group of AACB staff first-hand experience of compliance and related aspects. It provided an opportunity for participating colleagues to gain insight into the work and challenges faced by Compliance in its day-to-day functioning.

Compliance organisation

The ABN AMRO Compliance department restructured in 2017. The intention is to build a new, more-agile and flatter department in alignment with various changes that occurred within the Group. The number of leadership positions within ABN AMRO Compliance were reduced.

In retrospect, 2017 was a busy and challenging year. Together with the business, Compliance worked towards strengthening AACB as a regulated bank, embedding compliance in daily business activities and building a resilient compliance risk and control framework.

Business description

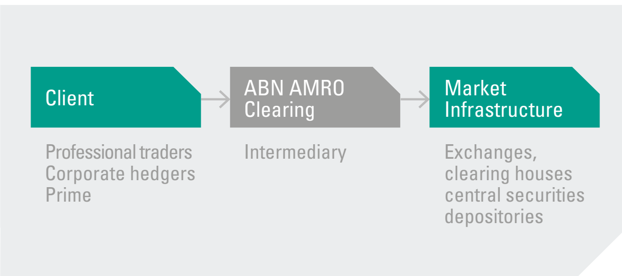
A global leader with a local approach

AACB is one of the world's largest general clearing members, providing clearing and financing services for listed derivatives and cash securities as well as for OTC products, exchange-traded funds (ETFs), warrants, commodities and foreign exchange transactions. Our global service includes all major exchanges and execution venues, combined with CCP coverage in Europe, the US, Brazil and Asia-Pacific.

Connected to more than 150 liquidity centres, AACB enjoys market share of 20% or higher for many of the major exchanges on which it operates. As a result AACB consistently ranks among the top three clearers in every time zone, based on turnover and market share.

Market infrastructure and opportunities

AACB's business model is client driven, providing global access to market infrastructure, securities lending, settlement, custody and asset servicing across multiple asset classes. Our central role in the financial market infrastructure implies an ongoing responsibility to contribute to a more efficient, safe and transparent financial system.



AACB maintains a strong market position with the principal-trading-group segment. In 2017, also we successfully extended our efforts to diversify our client portfolio with other segments, such as alternative-investment managers and corporate hedgers.

Principal Trading Groups

A principal trader is a company that acts as a market maker or liquidity provider on regulated markets and trades solely with its own capital. AACB built its global business in close collaboration with market makers that started their businesses on the trading floors of major financial centres. By closely following these clients and developing systems to satisfy their high-profile demands, AACB has established a reputation as a partner and a reference service provider for principal trading groups across the globe.

AACB offers multi-market and multi-product services to leading global organisations. We recognise that most of our larger clients had modest beginnings. Therefore, we are committed to continuing to help well-structured smaller/niche players and start-ups.

Corporate Hedgers

A corporate hedger is a company that makes significant use of commodities in its business process. It uses derivatives to hedge the price risk of underlying commodity inventories and flows, as required from a risk management perspective. AACB has a long and strong track record in listed commodity derivatives. We cover a wide range of commodities, including agricultural, base and precious metals, oil and energy-related products. Our recognised global execution and clearing expertise include acknowledged abilities in physical delivery. In the Power & Gas markets, our specialist team harnesses the advantage of ongoing market consolidation in Germany in 2017.

Prime

AACB offers fully integrated prime-brokerage services across multiple asset classes. Our prime-brokerage platform enables clients to trade globally, while centralising all clearing, settlement, financial and administrative services. AACB is well-positioned to leverage its clearing experience when it comes to servicing hedge funds and asset managers employing one of the following strategies:

- Long/short equity strategies
- Relative value strategies
- Volatility arbitrage strategies
- Quantitative strategies

In addition to its high-quality clearing services, AACB also presents value-added initiatives for investors and asset managers. In 2017, AACB organised several "knowledge bites" with the support of specialist law firms or infrastructure providers. Our landmark Amsterdam Investor Forum is a highly successful annual event for alternative investors and managers, now in its 7th edition. More than 250 delegates attended, benefitting from inspiring keynotes and topical industry-focused panel discussions.

> Creating efficiency in the value chains of everyday products and making the financial system more efficient, transparent and robust.

From left to right:

Jay Andrews, Ray Parkins, Robbert Booij, Michelle Pinkster, Gary Fryer - London office

Regional overview

Throughout 2017, AACB continued servicing clients from Europe, the US and Asia-Pacific.

Europe

AACB is headquartered in Amsterdam, the Netherlands. Our offices in Amsterdam, Paris, Frankfurt, London (and Brazil) cover exchanges from the Middle East to Scandinavia. Building on our legacy and lengthy experience, the region operates as a centre of excellence for the development, improvement and maintenance of AACB's global systems.

2017 proved to be a challenging year in the principal-trading-group space. Low volatility combined with low liquidity on the major global exchanges throughout the majority of the year led to reduced trading and fewer market-making opportunities for these core clients. We see continued growth with clients in both the Corporate and Prime segments.

Going forward, we remain a significant participant within the European exchange trading, clearing and settlement community. Based on client demand for an alternative interest rate swaps clearing offering, our service was extended to include Eurex Clearing in addition to LCH SwapClear. Other investments bring operational efficiencies aimed at benefitting our clients, such as becoming a direct clearing participant with Monte Titoli by leveraging Target-2-Securities and clearing Six Swiss Exchange trades through EuroCCP. The latter enables us to also clear the SIX Swiss Exchange Liquidnet. Service segment.

Enhanced trading possibilities for energy products have become available, with extended product coverage on exchanges and CCPs. Since 2017, we offer the NordPool power exchange and the Irish spot exchange SEMOpx. We are connected to BrokerTec for government bonds, and additional fixed-income trading possibilities will become available in 2018.

Robbert Booij

Regional CEO Europe

Number of FTEs

473

Client satisfaction
on a scale from 1 to 7

5,5

United States

Our US offices are located in Chicago – the operational centre for the region – and in New York. 2017 was a very interesting year in many ways. It started off with a significant migration from a legacy US clearing platform to a global proprietary platform – a tremendous achievement by teams across the globe, which took significant preparation and testing. Swapping our clearing system was a delicate operation both literally and figuratively.

Soon after the implementation of the global clearing system, we began work on product expansions. We were able to add the Canadian equities offering to our product portfolio just before the end of 2017.

The year was also challenging due to the low volatility and low-volume environment in combination with burdens on bank balance sheets. In leverage ratio (LR) calculations, the current exposure methodology is used but is flawed for calculating derivatives exposure. AACC worked with clients, exchanges and clearing houses to address concerns surrounding the LR. We expect clarity on this topic in 2018.

AACC moved to a new office space in late 2017. Although we remained in the same building, it has proved to be an upgrade, with more opportunity for team collaboration.

Andrej Bolkovic

Regional CEO United States

Number of FTEs

194

Client satisfaction
on a scale from 1 to 7

6,6

Asia-Pacific

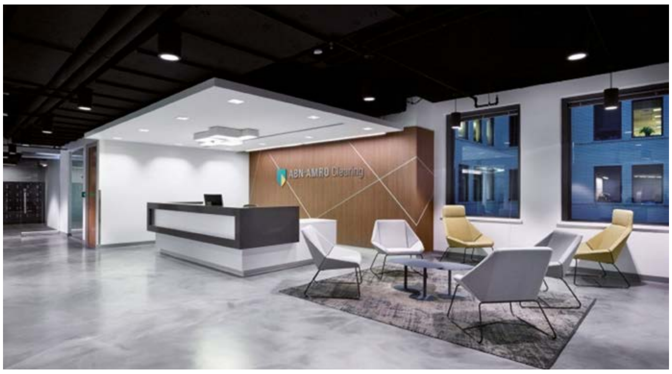
AACB has four offices in the Asia-Pacific region. In order of establishment, we are located in Hong Kong, Sydney (where we moved to a new building in 2017), Singapore and Tokyo. These offices cover their relevant domestic markets and facilitate client trading activity into China (via the Shanghai-Hong Kong connect programs), Taiwan, Korea, the US and Europe. While the markets have been relatively quiet from a volatility perspective, AACB Asia-Pacific remains a leading regional player in terms of market share.

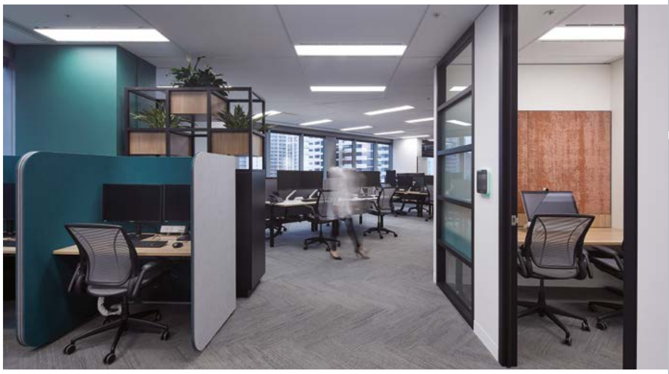
The 2017 client satisfaction survey remains very positive and in line with previous years, reflecting our ongoing commitment to deliver quality services. During 2017, we continued to enhance our ETF offering through greater process automation.

Despite significant change at the senior-management level within the region, our staff-engagement score once again improved in 2017, reflecting the positive views of our staff towards our clients, our business and our shared future.

Going forward, we will continue to pursue new business opportunities, with a strong focus on expanding our product range, further enhancing our core operating systems, and seeking a wider diversity of clients. This supports our ambition to remain a market leader within the Asia-Pacific exchange trading, clearing and settlement community.

Barry Parker
Regional CEO Asia-Pacific





New Chicago office reception and "the garage".

New Sydney office.

Risk management

Risk appetite

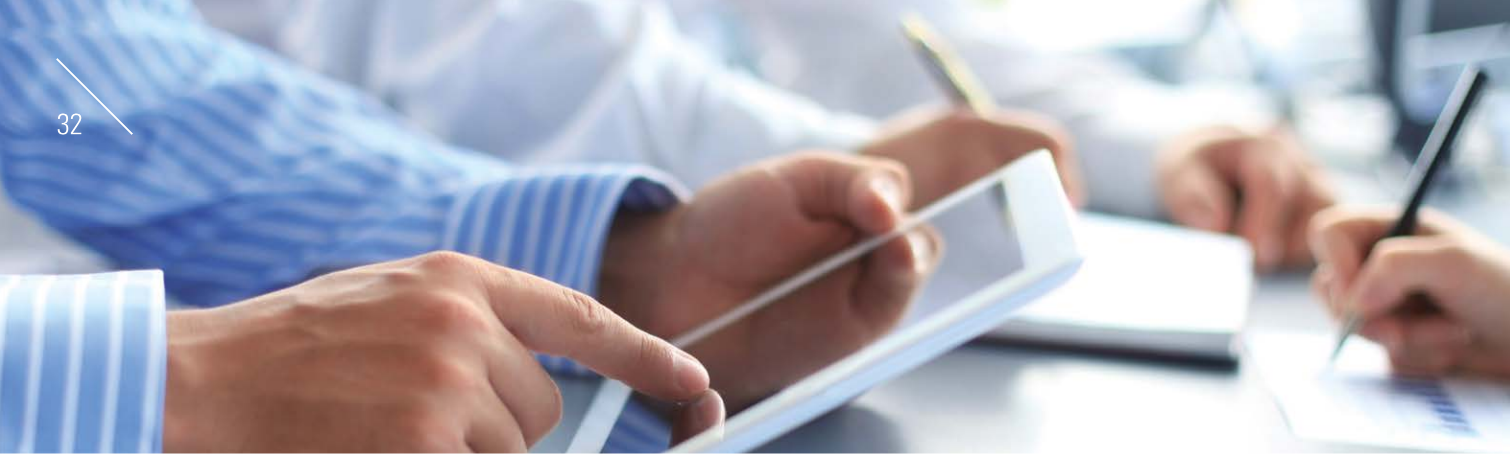
A bank's risk appetite determines the level and nature of risk that it is willing to bear in order to pursue its strategy, taking all stakeholders into consideration. It clarifies the use of risk capacity across the various risk types, businesses and operating entities, and by doing so, optimises risk and return. AACB's risk appetite is aligned with a moderate risk profile. It takes into account all risk types of the risk taxonomy relevant for AACB, in particular, credit, market, operational, liquidity, regulatory and business risk. The risk-appetite statement limits AACB's overall risk-taking capacity across these risk types. It is monitored by benchmarking actual and expected risk profiles so that corrective actions can be defined if and when necessary. This risk appetite statement is reviewed annually at a minimum and is approved by relevant committees within the bank.

AACBs risk appetite statement takes into account credit, market, operational, liquidity, regulatory and business risk.

Risk governance

AACB falls under ABN AMRO's risk governance. As such, we follow the bank's three lines of defense model, risk decision framework, and product approval process.

- **1st Line of Defence - business**
  Risk ownership resides within AACB, whereby management is primarily responsible for the risks assumed, results, execution, compliance and effectiveness of risk management and risk control. AACB has a Chief Risk Officer (CRO) tasked with managing this role.
- **2nd Line of Defence - risk control functions**
  Risk Control is responsible for: setting frameworks, drafting rules, advice, monitoring, reporting on execution, management and risk control for AACB. The second line ensures that the first line takes the appropriate amount of risk ownership. It has approval authority on credit proposals above predefined thresholds as well as the authority to approve certain counterparties. ABN AMRO functions such as Risk, Compliance, Sustainability, Legal, Tax and Finance (including Asset & Liability Management) supports AACB in implementing these required risk controls.
- **3rd Line of Defence - audit**
  ABN AMRO Group Audit evaluates the effectiveness of AACB governance, risk management and control processes.



Managing risks

Sound risk management is a cornerstone of AACB's business model. Risk centres operate in three time zones across the globe. These local risk centres are supported and governed by global risk functions in Amsterdam. Local Risk Management employees monitor client activity on a daily and intraday (near real time) basis to ensure that all clients remain within the agreed market and credit risk parameters. They also monitor other counterparty exposures, conduct market surveillance and are involved in managing AACB's risk profile.

- AACB is not involved in any proprietary trading activities and therefore does not run direct market risk. Nevertheless, we can encounter indirect market risk as a result of clearing and financing activities.
- As a third-party clearing member, AACB explicitly guarantees the fulfilment of obligations towards clearing houses and other third parties that arise from customer transactions. In the event of client default, AACB is legally obligated to settle all client positions with the relevant clearing houses, possibly at a loss.
- AACB provides liquidity lines to clients to leverage business opportunities and enable them to hedge their derivatives inventory with shares and bonds.
- As a General Clearing member with various CCPs, AACB contributes to CCP default funds. When another CCP member's own resources are insufficient as a result of default, AACB's contribution to the Default Fund could be (partly) depleted in the default-management process.

Relevant risk types

Audited To illustrate the amount of inventory financing provided by AACB and the total outstanding client credit facilities (excluding ABN AMRO Group companies), the figures, including utilisation, are as follows:

EUR billion	2017	2016
Total outstanding client credit facilities	35.8	33.49
Total utilisation	13.6	12.03
Of which: total debit cash utilisation	6.63	5.3
Of which: total short stock utilisation	6.97	6.73

In 2017, AACB had no default (2016: none) and therefore no default rate on overall outstanding credit lines of EUR 35.80 billion (2016: 33.49 billion). Included in the total unused client credit facilities are revocable credit lines amounting to EUR 21.8 billion (2016: EUR 20.14 billion) and irrevocable credit facilities amounting to EUR 0.4 billion (2016: 1.32 billion).

Credit risk mitigation

Credit risk mitigation considers techniques that reduce credit risk associated with a credit facility or exposure on certain counterparties. Credit risk mitigation mainly relates to collateral management and guarantees, offsetting financial assets and liabilities and enforcing master netting agreements.

No AACB assets were past due as per 31 December 2017.

Clients

To manage the above, all client exposure is collateralised. For the potential exposure that results from their portfolios, clients need to deposit collateral with AACB. This collateral is assessed on a daily and intraday basis. These margin requirements are based both on realised changes in client portfolio value and on potential changes derived from very conservative scenario analyses and stress tests conducted on a daily and intraday basis.

In the event of a breach in any of the relevant risk parameters, AACB asks clients to deposit additional collateral and/or reduce the risk in their portfolios. AACB also has the contractual right to immediately seize and liquidate their portfolios should clients fail to meet the collateral requirements.

To meet collateral requirements, clients deposit funds and liquid marketable securities with AACB. These assets serve as collateral for client credit facilities or market risk. All types of collateral should comply with AACB standards. Collateral is regularly monitored to ensure eligibility and sufficient value.

Counterparties

As an intermediary between clients and the financial infrastructure, AACB also runs counterparty risk towards exchanges, brokers, central clearing houses, nostro and settlement banks, and other financial institutions. AACB has a comprehensive framework in place for monitoring the various counterparties. If necessary, we can enact exposure limits to protect our organisation and our clients against these types of counterparties.

AACB risk managers ensure that AACB stays within these approved counterparty limits by means of daily monitoring and by steering actions when needed. In accordance with procedures, no counterparty limits are exceeded.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported on the statement of financial position if there is a legally enforceable right to set off the recognised amounts and there is either an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. The credit-risk exposure is largely mitigated by receiving collateral from clients.

Enforceable master netting agreements or similar instruments

In addition to the above, enforceable master netting agreements are concluded, which take into account provisions that make netting and offsetting exercisable in the event of client default. Furthermore, AACB may upon client request enter into master netting arrangements, such as derivative clearing agreements, global master repurchase agreements and global master securities lending agreements, which also take into account provisions that make netting and offsetting exercisable in the event of default.

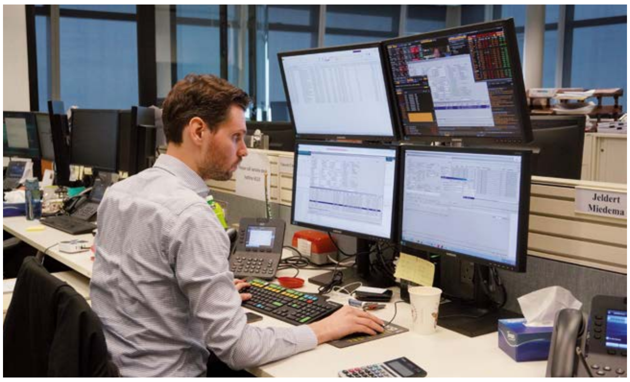
Systemic risk

Participants in the financial infrastructure are systemically relevant, as the failure of one component will simultaneously affect a large number of parties in the market. Systemic problems can arise if the functions of an affected component are not transferred to another party in a timely manner. The ability to do so depends on the size of the activities and the specific market characteristics. This includes local legislation and participant contingency arrangements.

As a clearing member, AACB is part of the financial infrastructure that connects various market participants.

As a clearing member, AACB is part of the financial infrastructure that connects various market participants. The financial infrastructure is regulated and closely supervised by regulatory authorities. The financial market infrastructure includes CCPs to mitigate counterparty risk. Clearing members are required to pay initial margins in advance to cover potential future exposure that a CCP runs on the positions of its clearing members. In addition to the prepaid margin, clearing members must also contribute to default funds (also known as guarantee funds).

In the event of clearing-member default – with losses greater than the initial margin and default contribution of the defaulting clearing member – the default contributions of other clearing members will be used to cover the losses. If these are depleted, there is a mandatory refinancing call to all remaining clearing members up to their prior default-fund contributions. Alternatively, the clearing member can forfeit membership. Monetary losses from a potential clearing-member default are highly unlikely given the sound margin requirements set by the CCPs. To a large extent, CCP clearing ensures that monetary losses as a result of clearing-member default are covered.



Jeldert Miedema - Hong Kong office.

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Audited

Offsetting, netting and collateral & guarantees

(x EUR 1.000) **31 December 2017**

Assets	Carrying amount before balance sheet netting	Balance sheet netting with gross liabilities	Carrying amount	Master netting agreement	Collateral	Total risk mitigation	Surplus collateral	Received guarantees	Net exposure
Cash and balances at central banks	380.063		380.063						380.063
Financial assets held for trading	221.987		221.987						221.987
Financial investments	390.321		390.321						390.321
Securities financing	4.226.433		4.226.433	54.262	3.526.766	3.581.028			645.405
Loans and receivables - banks	1.447.203		1.447.203	252.517	1.648.488	1.901.005	1.648.251		1.194.449*
Loans and receivables - customers	17.413.740		17.413.740	2.012.974	16.064.764	18.077.738	8.218.765	5.292	7.549.475*
Other	63.144		63.144						63.144
Total assets	**24.142.891**		**24.142.891**	**2.319.753**	**21.240.017**	**23.559.771**	**9.867.016**	**5.292**	**10.444.844**
Financial guarantees given	9.045								9.045
Committed credit facilities	393.990								393.990
Total exposure to credit risk	**24.545.926**								**10.847.879**

Liabilities	Carrying amount before balance sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement	Net amount
Financial liabilities held for trading	174.897		174.897		174.897
Securities financing	1.905.453		1.905.453	48.107	1.857.346
Due to banks	11.310.647		11.310.647	255.837	11.054.810
Due to customers	9.458.517		9.458.517	2.015.809	7.442.708
Other	207.819		207.819		207.819
Total liabilities	**23.057.333**		**23.057.333**	**2.319.753**	**20.737.580**

The balance sheet amount before balance sheet netting represents the maximum exposure to credit risk.
* AACB's business model is such that each customers exposure is covered by collateral. The remaining amounts in the net exposure column mainly consist of margin and default funds placed with CCP's and cash in own bank accounts.

(x EUR 1.000) **31 December 2016**

Assets	Carrying amount before balance sheet netting	Balance sheet netting with gross liabilities	Carrying amount	Master netting agreement	Collateral	Total risk mitigation	Surplus collateral	Received guarantees	Net exposure
Cash and balances at central banks	41.741		41.741						41.741
Financial assets held for trading	31.745		31.745						31.745
Financial investments	534.022		534.022						534.022
Securities financing	5.592.170		5.592.170	16.233	4.980.626	4.996.859			595.311
Loans and receivables - banks	1.399.844		1.399.844	311.722	1.133.623	1.445.345	1.133.486		1.087.985*
Loans and receivables - customers	13.398.860		13.398.860	2.412.669	16.005.900	18.418.569	10.607.419	15.409	5.572.301*
Other	67.999		67.999						67.999
Total assets	**21.066.381**		**21.066.381**	**2.740.624**	**22.120.149**	**24.860.773**	**11.740.905**	**15.409**	**7.931.104**
Financial guarantees given	4.690								4.690
Committed credit facilities	1.320.814								1.320.814
Total exposure to credit risk	**22.391.885**								**9.256.608**

Liabilities	Carrying amount before balance sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement	Net amount
Financial liabilities held for trading	31.739		31.739		31.739
Securities financing	1.077.262		1.077.262	3.525	1.073.737
Due to banks	10.115.395		10.115.395	317.463	9.797.932
Due to customers	8.578.334		8.578.334	2.419.636	6.158.698
Other	222.820		222.820		222.820
Total liabilities	**20.025.550**		**20.025.550**	**2.740.624**	**17.284.926**

The balance sheet amount before balance sheet netting represents the maximum exposure to credit risk.
* AACB's business model is such that each customers exposure is covered by collateral. The remaining amounts in the net exposure column mainly consist of margin and default funds placed with CCP's and cash in own bank accounts.

From left to right: Rene Verano, Tyler Carson, Yulia O'Neill - Chicago office.

Audited Stress testing

As part of ABN AMRO, AACB participates in the ABN AMRO-wide stress testing programme that regularly assesses the effect of stress events on the bank. These include sensitivity analyses with respect to specific risk drivers, scenario analyses regarding potentially relevant scenarios and reverse stress testing. The main objectives of stress testing are to ensure that AACB continues to operate within its moderate risk appetite, to increase risk awareness throughout AACB, and to safeguard business continuity. It is worth noting that the monitoring of the client portfolios under extreme market scenarios and the stress parameters in AACB's risk management framework also contribute to meeting these objectives.

Audited Liquidity risk

Liquidity risk can be described as the risk that a financial institution runs in order to meet its financial obligations on time. Liquidity risk management seeks to ensure that a financial institution can continue its business activities under normal and adverse (market) circumstances. This includes meeting cash-flow obligations that depend on external events and on the behaviour of third parties. Due to the nature of AACB activities, its financial assets and liabilities are generally of a short-term nature. Clients are primarily provided non-committed liquidity facilities with short tenors.

Liquidity risk management

Liquidity risk management is integrated in AACB business activities. To manage liquidity needs, overall global-liquidity funding is obtained from ABN AMRO to complement liquidity generated within AACB. Internally, liquidity is managed around the clock by three dedicated treasury centres in each region: Singapore, Amsterdam and Chicago.

Liquidity-control framework

AACB's liquidity-control framework sets principles for prudent liquidity risk management and describes:

- Liquidity risk appetite
- Liquidity risk governance
- Day-to-day liquidity management (procedures)
- Liquidity stress testing scenarios and outcomes contingency funding plan
- Liquidity monitoring and reporting framework
- AACB's liquidity buffer requirement

As a general clearing member, AACB acts as a settlement agent and provides clients with collateralised financing. Short-term funding is provided to finance client positions and meet payment obligations (e.g. margin calls from central counterparties and settlements).

Monitoring liquidity risk

AACB's Treasury department monitors actual and expected cash movements on an intraday basis. The operating systems notify the Treasury department on a daily basis regarding fund flow. Using this information, they maintain intraday surveillance of AACB's liquidity position and ensure that sufficient collateral is on deposit. Liquidity stress tests are performed regularly to ensure the effectiveness of the liquidity management framework and daily liquidity management procedures.

The Managing Board meets on a monthly basis to discuss balance and liquidity management. This ensures that senior management is actively involved in managing liquidity risks, and provides agility in identifying potential issues and taking corrective decisions, if necessary.

Liquidity-sensitivity gaps

The following table provides a maturity analysis of the earliest contractual undiscounted cash flows for assets and liabilities. It represents the short-term nature and cash flows of AACB activities. The amounts include accrued interest as stated in the balance sheet.

Liquidity sensitivity gap statement

(x EUR 1.000) — **31 December 2017**

	On demand	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and three years	**Total**
Cash and balances at Central banks	380.063						380.063
Financial assets held for trading	221.987						221.987
Financial investments	346.861	6.224	24.822	12.414			390.321
Securities financing assets	4.226.433						4.226.433
Loans and receivables - banks	1.447.203						1.447.203
Loans and receivables - customers	14.952.421	1.907.005	554.314				17.413.740
Other assets	60.630	833	1.681				63.144
Total assets	**21.635.598**	**1.914.062**	**580.817**	**12.414**			**24.142.891**
Financial liabilities held for trading	174.897						174.897
Securities financing liabilities	1.905.453						1.905.453
Due to banks	1.735.273	4.787.687	1.915.075	1.436.306	1.436.306		11.310.647
Due to customers	8.937.463	521.054					9.458.517
Issued debt						60*	60
Other liabilities	203.557	4.202					207.759
Total liabilities	**12.956.643**	**5.312.943**	**1.915.075**	**1.436.306**	**1.436.306**	**60**	**23.057.333**
Net liquidity surplus/gap	**8.678.955**	**(3.398.881)**	**-1.334.258**	**-1.423.892**	**-1.436.306**	**-60**	**1.085.558**

* This item concerns a private placement from AACB with a maturity of three years.

(x EUR 1.000)							31 December 2016
	On demand	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and three years	**Total**
Cash and balances at Central banks	41.741						41.741
Financial assets held for trading	31.745						31.745
Financial investments	484.980	6.549	35.964	6.529			534.022
Securities financing assets	5.592.170						5.592.170
Loans and receivables - banks	1.399.844						1.399.844
Loans and receivables - customers	12.739.186	229.643	430.031				13.398.860
Other assets	63.297	4.702					67.999
Total assets	**20.352.963**	**240.894**	**465.995**	**6.529**			**21.066.381**
Financial liabilities held for trading	31.739						31.739
Securities financing liabilities	1.077.262						1.077.262
Due to banks	6.002.103		1.645.316	1.233.988	1.233.988		10.115.395
Due to customers	8.447.888	130.446					8.578.334
Issued debt					325*		325
Other liabilities	202.485	20.010					222.495
Total liabilities	**15.761.477**	**150.456**	**1.645.316**	**1.233.988**	**1.234.313**		**20.025.550**
Net liquidity surplus/gap	**4.591.486**	**90.438**	**-1.179.321**	**-1.227.459**	**-1.234.313**		**1.040.831**

* This item concerns a private placement from AACB which initially had a maturity of three years.

Regulatory risk

AACB operates in a highly regulated environment. Our home regulators are the ECB, DNB and AFM. Other AACB offices interact with local regulators such as the Financial Conduct Authority (United Kingdom), the SEC and CFTC (United States) and the Monetary Authority of Singapore (MAS), among others. In addition, we deal with many different exchanges and central clearing houses that mandate their own rules and regulations.

Local Compliance and Legal functions ensure constant compliance with regulations and liaise with regulators to protect AACB from regulatory risk. Furthermore, our dedicated Global Regulatory Affairs function actively engages with the main regulators and policymakers to protect our interests as well as those of our clients.

On a more-operational level, local Risk functions conduct market-surveillance activities of clients for which AACB acts as the executing broker, meaning the broker transmitting client orders to trading platforms. This is done primarily from a market-abuse and order-book-behaviour perspective. The same functions also monitor anti-money laundering to ensure compliance with AACB and local regulatory standards.

Operational risk

AACB is exposed to operational risk arising from business processes and IT infrastructure.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems, human error or external events. Some examples of operational risk are wrongful execution of an order, fraud, litigation for legal non-compliance, natural disasters, and terrorism.

Operational risk within AACB is monitored and controlled by three complementary departments, in line with ABN AMRO's three lines of defence model as described earlier under Risk governance.

AACB, like ABN AMRO, successfully implemented and embedded a full operational-risk-control framework exposed to operational risk arising from business processes and the IT infrastructure. This framework is aligned with the regulatory technical standards of the Advanced Measurement Approach (AMA). AACB does not apply AMA on a standalone basis.

As part of the control framework, various instruments are used to identify, measure, mitigate and control risks. Instrument types are strategic risk assessments, risk and control self-assessments, change risk assessments, and scenario analyses. All risks are measured against AACB's moderate risk profile, which is clearly stated within its risk-appetite statement.

Business continuity management

Availability of business processes is a key aspect for the internal and external operations of clearing activities. Therefore, business continuity management (BCM) is embedded throughout AACB and complies with ABN AMRO BCM policies and procedures.

Business continuity plans are in place for each AACB location. These aim to limit the impact of unexpected events on the continuity of services. Training for Business Crisis Team members is provided on an ongoing basis. Employees are obligated to participate in business continuity plan awareness and e-learning sessions and also receive updates. Disaster and Recovery sessions are held regularly to test key processes and the IT infrastructure, and to support training for key employees.

Information security risk management

The clearing business is IT and information intensive, requiring a strong control framework to ensure confidentiality, integrity and availability of information. To effectively manage threats and risks, such a framework has been implemented for all AACB locations using market standard Control Objectives for Information and Related Technology. AACB continuously monitors (external) threats in terms of IT and cyber security. Improving the control environment is a key activity.

Moreover, AACB IT infrastructure is monitored to ensure availability, confidentiality and integrity. Availability of infrastructure is continuously monitored for AACB's critical business chains. AACB performs annual disaster-recovery tests for all core systems to assure adequate functioning and to identify aspects for improvement.

Audited Foreign exchange risk

AACB activities in London, Singapore, Japan, Hong Kong, Sydney and Chicago can result in foreign exchange (FX) risk on the working capital and/or the equity positions of these branches and subsidiaries. AACB refers to Note 17 of the company statement for FX exposure on participating interest in group companies. A sensitivity analysis regarding the impact of changes in the EUR/USD on the capital position is performed on an annual basis.

From left to right: Pan Mak, Peter Mok, Ryan Leung, Vincent Cheung - Hong Kong office.

As all borrowing is posted in matching currencies, the FX risk on lending is offset with the FX risk on borrowing, resulting in minimal FX risk.

The FX risk borne as a result of day-to-day operating activities is mitigated by entering into foreign-currency transactions with other ABN AMRO companies. As a result of the foreign-currency transactions, the overall net position in foreign-currency is zero. The foreign currency translation reserve presented in the statement of other comprehensive income relates to foreign currency translation exposure upon consolidation.

Audited

Interest rate risk

Interest rate risk is managed according to ABN AMRO's Asset & Liability Management (ALM) framework as approved by ABN AMRO's Asset & Liability Committee. This framework is designed to transfer interest rate risk out of commercial business lines to the central ALM of ABN AMRO, allowing for clear demarcation between commercial business results and results on unhedged interest rate positions. The execution of decisions and day-to-day management of positions is delegated to ABN AMRO's ALM/Treasury department. AACB is not exposed to significant interest rate risk.

Capital and liquidity management

On a sub-consolidated basis, AACB meets the minimum regulatory capital, solvency and liquidity requirements of the CRD IV/ CRR framework. For a more detailed breakdown of the Regulatory Capital Requirements, refer to the ABN AMRO Group Financial Statements.

Capital indicators versus risk appetite

AACB has a set internal risk-appetite limit and checkpoints for CET1 and Basel 1 floor ratios. The checkpoint serves as a buffer to ensure ratios at clearing-bank level and will not fall below regulatory limits, and the ratios are steered when they move close to checkpoint levels. As of 1st of January 2018 the Basel I floor is no longer applicable.

(x EUR 1.000)	31 December 2017	31 December 2016
Capital		
IFRS capital	1.085.558	1.040.831
Composition of regulatory capital:		
- Common Equity Tier 1 (CET1)	1.047.160	1.001.160
- Other tier 1 capital	-	-
- Tier 2 capital	-	-
Total regulatory capital	**1.047.160**	**1.001.160**
Total Risk Exposure Amount (RWA)	3.073.410	2.911.773
CET 1 ratio	34,07%	34,38%
Basel I floor ratio	9,72%	11,88%
Fully loaded leverage ratio	1,2%	1,3%

(x EUR 1.000)	12-31-2017	12-31-2016
Geographic breakdown RWA		
Europe	52%	64%
US	31%	29%
APAC	17%	7%
Total	**100%**	**100%**

(x EUR 1.000)	12-31-2017	12-31-2016
RWA breakdown per counterparty		
Clients	36%	38%
Central counterparties (CCPs)	20%	20%
Other	44%*	31%*
Third party exposures	100%	89%
ABN AMRO Bank intra-group	0%	11%
Total	**100%**	**100%**

* Included in this item is the current credit risk relating to securities lending and borrowing transactions.

(x EUR 1.000)	12-31-2017	12-31-2016
Liquidity ratio's		
Liquidity Coverage Ratio (LCR)	>100%	>100%
Net Stable Funding Ratio (NSFR)	>100%	>100%

Annual Financial Statements

From left to right:

Rowan Preesman, Philip Kraaijeveld - Amsterdam office.

Consolidated Income Statement for the year ended 31 December 2017

(x EUR 1.000)	Note	2017	2016
Income			
Interest income		357.562	300.685
Interest expenses		199.581	158.234
Net interest income	1	**157.981**	**142.451**
Fee and commission income		1.243.071	1.245.830
Fee and commission expenses		1.003.813	984.700
Net fee and commission income	2	**239.258**	**261.130**
Net trading income	3	-426	-143
Share of result in equity accounted investments	4	632	549
Other income	5	8.050	-2.007
Operating income		**405.495**	**401.980**
Expenses			
Personnel expenses	6	123.722	122.703
General and administrative expenses	7	161.747	161.343
Depreciation and amortisation of (in)tangible assets	8	7.374	9.689
Operating expenses		**292.843**	**293.735**
Impairment charges on loans and other receivables	9	-	-1.717
Total expenses		**292.843**	**292.018**
Operating profit / (loss) before taxation		**112.652**	**109.962**
Income tax expense	10	33.380	42.294
Profit (loss) for the year		**79.272**	**67.668**
Attributable to:			
Owner of the company		79.272	67.668

Consolidated Statement of Comprehensive Income for the year ended 31 December 2017

(x EUR 1.000)	Note	2017	2016
Profit for the period		**79.272**	**67.668**
Other comprehensive income:			
Items that will not be reclassified to the income statement			
Remeasurement gain / (losses) on defined benefit obligation	33	-	295
Associates: relating to remeasurement on defined benefit obligations	33	-	59
Joint ventures: relating to remeasurement of financial instruments	33	91	-
Items that will not be reclassified to the income statement before taxation		**91**	**354**
Income tax relating to Items that will not be reclassified to the income statement	33	-22	-94
Items that will not be reclassified to the income statement after taxation		**69**	**260**
Items that may be reclassified to the income statement			
Currency translation reserve	33	-88.495	24.143
Available for sale financial assets	33	2.686	-660
Other comprehensive income for the period before taxation		**-85.809**	**23.483**
Income tax relating to components of other comprehensive income	33	124	-17
Other comprehensive income for the period after taxation		**-85.685**	**23.466**
Total comprehensive income/(expense) for the period after taxation		**-6.344**	**91.394**
Total comprehensive income attributable to:			
Owner of the company		**-6.344**	**91.394**

Consolidated Statement of Financial Position as at 31 December 2017

Before profit appropriation

(x EUR 1.000)	Note	31 December 2017	31 December 2016
Assets			
Cash and balances at central banks	11	380.063	41.741
Financial assets held for trading	12	221.987	31.745
Financial investments	13	390.321	534.022
Securities financing	15	4.226.433	5.592.170
Loans and receivables - banks	16	1.447.203	1.399.844
Loans and receivables - customers	17	17.413.740	13.398.860
Equity accounted investments	20	9.172	21.517
Property and equipment	21	11.032	10.373
Intangible assets	22	1.897	4.523
Tax assets	23	15.850	13.620
Other assets	24	25.193	17.966
Total assets		**24.142.891**	**21.066.381**
Liabilities			
Financial liabilities held for trading	25	174.897	31.739
Securities financing	26	1.905.453	1.077.262
Due to banks	27	11.310.647	10.115.395
Due to customers	28	9.458.517	8.578.334
Issued debt	29	60	325
Provisions	30	5.898	2.283
Tax liabilities	31	15.215	16.331
Other liabilities	32	186.646	203.881
Total liabilities		**23.057.333**	**20.025.550**
Equity			
Share capital		15.000	15.000
Share premium		55.363	5.363
Other reserves (incl. retained earnings/profit for the period)		998.472	918.128
Accumulated other comprehensive income		16.723	102.340
Equity attributable to owner of the company	33	**1.085.558**	**1.040.831**
Total Equity		**1.085.558**	**1.040.831**
Total Liabilities and Equity		**24.142.891**	**21.066.381**
Committed credit facilities	34	393.990	1.320.814
Commitments and contingent liabilities	34	10.824	5.758

Consolidated Statement of Changes in Equity

(x EUR 1.000)

	Share capital	Share Premium	Retained earnings	Unappropriated result of the year	Available-for-sale investments reserve	Remeasurement of net DBO on post-employment plans	Net remeasurement of joint venture financial instruments	Currency translation reserve	Net investment hedging reserve	Total	Attributable to non-controlling interests	Total Equity
			Other reserves		Accumulated other comprehensive income (note 33)							
Balance as at 31 December 2015	**15.000**	**250**	**786.536**	**63.926**	**8.281**	**-277**	**-**	**118.683**	**-48.073**	**944.325**	**-**	**944.325**
Total comprehensive income	-	-	-	-67.668	-677	262	-	24.141	-	91.394	-	91.394
Transfer	-	-	63.925	-63.926	-	-	-	-	-	-1	-	-1
Increase capital	-	5.113	-	-	-	-	-	-	-	5.113	-	5.113
Balance as at 31 December 2016	**15.000**	**5.363**	**850.461**	**67.668**	**7.604**	**-15**	**-**	**142.824**	**-48.073**	**1.040.831**	**-**	**1.040.831**
Total comprehensive income	-	-	-	79.272	2.632	1	68	-88.317	-	-6.344	-	-6.344
Transfer	-	-	67.668	-67.668	-	-	-	-	-	-	-	
Increase capital	-	50.000	-	-	-	-	-	-	-	50.000	-	50.000
Other	-	-	1.072	-	-	-	-	-	-	1.072	-	1.072
Balance as at 31 December 2017	**15.000**	**55.363**	**919.201**	**79.272**	**10.235**	**-14**	**68**	**54.507**	**-48.073**	**1.085.558**	**-**	**1.085.558**

Consolidated Statement of Cash Flows for the year ended 31 december 2017

(x EUR 1.000)	Note	2017	2016
Profit after taxation		**79.272**	**67.668**
Adjustments on non-cash items included in profit:			
Net realized gains (losses) on sales		1.991	-1.328
Income of equity associates and partnerships	4	-632	-549
Depreciation, amortisation of (in)tangible assets	8	7.374	9.689
Provisions and impairments		6.818	7.779
Income tax expenses	10	33.380	42.294
Changes in operating assets and liabilities:			
Loans and receivables banks		1.327.331	2.882.356
Loans and receivables customers		-4.882.058	-2.324.329
Financial instruments held for trading and securities transactions		565.207	379.611
Due to banks		1.337.069	-689.797
Due to customers		1.280.708	-393.056
Net changes in all other operational assets and liabilities		522.654	-98.954
Income taxes paid		-36.586	-42.760
Cash flow from operating activities		**242.528**	**-161.376**
Investing activities:			
Purchases of financial investments		-248.436	-439.100
Proceeds from sales, maturities and redemptions		340.407	-
Proceeds from sales of associates and partnerships	19	12.531	3.365
Dividend from associates		-	790
Purchases of property and equipment	21	-9.855	-8.151
Purchases of other (in)tangible assets	22	-15	-684
Cash flow from investing activities		**94.632**	**-443.780**
Financing activities:			
Issuance of debt certificates	37	60	-
Payment of debt certificates	37	-325	-
Proceeds from capital contributions		50.000	-
Cash flow from investing activities		**49.735**	**-**
Net increase (decrease) of cash and cash equivalents		**386.895**	**-605.156**
Cash and cash equivalents as at 1 January		**1.436.715**	**2.033.666**
Effect of exchange rate variance on cash and cash equivalents		-48.694	8.205
Cash and cash equivalents as at 31 December	**37**	**1.774.916**	**1.436.715**
Supplementary disclosures of operating cash flow information			
Interest income received		344.699	298.539
Interest expense paid		-193.898	-144.532

During 2017, EUR 60 thousand of issued debt was issued (2016: EUR 325 thousand, which was issued in August of 2014). There were no non-cash changes to financing activities.

Accounting Policies

Corporate information

ABN AMRO Clearing Bank N.V. (AACB) is registered at Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands (Chamber of Commerce number 33170459) and is a wholly owned subsidiary of ABN AMRO Bank N.V. (ABN AMRO). The financial statements of AACB and ABN AMRO are incorporated in the Consolidated Financial Statements of ABN AMRO Group N.V. (AAG).

The Annual Financial Statements were prepared by the Managing Board and authorised for issue by the Supervisory Board and Managing Board on 18 May 2018. For the purpose of its consolidated subsidiaries AAG has issued notices of liability. Based on this, AAG is jointly and severally liable for any liability arising from the legal acts performed by AACB.

In principle, AACB is not engaged in any proprietary trading, operates at arm's length of ABN AMRO and therefore, provides clearing services as an independent market participant with its focus on third parties.

Third party clearing means that AACB guarantees its clients vis-á-vis the exchanges and central counterparties and undertakes the risk management of the (financial) positions of these often globally operating clients. AACB also handles the administration of positions and the financing of these positions for clients. The clients are predominantly on-exchange traders and professional trader groups but AACB also services financial institutions, banks, fund managers and brokers with its product portfolio. AACB does not service retail customers directly.

Statement of compliance

The consolidated Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). They also comply with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code, as far as applicable.

Basis of presentation

The consolidated Annual Financial Statements are prepared on the basis of a mixed valuation model as follows:

- Derivative financial instruments measured at fair value through profit or loss;
- Financial assets and liabilities held for trading or designated as measured at fair value through profit or loss;
- Available-for-sale financial assets are measured at fair value through other comprehensive income (OCI);
- Other financial assets (including loans and receivables) and liabilities are measured at amortised cost less any impairment, if applicable;
- Non-financial assets and liabilities are generally stated at historical cost; and
- Associates are accounted for using the equity method.

The Annual Financial Statements are prepared under the going concern assumption. The Annual Financial Statements are presented in euros, which is the functional and presentation currency of AACB, rounded to the nearest thousand (unless otherwise stated).

Disclosures

The disclosures in the Risk Management section on pages 31 to 39 are labelled as 'audited'. These disclosures are an integral part of the Consolidated Annual Financial Statements and are covered by the Audit opinion.

Changes in accounting policies

During 2017 AACB adopted the following amendments to IFRS:

- IAS 7 Statement of Cash Flows: Disclosure Initiative. The amendments of IAS 7 require enhanced disclosures about changes in liabilities arising from financing activities. By disclosing the information in note 29 issued debt, note 37 cash flow statement and the Risk Management section, AACB complies with the enhanced disclosure requirements. This information should be read in conjunction with the financing activities in the cash flow statement, which shows, for example, the proceeds and repayment of issued debt.
- IAS 12 Income taxes: Recognition of Deferred Tax Assets for Unrealised Losses. The amendment clarifies how to account for deferred tax assets related to debt instruments measured at fair value. This amendment did not have any impact on AACB.
- Annual Improvements to IFRS Standards 2014-2016 Cycle. This cycle of annual improvements comprises three amendments, one of which became effective on 1 January 2017. This amendment relates to IFRS 12 Disclosure of Interests in Other Entities and provides clarifications to the scope of the standard. The other two amendments, relating to IFRS 1 First-Time adoption and IAS 28 Investments in Associates and Joint Ventures, will become effective on 1 January 2018. Implementation of these amendments will not have a significant impact on the Annual Financial Statements of AACB.

New standards, amendments and interpretations not yet effective

The following new IFRSs have been issued by the IASB and endorsed by the EU, but are not yet effective. The new standards are required to be applied from 1 January 2018 or a later date. Note that only the new IFRSs that are relevant for AACB are discussed below.

IFRS 9 Financial instruments

IFRS 9 Financial instruments was endorsed by the EU in November 2016. This endorsement means that IFRS 9 will apply to AACB from 1 January 2018 onwards and that AACB will apply these principles retrospectively from such date. In line with the transitional provisions of the standard, AACB will not restate comparative figures.

IFRS 9 will replace the current standard for recognition and measurement of financial instruments (IAS 39) and includes requirements for the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. The introduction of IFRS 9 impacts AACB's primary financial statements and business activities as it relates to the requirements for the classification and measurement of financial instruments and expected credit losses.

AACB's analysis of the business models, contractual cash flows and expected credit losses of financial assets resulted in a transitional impact as at 1 January 2018, of approximately EUR 200.000, which will reduce equity.

Classification and measurement

The classification and measurement of financial assets under IFRS 9 is determined by the business model in which the assets are held and whether the contractual cash flows are solely payments of principal and interest (SPPI). Under IFRS 9, financial assets can be measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). These categories replace the IAS 39 classifications of loans and receivables, Available for Sale (AFS), FVTPL, and held-to-maturity.

The business model in which a financial asset is held is determined at portfolio level. Portfolios are based on how groups of financial assets are managed together to achieve a particular business objective. Financial assets can only be classified at amortised cost or FVOCI when the contractual cash flows are SPPI.

AACB has chosen to measure all equity securities at FVTPL under IFRS 9, whereas all equity instruments were classified as AFS under IAS 39. Furthermore, the classification and measurement of financial liabilities remains the same as under IAS 39.

There were no other significant changes in the classification and measurement of financial instruments as at 1 January 2018.

Impairments

With the introduction of IFRS 9, AACB ceases to record incurred but not identified (IBNI) impairment losses.

AACB uses specific IFRS 9 expected credit loss models to measure the credit risk of individual exposures and portfolios.

IFRS 9 replaces the 'incurred loss' model with the 'expected credit loss model', which is designed to be forward-looking. The standard requires a three stage approach to measure expected credit losses on financial assets that are measured at amortised cost or FVOCI, as well as for loan commitments and financial guarantee contracts.

AACB has chosen to apply the same default definition under IFRS 9 as it currently uses for credit risk management purposes (see risk management chapter).

AACB's counterparty exposure is collateralised and this collateral is assessed daily and on an intraday basis, as described in the Risk Management chapter, credit risk mitigation, of the 2017 Annual Report. Additionally, exposures are short-term and the portion of the lifetime expected credit losses associated with default events occurring in the next 12 months will be equivalent to the lifetime expected credit losses. As such, the introduction of the IFRS 9 expected credit loss model is not expected to have a significant impact.

Disclosure

The revised disclosures as required by IFRS 7 'Financial Instruments: Disclosures' will be included in the 2018 financial statements.

The regulatory transitional arrangements which allow for gradual phasing-in of the negative impact on own funds will not be applied by AACB due to the limited expected impact on CET1 capital. If future IFRS 9 credit loss allowances significantly increase, AACB may apply the transitional provisions, subject to prior permission from the ECB.

IFRS 15 Revenue from Contracts with Customers

This new standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. The standard was endorsed in October 2017 and is effective for annual periods beginning on or after 1 January 2018. Based on our analysis, the standard is not expected to have a material impact on the Annual Financial Statements.

IFRS 16 Leases

The new standard on leases was issued by the IASB in January 2016 and will become effective on 1 January 2019. IFRS 16 replaces IAS 17 Leases and removes the distinction between 'Operational' and 'Financial' lease for lessees. The requirements for lessor accounting remain largely unchanged. AACB is currently assessing the impact of the new standard.

Daniel Walsh - London office.

New standards, amendments and interpretations not yet endorsed

The following new or revised standards and amendments have been issued by the IASB, but are not yet endorsed by the European Union and are therefore not open for early adoption. Note that only the amendments to IFRS that are relevant for AACB are discussed below.

IAS 28, Long-term Interests in Associates and Joint Ventures. In October 2017 the IASB issued amendments to IAS 28 which will become effective on 1 January 2019. The amendments clarify that IFRS 9 should be applied when accounting for long-term interests in an associate or joint venture to which the equity method is not applied. Based on our initial analysis, the amendments will not have a significant impact on AACB.

In December 2017, the IASB issued the Annual Improvements to IFRS Standards 2015-2017 Cycle. These amendments are required to be applied for annual periods beginning on or after 1 January 2019. This cycle of annual improvements comprises amendments relating to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs. The impact of the amendments to the Annual Financial Statements is expected to be insignificant.

Critical accounting estimates and judgements

The preparation of financial statements requires management to exercise its judgement in the process of applying AACB's accounting policies and to make estimates and assumptions concerning the future. Actual results may differ from those estimates and assumptions. Accounting policies for most significant areas requiring management to make judgements and estimates that effect reported amounts and disclosures are made in the following sections:

- Impairments of Financial investments – Notes 9 and 17
- Fair value of financial instruments – Notes 14 and 18
- Income tax expense, tax assets and tax liabilities – Notes 10, 23 and 31
- Provisions – Note 30

Assessment of risk, rewards and control

Whenever AACB is required to assess risks, rewards and control, when considering the recognition and derecognition of assets or liabilities and the consolidation and deconsolidation of subsidiaries, AACB may sometimes be required to use judgement. Although management uses its best knowledge of current events and actions in making assessments of expected risk and rewards, actual risks, rewards and control may ultimately differ.

Significant accounting Principles

Basis of consolidation

The Consolidated Financial Statements of AACB include the financial statements of the parent and its controlled entities. It incorporates assets, liabilities, revenues and expenses of AACB and its subsidiaries.

The Annual Financial Statements of AACB include the following subsidiaries and branches:

Name	Entitlements	Established in the year	Consolidated in the year	Place registered office	Country
ABN AMRO Clearing Chicago LLC	100%	1994	2009	Chicago	United States
ABN AMRO Clearing Hong Kong Ltd	100%	1995	2008	Hong Kong	Hong Kong
ABN AMRO Clearing Sydney Pty Ltd	100%	1998	2008	Sydney	Australia
ABN AMRO Clearing Bank London Branch	N/A	2004	2004	London	United Kingdom
ABN AMRO Clearing Singapore Pte	100%	2005	2005	Singapore	Singapore
ABN AMRO Clearing Tokyo Co Ltd	100%	2007	2007	Tokyo	Japan
ABN AMRO Clearing Bank Singapore Branch	N/A	2009	2009	Singapore	Singapore
ABN AMRO Clearing Investments BV	100%	2014	2014	Amsterdam	the Netherlands

Subsidiaries are included using the same reporting period and consistent accounting policies. Intercompany balances and transactions, and any related unrealised gains and losses, are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of AACB's interest in the entities. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

Foreign currency

The Consolidated Financial Statements are stated in euros, which is the presentation and functional currency of AACB.

Foreign currency differences

AACB applies IAS 21, The Effect of Changes in Foreign Exchange Rates. Transactions in foreign currencies are translated into euros at the rate prevailing on the transaction date. Foreign currency balances of monetary items are translated into euros at the period end exchange rates. Exchange gains and losses on such balances are recognised in the income statement. AACB's foreign operations could have different functional currencies. The functional currency is the currency that best reflects the economic substance of the underlying event and circumstances relevant to that entity. Prior to consolidation, the assets and liabilities of non-euro operations are translated at the closing rate and items of the income statement and other comprehensive income are translated into euros at the rate prevailing on the transactions dates. Exchange differences arising on the translation of foreign operations are included in the currency translation reserve within equity. These are transferred to the income statement when the Group loses control, joint control or significant influence over the foreign operation. The following table shows the rates of the relevant currencies for AACB:

The following table shows the rates of the relevant currencies for AACB:

	Rates at year end		Average rates	
	2017	2016	2017	2016
1 Euro =				
Pound Sterling	0,89	0,86	0,88	0,82
Singapore Dollar	1,61	1,53	1,56	1,53
Japanese Yen	135,23	123,25	126,65	120,24
Hong Kong Dollar	9,39	8,19	8,80	8,59
Australian Dollar	1,54	1,46	1,47	1,49
US Dollar	1,20	1,06	1,13	1,11

Financial assets and liabilities

Classification of financial assets

Financial assets are classified as assets held for trading, financial investments or loans and receivables and are based on the criteria in IAS 39 Financial Instruments: Recognition and measurement.

Their measurement and income recognition depends on the classification of the financial assets. The following four groups are identified:

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They generally arise when money or services are directly provided to a client with no intention of trading or selling the loan. They are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest rate method, with the periodic amortisation recorded in the income statement.
- Held-to-maturity investments are non-derivative financial assets that consist of instruments quoted on an active market with fixed or determinable payments and fixed maturity for which the positive intent and ability to hold to maturity is demonstrated. They are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost

From left to right:

John Sweetwood, Gabriel Cuevas - Chicago office.

using the effective interest rate method, with the periodic amortisation recorded in the income statement.
- Financial assets at fair value through profit or loss include:
  - Financial assets held for trading;
  - Financial assets that AACB irrevocably designated at initial recognition as held at fair value through profit or loss when the instruments are held to reduce an accounting mismatch, are managed on the basis of its fair value or include terms that have substantive derivative characteristics in nature; and
- Available-for-sale financial assets are those assets that are otherwise not classified as loans and receivables, held-to-maturity investments, or financial assets designated at fair value through profit or loss. They are initially measured at fair value with subsequent changes recognised in other comprehensive income.

If AACB reclassifies a financial asset out of held for trading, the financial asset is reclassified at its fair value and this fair value becomes the new amortised cost. On the same date, a new effective interest is calculated.

Classification of financial liabilities

Financial liabilities are classified as liabilities held for trading, due to banks, due to customers, debt certificates, subordinated liabilities and other borrowings. Their measurement and recognition in the income statement depends on the classification of the financial liabilities.

Financial liabilities at fair value through profit or loss include:
- Financial liabilities held for trading.
- Financial liabilities that AACB has irrevocably designated at initial recognition as held at fair value through profit or loss when the instruments are held to reduce an accounting mismatch are managed on the basis of its fair value or include terms that have substantive derivative characteristics in nature.

Other financial liabilities are measured at amortised cost using the effective interest rate method with the periodic amortisation recorded in the income statement. The initial measurement of other financial liabilities is at fair value, including transaction costs.

Classification of assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is:

- Acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- A trading derivative (except for a derivative that is a designated an effective hedging instrument).

Recognition and derecognition

Traded instruments are recognised on the trade date, defined as the date on which AACB commits to purchase or sell the underlying instrument. In the event that settlement terms are non-standard, the commitment is accounted for as a derivative between the trade and settlement date. Loans and receivables are recognised when they are acquired or funded by AACB and derecognised when settled. Issued debt is recognised when issued and deposits are recognised when the cash is deposited with AACB. Other financial assets and liabilities, including derivatives, are recognised in the statement of financial position when AACB becomes party to the contractual provisions of the asset or liability.

Financial assets are generally derecognised when AACB loses control and the ability to obtain benefits over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or substantially all risk and rewards are transferred. Financial assets are also derecognised in the case that the bank has neither transferred nor retained substantially all risks and rewards of ownership but control has passed to the transferee. Financial assets continue to be recognised in the balance sheet, and a liability recognised for the proceeds of any related funding transaction, unless a fully proportional share of all or specifically identified cash flows are transferred to the lender without material delay and the lender's claim is limited to those cash flows and substantially all the risks and returns and control associated with the financial instruments have been transferred, in which case that proportion of the asset is derecognised.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

Financial liabilities are derecognised when the liability has been settled, has expired or has been extinguished.

Client clearing derivatives

As a general clearing member, AACB provides clearing and settlement services to its clients for, among other things, Exchange Traded Derivatives (ETDs).
In its capacity as a clearing member, AACB guarantees the fulfilment of obligations towards CCPs of clients' transactions. AACB is not liable to clients for the non-performance of the CCP. In the event of a client defaulting, AACB has the legal obligation to settle all the clients' positions with the relevant CCPs, possibly at a loss. Possible losses arising from this guarantee might relate not only to the clients current positions but also to future trades of the client. AACB receives and collects (cash) margins from clients, and remits these margins to the relevant CCP in whole or in part. Given the stringent requirements set by the CCPs, possible future outflows of resources for new clearing transactions are considered close to zero.

AACB does not reflect the exchange traded derivatives cleared on behalf of clients in its financial statements. Under normal circumstances, the guarantee has no fair value and is not recognised in the financial statements. The loss recognition in the event of non-performance of a client will be in line with our contingent liabilities policy.

Offsetting

The bank offsets financial assets and liabilities and the net amount reported in the statement of financial position if it is legally entitled to set off the recognised amounts and intends to settle on a net basis, or realise the asset and settle the liability simultaneously.

Statement of cash flows

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, freely available balances with central banks and other banks, and net balances on current accounts with other banks with less than three months maturity from the date of acquisition. The statement of cash flows, based on the indirect method of calculating operating cash flows, gives details of the source of cash and cash equivalents which became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations and investment activities. Movements in loans and receivables are included in the cash flow from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as investments in, and sales of, subsidiaries and associates, property and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities. Cash flows arising from foreign currency transactions are translated into euros using the exchange rates at the date of the cash flows.

From left to right:

Gerard Abrahart, David Segura-Pravia - London office.

Overview of financial assets and liabilities by measurement base

(x EUR 1.000) 31 December 2017

	Amortised cost	Fair value through profit or loss - trading	Fair value through other comprehensive income	Total
Financial Assets				
Cash and balances at central banks	380.063	-	-	380.063
Financial assets held for trading	-	221.987	-	221.987
Financial investments	-	-	390.321	390.321
Securities financing	4.226.433	-	-	4.226.433
Loans and receivables - Banks	1.447.203	-	-	1.447.203
Loans and receivables - Customers	17.413.740	-	-	17.413.740
Total financial assets	**23.467.439**	**221.987**	**390.321**	**24.079.747**
Financial Liabilities				
Financial liabilities held for trading	-	174.897	-	174.897
Securities financing	1.905.453	-	-	1.905.453
Due to banks	11.310.647	-	-	11.310.647
Due to customers	9.458.517	-	-	9.458.517
Issued debt	60	-	-	60
Total financial liabilities	**22.674.677**	**174.897**	**-**	**22.849.574**

(x EUR 1.000) 31 December 2016

	Amortised cost	Fair value through profit or loss - trading	Fair value through other comprehensive income	Total
Financial Assets				
Cash and balances at central banks	41.741	-	-	41.741
Financial assets held for trading	-	31.745	-	31.745
Financial investments	-	-	534.022	534.022
Securities financing	5.592.170	-	-	5.592.170
Loans and receivables - Banks	1.399.844	-	-	1.399.844
Loans and receivables - Customers	13.398.860	-	-	13.398.860
Total financial assets	**20.432.615**	**31.745**	**534.022**	**20.998.382**
Financial Liabilities				
Financial liabilities held for trading	-	31.739	-	31.739
Securities financing	1.077.262	-	-	1.077.262
Due to banks	10.115.395	-	-	10.115.395
Due to customers	8.578.334	-	-	8.578.334
Issued debt	325	-	-	325
Total financial liabilities	**19.771.316**	**31.739**	**-**	**19.803.055**

Notes

Notes to the Consolidated Income Statement for the year ended 31 December 2017

1. Net interest income and interest expense

Accounting policy for net interest income and interest expense

AACB applies IAS 39 Financial Instruments: Recognition and Measurement. Interest income and expenses are recognised in the income statement on an accrual basis for financial instruments using the effective interest rate method, except for those financial instruments held for trading.

The effective interest rate method allocates interest, amortisation of any discount or premium, or other differences including transaction costs and qualifying fees and commissions over the expected lives of the assets and liabilities.

The interest income is a result of current account balances, (exchange) margins and securities financing.

This item includes interest income and interest expense from banks and customers.

(x EUR 1.000)	2017	2016
Interest Income		
Of the Interest income items the following amounts were related to:		
Interest income from ABN AMRO Group companies	24.239	26.934
Interest income from third party customers/banks	333.323	273.751
Total interest income	**357.562**	**300.685**

The interest income of 2017 includes an amount of EUR 560 thousand (2016: EUR 419 thousand) concerning financial instruments that are at fair value through other comprehensive income. The remaining EUR 357.002 thousand (2016: EUR 300.266 thousand) relates to financial instruments carried at amortised cost. No interest income amounts relate to financial instruments measured at fair value through profit or loss.

(x EUR 1.000)	2017	2016
Interest Expense		
Of the interest expense items the following amounts were related to:		
Interest expense to ABN AMRO Group companies	85.716	75.613
Interest expense to associates	1.704	1.061
Interest expense to third party customers/banks	112.161	81.560
Total interest expense	**199.581**	**158.234**

All interest expense amounts in 2017 and 2016, relate to financial instruments carried at amortised cost. No interest expense amounts relate to financial instruments measured at fair value through profit or loss.

	2017	2016
Net interest income	**157.981**	**142.451**

2. Net fee and commission income

Accounting policy for net fee and commission income

Service Fees
Service fees earned are generally recognised as revenue when the services are provided.

Fees recognised upon completion of the underlying transaction
Fees arising from negotiating, or participating in the negotiation of a transaction for a third party, are recognised upon completion of the underlying transaction. Commission revenue is recognised when the performance obligation is complete.

Transaction costs are included in the initial measurement of financial assets and liabilities other than those measured at fair value through profit or loss. Transactions costs refer to incremental costs directly attributable to the acquisition or disposal of a financial asset or liability. They include fees and commissions paid to agents, advisors, brokers and dealers levied by regulatory agencies and securities exchanges, and transfer taxes and duties.

(x EUR 1.000)	2017	2016
The components of net fee and commission income are:		
Net fees and commissions related to payment services	-2.247	-2.639
Net fees and commissions related to securities and derivatives	240.505	261.337
Other net fees and commissions	1.000	2.432
Total net fee and commission income	**239.258**	**261.130**
Of the net fees and commissions item, the following amounts were with:		
Net fee and commission with ABN AMRO Group companies	2.744	3.531
Net fee and commission with associates	754	339
Net fee and commission with third party customers/banks	235.760	257.260
Total net fee and commission income	**239.258**	**261.130**

All fee and commission amounts in 2017 and 2016 relate to financial instruments carried at amortised cost.

3. Net trading income

Accounting policy for net trading income

In accordance with IAS 39, trading positions are held at fair value, and net trading income includes gains and losses arising from changes in the fair value of financial assets and liabilities. The latter comprises trading financial assets and liabilities, interest income and expenses related to trading financial assets and liabilities.

(x EUR 1.000)	2017	2016
Foreign exchange transaction results	**-426**	**-143**

4. Share of result in equity accounted investments

(x EUR 1.000)	2017	2016
Total realised result on equity accounted investments	**632**	**549**

5. Other income

Accounting policy for other income

Other income includes all other activities such as market access services and results on disposal of assets.

Financial investments which are not quoted at market are assessed at each reporting date as to whether there is any objective evidence that the financial asset is impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. It also includes the impairment of financial assets classified as available for sale. See also Note 13 for the accounting policy relating to the impairment of financial instruments for more information.

(x EUR 1.000)	2017	2016
Dividend	5.158	1.699
Realised gain on financial investments	1.515	1.353
Impairment of financial investments*	-3.138	-7.650
Other operating income**	4.515	2.591
Total other income	**8.050**	**-2.007**

* The impairment is based on the combination of facts that business activities have been terminated (2017: EUR 901 thousand, 2016: EUR 7.650 thousand) and on a decreased value of trading rights (2017: EUR 2.237 thousand, 2016: 0).
** Other operating income consists of income related to activites that are not considered core activities of AACB.

6. Personnel expenses

Accounting policy for personnel expenses

Salaries and wages, social security charges and other salary-related costs are recognised over the period in which the employees provide the services to which the payments relate.

(x EUR 1.000)	2017	2016
Personnel expenses are specified as follows:		
Salaries and wages	89.882	91.767
Social security charges	10.338	11.049
Pension expenses	12.119	11.651
Other	11.383	8.236
Total personnel expenses	**123.722**	**122.703**

The pension expenses are mainly related to the defined contribution plan of the subsidiaries. Contributions are paid annually and determined by a fixed method. AACB has no legal or constructive obligation to pay any further contributions. Contributions are recognised directly in the income statement in the year to which they relate. Actuarial and investment risk are for the account of the participants of the plan.

The Dutch defined contribution plan is a Collective Defined Contribution (CDC) plan, based on an average salary plan. From 2018, the standard retirement age is 68 (67 in 2017). The contribution payable by pension fund participants is 5.5% (2016: 5.5%).

For the disclosure of the remuneration of the Managing and Supervisory Board Members, refer to the note 36 on related parties.

	2017	2016
The average number of FTEs:		
Netherlands*	337	337
United Kingdom	99	106
Germany*	24	25
Belgium*	1	1
France*	4	4
Singapore	50	46
Japan	15	15
Australia	48	56
Hong Kong	22	22
United States	194	222
Brazil*	8	7
Total	**802**	**841**

* These employees have a contract with AAG with the respective expenses being charged by AAG to AACB.

7. General and administrative expenses

Accounting policy general and administrative expenses

General and administrative expenses are recognised in the period in which the services were provided and to which the payment relates.

Banking tax

In 2012 the Dutch government introduced a banking tax that becomes payable on 1 October of every year. Banking tax is a levy that is charged to the income statement at the moment it becomes payable. AACB is liable for the tax, however the payment is made by AAG and charged to AACB.

(x EUR 1.000)	2017	2016
Other general and administrative expenses can be broken down as follows:		
Agency staff, contractors and consultancy costs	41.621	50.175
Financial statement audit fees	1.104	1.066
Audit related fees	72	55
Staff related costs	3.924	4.453
Information technology costs	41.685	28.308
Housing	5.907	8.453
Post, telephone and transport	782	856
Marketing and public relations costs	876	957
Recharges from ABN AMRO Group companies	47.423	53.067
Dutch banking tax	9.020	8.240
Other	9.333	5.713
Total general and administrative expenses	**161.747**	**161.343**

8. Depreciation and amortisation of (in)tangible assets

The accounting policy for depreciation and amortisation is described in notes 21 and 22.

This item refers to the depreciation and amortisation of equipment and software.

(x EUR 1.000)	2017	2016
Leasehold improvements – depreciation	267	268
Equipment - depreciation	502	164
IT equipment - depreciation	3.872	5.475
Purchased software - amortisation	2.275	3.297
Depreciation and amortisation expenses	**6.916**	**9.204**
Equipment - depreciation rebilled by ABN AMRO Group	21	21*
IT equipment - depreciation rebilled by ABN AMRO Group	124	152
Purchased software - amortisation rebilled by ABN AMRO Group	314	312
Total depreciation and amortisation expenses	**7.374**	**9.689**

* This was previously reported under 'IT Equipment - depreciation rebilled by ABN AMRO Group'.

9. Impairment charges on loans and other receivables

For details on the impairments, refer to the loans and receivables from banks and customers items in the balance sheet, notes 16 and 17.

(x EUR 1.000)	2017	2016
Total impairment charges on loans and other receivables	**-***	**-1.717**

* There were no defaults in 2017.

10. Income tax expenses

Accounting policy for income tax expenses

AACB is subject to income taxes in numerous jurisdictions. Income tax expense consists of current and deferred tax. Income tax is recognised in the income statement in the period in which profits arise, except to the extent that it arises from a transaction that is recognised directly in equity.

The Dutch operations of AACB form part of a fiscal unity with AAG for corporate income tax purposes. As a consequence AACB receives a tax allocation from the head of the fiscal unity who pays the tax. Such fiscal unity is also in place for value added tax. Abroad, the local operations form part of a tax grouping when possible under local legislation. Otherwise, it is seen as a separate taxpaying entity. If the entity is part of a fiscal unity the tax is calculated as if it was a separate taxpaying entity.

Due to the fiscal unity, the tax on Dutch deductible losses will be recognised in the income statement as far as the total AAG result is a profit.

(x EUR 1.000)	2017	2016
The details of the current and deferred income tax expense are presented below:		
Current tax	35.678	35.557
Deferred tax	-2.298	6.737
Total income tax expenses	**33.380**	**42.294**

The table below shows a reconciliation between the expected income tax expense and the actual income tax expense. The expected income tax expense has been calculated by multiplying the profit before tax to the weighted average rate from branches and subsidiaries.

Profit before taxation	112.652	109.962
Weighted applicable tax rate	30,45%	31,55%
Expected income tax expense	**34.303**	**34.692**
Change in taxes resulting from:		
Tax exemptions	1.334	2.184
Change in provision for impairments	834	1.912
Adjustments for tax of prior periods	-1.224	3.040
Change in tax rate*	-2.519	-
Other	652	466
Actual income tax expenses	**33.380**	**42.294**
Effective tax rate	**29,63%**	**38,46%**

* As a result of the United States tax reform (Tax Cuts and Jobs Act of 2017), the Federal tax rate in the US will decrease to 21% in the 2018 financial year, from 35%.

See also tax notes 23 and 31 in the notes to the consolidated statement of financial position.

Country by Country reporting 2017

The following table provides an overview of total operating income, average number of FTE's and net profit/(loss) for the year per country.

Country	Principal subsidiary	Total Operating Income (x EUR 1.000)	Average number of FTEs	Profit/(loss) before taxation (x EUR 1.000)	Income tax expense (x EUR 1.000)	Profit (loss) for the year (x EUR 1.000)
Netherlands	ABN AMRO Clearing Bank N.V.	187.166	337	1.163	1.393	-230*
International activities						
Great Britain	ABN AMRO Clearing Bank London Branch	218	99	3.430	615	2.815
United States	ABN AMRO Clearing Chicago LLC	127.284	194	60.363	24.682	35.681
Singapore	ABN AMRO Clearing Bank Singapore Branch	28.389	50	15.698	1.785	13.913
Japan	ABN AMRO Clearing Tokyo Co Ltd	13.865	15	4.166	374	3.792
Hong Kong	ABN AMRO Clearing Hong Kong Ltd	32.536	22	22.953	3.094	19.859
Australia	ABN AMRO Clearing Sydney Pty Ltd	16.037	48	4.879	1.437	3.442
Other		-	37	-	-	-
Total		**405.495**	**802**	**112.652**	**33.380**	**79.272**

* This loss is caused by the rebilled charges from ABN AMRO which aren't rebilled to AACB subsidiaries.

Country by Country reporting 2016

The following table provides an overview of total operating income, average number of FTE's and net profit/(loss) for the year per country.

Country	Principal subsidiary	Total Operating Income (x EUR 1.000)	Average number of FTEs	Profit/(loss) before taxation (x EUR 1.000)	Income tax expense (x EUR 1.000)	Profit (loss) for the year (x EUR 1.000)
Netherlands	ABN AMRO Clearing Bank N.V.	179.004	337	-3.998	-31.876	-36.252*
International activities						
Great Britain	ABN AMRO Clearing Bank London Branch	259	106	3.948	304	4.252
United States	ABN AMRO Clearing Chicago LLC	131.478	222	60.234	-	60.234
Singapore	ABN AMRO Clearing Bank Singapore Branch	25.938	46	14.829	-1.905	12.924
Japan	ABN AMRO Clearing Tokyo Co Ltd	21.763	15	11.061	-4.090	6.971
Hong Kong	ABN AMRO Clearing Hong Kong Ltd	26.049	22	16.338	-1.869	14.469
Australia	ABN AMRO Clearing Sydney Pty Ltd	17.489	56	7.550	-2.480	5.070
Other		-	37	-	-378	-
Total		**401.980**	**841**	**109.962**	**-42.294**	**67.668**

* This loss is caused by the rebilled charges from ABN AMRO which aren't rebilled to AACB subsidiaries and the tax charge of the United States subsidiary.

Notes to the Consolidated Statement of Financial Position as at 31 December 2017

(x EUR 1.000)

Assets

11. Cash and balances at central banks

Accounting policy for cash and balances at central banks

In accordance with IAS 39, cash and balances at central banks are held at amortised cost. This item includes cash on hand and available demand balances with central banks. Mandatory reserve deposits are disclosed in note 16, loans and receivables - banks.

All cash and cash equivalents are available for use in AACB's day-to-day operations.

(x EUR 1.000)	31 December 2017	31 December 2016
Total cash and balances at central banks	**380.063**	**41.741**

12. Financial assets held for trading

Accounting policy for financial assets held for trading

In accordance with IAS 39, all assets and liabilities held for trading are held at fair value with gains and losses resulting from the changes in the fair value being taken to 'net trading income' in the income statement.

(x EUR 1.000)	31 December 2017	31 December 2016
The trading assets consists of the following financial instruments:		
Contract for differences (CFD's)	111.337	1.794
Equity instruments held for trading*	110.650	29.951
Total financial assets held for trading	**221.987**	**31.745**

* These shares are used for hedging the contract for differences (CFD's).

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13. Financial investments

Accounting policy for financial investments

Financial investments are held at fair value with unrealised gains and losses recognised directly in other comprehensive income, net of applicable taxes. When financial investments are sold, collected or impaired, the cumulative gain or loss recognised in other comprehensive income is transferred to 'Other income' in the income statement.

Interest-bearing securities and equities classified as available-for-sale investments are assessed at each reporting date to determine whether they are impaired. For equities, this review considers factors such as the credit standing and prospects of the issuer, any deduction in fair value below cost, its direction and whether the reduction is significant or prolonged. In general, triggers used for a significant or prolonged decline in the fair value below cost are 20% and 9 months respectively.

An interest-bearing security is impaired and an impairment loss incurred if there is objective evidence that an event since initial recognition of the asset has adversely affected the amount or timing of future cash flows from the asset.

If, in a subsequent period, the fair value of a debt security classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the income statement.

Impairment losses recognised on equity instruments can never be reversed through the income statement.

See also Note 14 for the accounting policy relating to the fair value of financial instruments for more information about the measurement of financial investments.

(x EUR 1.000)	2017	2016
Movements in the financial investments were as follows:		
Opening balance as at 1 January	**534.022**	**81.207**
Sales to third parties	-338.292	-
Additions	248.436	439.574
Impairments	-3.138	-7.650
Gross revaluation to equity	3.039	612
Exchange rate differences	-53.746	20.279
Closing balance as at 31 December	**390.321**	**534.022**

(x EUR 1.000)	2017	2016
Interest-earning securities:		
US Treasury and US government	145.300	354.740
European Union	49.686	58.868
Non-financial institutions	166.528	94.724
Subtotal	**361.514**	**508.332**
Equity instruments	28.807	26.690
Closing balance as at 31 December	**390.321**	**534.022**

14. Fair value of financial instruments carried at fair value

The classification of financial instruments is determined in accordance with the accounting policies set out in note 12 Financial assets held for trading, note 13 Financial investments and note 25 Financial liabilities held for trading.

Accounting policy for fair value of financial instruments

Fair value is defined as the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date. To determine a reliable fair value, where appropriate, management applies valuation adjustments to the pricing information from the following sources:

Level 1: the unadjusted quoted market price for financial instruments that are actively traded.

Level 2: based primarily on observable market data. Valued using a recent market transaction or a variety of valuation techniques referring to a similar instrument for which market prices do exist.

Level 3: using a valuation technique where at least one input, which has a significant effect on the instrument's valuation, is not based on observable market data. A significant effect on the instrument's valuation is considered to be present when the unobservable input accounts for at least 10% of the total instrument's fair value.

AACB recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change occurred.

We believe our estimates of the fair values are adequate. However, the use of different models or assumptions could result in changes to our reported results.

AACB analyses financial instruments held at fair value into the three categories as described above. The level 3 instruments have been valued using a valuation technique where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

Valuation techniques

A number of methodologies are used to determine the fair value of financial instruments for which observable prices in active markets for identical instruments are not available. Values between and beyond available data points are obtained by interpolation and/or extrapolation. When using valuation techniques, the fair value can be significantly impacted by the choice of valuation model and underlying assumptions made concerning factors such as the amount and timing of cash flows, discount rates and credit risk.

Derivatives

This category includes interest rate swaps, cross currency swaps, options and forward rate agreements. These products are valued by estimating future cash flows and discounting those cash flows using appropriate interest rate curves. Except for interest option contracts which are valued using market standard option pricing models. The inputs for the discounting cash flow models are principally observable benchmark interest rates in active markets such as the interbank rates and quoted interest rates in the swap, bond and futures markets. The inputs for credit spreads – where available – are derived from prices of credit default swaps or other credit-based instruments, such as debt securities. For others, credit spreads are obtained from pricing services. The additional inputs for the option pricing models are price volatilities and correlations which are obtained from broker quotations, pricing services or derived from option prices. Because of the observability of the inputs used in the valuation models, the majority of the interest rate derivative contracts are classified as Level 2. If adjustments to interest rate curves, credit spreads, correlations or volatilities are based on significant unobservable inputs, the contracts are classified as Level 3. Exchange traded options and futures are valued using quoted market prices and hence classified as Level 1.

Government debt securities

Government debt securities consist of government bonds and bills with both fixed or floating rate interest payments issued by sovereign governments. These instruments are traded in active markets and prices can be derived directly from those markets. Therefore the instruments are classified as level 1.

Equity instruments

The equity instruments that are actively traded on public stock exchanges are valued using the readily available quoted prices and therefore classified as Level 1. Equity instruments that are not actively traded, but that do have a last known third party transaction price, are valued utilizing this price and classified as Level 3. For equity instruments held for entities that are not listed on an exchange, a multiple within the country for the market in which the entity presides has been utilised, resulting in these instruments being classified as Level 3.

AACB refines and modifies its valuation techniques as markets and products develop and as the pricing for individual product becomes more or less readily available. While AACB believes its valuation techniques are appropriate and consistent with other market participants, the use of different methodologies or assumptions could result in different estimates of the fair value at the reporting date.

The following table presents the carrying value of the financial instruments held and or disclosed at fair value across the three levels of the fair value hierarchy.

(x EUR 1.000)

At 31 December 2017	Quoted prices in active market	Valuation technique observable market data	Valuation technique unobservable market data	Total
Financial assets held for trading	110.650	111.337	-	221.987
Financial investments	378.213	-	12.108	390.321
Total financial assets	**488.863**	**111.337**	**12.108**	**612.308**
Financial liabilities held for trading	64.345	110.552	-	174.897
Total financial liabilities	**64.345**	**110.552**	**-**	**174.897**

(x EUR 1.000)

At 31 December 2016	Quoted prices in active market	Valuation technique observable market data	Valuation technique unobservable market data	Total
Financial assets held for trading	28.952	2.793	-	31.745
Financial investments	519.298	-	14.724	534.022
Total financial assets	**548.250**	**2.793**	**14.724**	**565.767**
Financial liabilities held for trading	28.985	2.754	-	31.739
Total financial liabilities	**28.985**	**2.754**	**-**	**31.739**

Within investments available for sale AACB owns shares of exchanges. These shares are classified in the table above as Level 3; Valuation technique utilizes unobservable market data. The valuation price is based on the last known unadjusted third-party transaction price.

Transfers between levels 1 and 2

There were no material transfers between levels 1 and 2.

Transfers from levels 1 and 2 into 3

In 2016 there was a transfer of EUR 241 million of issued debt from level 2 to level 3. The transfer was carried out because there were no or only limited publicly quoted prices available for these specific instruments.

Other transfers

During 2017, AACB transferred a certain investment from level 3 to level 1 because the investment was listed in 2017 and unadjusted quoted prices became available.

Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets that are recorded at fair value.

(x EUR 1.000)	Financial investments available for sale
Balance at 1 January 2016	**32.641**
Purchases	955
Sales	-
Gains/(losses) recorded in profit and loss	-9.833
Unrealised gains/(losses) recorded in other comprehensive income**	870
Transfer between levels*	-9.909
Balance at 31 December 2016	**14.724**
Purchases	4.720
Sales	-282
Gains/(losses) recorded in profit and loss	-1.407
Unrealised gains/(losses) recorded in other comprehensive income**	119
Transfer between levels*	-5.766
Balance at 31 December 2017	**12.108**

* In 2017 and 2016 AACB transferred a certain investment from level 3 to level 1 because the investment was listed in that year and unadjusted quoted prices became available.

** Refer to note 33 for the movement in the available-for-sale reserve, which includes the movements for level 1, 2 and 3 financial instruments measured at fair value through other comprehensive income.

Level 3 sensitivity information

AACB holds shares in exchanges, the fair value of which is determined utilizing the last known unadjusted third-party transaction price, being an unobservable input. This however, is an external transaction price and a sensitivity analysis is therefore not required.

(x EUR 1.000) At 31 December 2017

	Valuation technique	Unobservable data	Carrying value	Possible alternative assumptions		Unobservable data range		Unobservable data base
				Applying minimum	Applying maximum	Minimum	Maximum	
Equity shares	Private equity valuation	EBITDA Multiple	890	-335	31	6,2	10,3	8,3

(x EUR 1.000) At 31 December 2016

	Valuation technique	Unobservable data	Carrying value	Possible alternative assumptions		Unobservable data range		Unobservable data base
				Applying minimum	Applying maximum	Minimum	Maximum	
Equity shares	Private equity valuation	EBITDA Multiple	890	-534	130	6,0	17,2	11,6

15. Securities financing

Accounting policy for securities financing

Securities financing consists of securities borrowing and lending and sale and repurchase transactions. Securities borrowing and securities lending transactions are generally entered into on a collateralised basis, with securities usually advanced or received as collateral. The transfer of the securities themselves is not reflected in the statement of financial position unless the risks and rewards of ownership are also transferred. If cash is advanced or received, securities borrowing and lending activities are recorded at the amount of cash advanced or received. The market value of the securities borrowed or lent is monitored on a daily basis and the collateral levels are adjusted in accordance with the underlying transactions. Fees and interest received or paid are recognised on an effective interest basis and recorded as interest income or interest expense.

Sale and repurchase transactions involve purchases (or sales) of investments with agreements to resell (or repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in securities financing and are shown as collateralised by the underlying security.

Investments sold under repurchase agreements continue to be recognised in the statement of financial position. The proceeds from the sale of the investments are reported as liabilities to either banks or customers. The difference between the sale and repurchase price is recognised over the period of the transaction and recorded as interest income or interest expense, using the effective interest method. If borrowed securities are sold to third parties, the proceeds from the sale and a liability for the obligation to return the collateral are recorded at fair value.

The receivables relating to the securities financing refers to the (cash) collateral requirements of counterparties or the cash settlement of the securities transactions.

(x EUR 1.000)	31 December 2017	31 December 2016
Reverse repurchase agreements and securities lending	3.356.631	4.905.404
Transactions related to securities*	869.802	686.766
Total securities financing	**4.226.433**	**5.592.170**

* These transactions relate to the settlement of the sale of securities under the practice of Delivery versus Payment.

(x EUR 1.000)	31 December 2017	31 December 2016
Of the Securities financing the following counterparties were involved:		
ABN AMRO Group companies	645.405	983.709
Banks	1.723.814	2.172.399
Customers	1.857.214	2.436.062
Total securities financing	**4.226.433**	**5.592.170**

16. Loans and receivables - banks

The accounting policy for loans and receivables

According to IAS 39 Financial instruments, loans and receivables from banks and customers are held at amortised cost, i.e. fair value at initial recognition adjusted for repayment and amortisation of coupons, fees and expenses to represent the effective interest rate of the asset or liability.

This also includes accounts receivable from (banks) customers relating to business operations, insofar as these are not categorised as cash and cash equivalents or trade and other receivables.

Impairment losses on loans and receivables

A specific loan impairment is established if there is objective evidence that AACB will not be able to collect all amounts due in accordance with contractual terms. The amount of the impairment is the difference between the market value of the client position (recoverable amount) and the obligations to AACB or to counterparties where guaranteed by AACB in its function as a clearing member.

Impairments are recorded as a decrease in the carrying value of due from banks and due from customers.
When a specific loan is identified as uncollectible and all legal and procedural actions have been exhausted, the loan is written off against the related charge for impairment; subsequent recoveries are credited to change in provisions for impairment in the income statement.

This item includes all accounts receivable from credit institutions that relate to business operations and own bank accounts and does not consist of trade and other receivables.

As at 31 December 2017, no amount had a maturity of more than 3 months (2016: 0).

(x EUR 1.000)	31 December 2017	31 December 2016
Loans and receivables - banks consist of the following:		
Demand receivables	1.435.973	1.394.974
Interest bearing deposits	3.809	4.089
Mandatory reserve deposits with central banks	7.421	781
Net loans and receivable - banks	**1.447.203**	**1.399.844**

None of the amounts in the loans and receivables - banks items were subordinated in 2017 or 2016.

(x EUR 1.000)	31 December 2017	31 December 2016
Of the loans and receivables - banks item the following amounts were due from:		
ABN AMRO Group companies	813.147	801.223
Third parties	634.056	598.621
Total loans and receivables - banks	**1.447.203**	**1.399.844**

17. Loans and receivables - customers

The accounting policy for loans and receivables is included in note 16

As at 31 December 2017, EUR 44 thousand had a maturity of more than 3 months but less than one year (2016: 0).

(x EUR 1.000)	31 December 2017	31 December 2016
Loans and receivables - customers consists of the following:		
Commercial loans	11.710.888	8.466.805
Government and official institutions	1.738	1.027*
Receivables from Central Counterparties	5.724.568	4.958.737
Total loans and receivables - customers	**17.437.194**	**13.425.542**
Less: loan impairment	-23.454	-26.682
Net loans and receivables -customers	**17.413.740**	**13.398.860**

* This amount was previously included under Commercial loans.

All commercial loans are fully collateralised (e.g. cash, equities, bonds).

(x EUR 1.000)	31 December 2017	31 December 2016
Of the loans and receivables - customers item the following amounts were due from:		
ABN AMRO Group companies	58	35
Third parties	17.413.682	13.398.825
Total loans and receivables - customers	**17.413.740**	**13.398.860**

18. Fair value of financial instruments not carried at fair value

The categorisation and valuation of financial instruments is determined in accordance with the accounting policies set out in note 14.

Valuation methodologies

'The methods and assumptions described below have been applied to estimate the fair value of financial instruments not carried at fair value. These fair values were calculated for disclosure purposes only. Note that the fair value can be significantly impacted by the choice of valuation model and underlying assumptions.

- The fair value of variable rate financial instruments and financial instruments with a fixed rate maturing within three months of the reporting date are assumed to be a reasonable approximation of their carrying amounts, which are net of impairment;
- The fair value of cash and balances at central banks are classified as Level 1 as these instruments have a short term nature, prices from an active market are available and no fair value adjustments are made to the carrying amounts.
- Securities financing includes repurchase and reverse repurchase agreements and securities borrowing and lending transactions. Due to the short-term characteristics of these instruments and the value and liquidity of available collateral, the carrying amounts are considered to approximate the fair value. Securities financing amounts are classified as Level 2.
- The fair value of demand deposits and savings accounts (both included under due to customers) with no specific maturity are assumed to be the amount payable on demand at the reporting date;
- The fair value of the other loans to customers and loans to banks that are repriced frequently and have had no significant changes in credit risk are estimated using carrying amounts that are assumed to be a reasonable representation of the fair value. The fair value of other loans are estimated by discounted cash flow models based on interest rates that apply to similar instruments;
- The fair values of issued debt securities are based on quoted prices. If these are not available, the fair value based on a market approach in which independent quotes from market participants are used for the debt issuance spreads above average interbank offered rates (over a range of tenors) that the market would demand when purchasing new debt from AACB.

The following table presents the type of valuation techniques used in determining the fair value of financial instruments carried at amortised cost. In addition, the carrying amount of these financial assets and liabilities recorded at amortised cost is compared with their estimated fair value based on the assumptions mentioned above.

(x EUR 1.000) 2017

At 31 December 2017	Carrying Value	Quoted prices in active market	Valuation technique observable market data	Valuation technique unobservable market data	Total fair value
Cash and balances at central banks	380.063	380.063	-	-	380.063
Securities financing	4.226.433	-	4.226.433	-	4.226.433
Loans and receivables - banks	1.447.203	-	1.447.203	-	1.447.203
Loans and receivables - customers	17.413.740	-	17.413.740	-	17.413.740
Total financial assets	**23.467.439**	**380.063**	**23.087.376**	**-**	**23.467.439**
Securities financing	1.905.453	-	1.905.453	-	1.905.453
Due to banks	11.310.647	-	8.438.035	2.872.612	11.310.647
Due to customers	9.458.517	-	9.458.517	-	9.458.517
Issued debt	60	-	60	-	60
Total financial liabilities	**22.674.677**	**-**	**19.802.065**	**2.872.612**	**22.674.677**

(x EUR 1.000) 2016

At 31 December 2016	Carrying Value	Quoted prices in active market	Valuation technique observable market data	Valuation technique unobservable market data	Total fair value
Cash and balances at central banks	41.741	41.741	-	-	41.741
Securities financing	5.592.170	-	5.592.170	-	5.592.170
Loans and receivables - banks	1.399.844	-	1.399.844	-	1.399.844
Loans and receivables - customers	13.398.860	-	13.398.860	-	13.398.860
Total financial assets	**20.432.615**	**41.741**	**20.390.875**	**-**	**20.432.616**
Securities financing	1.077.262	-	1.077.262	-	1.077.262
Due to banks	10.115.395	-	7.647.419	2.467.976	10.115.395
Due to customers	8.578.334	-	8.578.334	-	8.578.334
Issued debt	325	-	325	-	325
Total financial liabilities	**19.771.316**	**-**	**17.303.340**	**2.467.976**	**19.771.316**

19. Group structure

Accounting policy for business combinations

All items representing consideration, including contingent consideration, transferred by AACB are measured and recognised at fair value as at the acquisition date. Transaction costs incurred by AACB in connection with the business combination, other than those associated with the issuance of debt and equity securities, do not form part of the cost of the business combination transaction but are expensed as incurred. The excess of the purchase consideration over AACB's share of the fair value of the identifiable net assets acquired, including certain contingent liabilities, is recorded as goodwill. AACB measures the identifiable assets acquired and the liabilities assumed at the fair value at the date of acquisition.

A gain or loss is recognised in profit or loss for the difference between the fair value of the previously held equity interest in the acquiree and its carrying amount. Changes in interests in subsidiaries that do not result in a change of control are treated as transactions between equity holders and are reported in equity.

The table below provides details on the assets and liabilities resulting from the acquisitions and disposals of subsidiaries and equity-accounted investments at the date of acquisition or disposal.

(x EUR 1.000)		31 December 2017		31 December 2016
	Acquisitions	Divestments	Acquisitions	divestments
Cash and cash equivalents	-	15.962	-	33.103
Financial investments	-	-	474	-
Loans and receivables	-	98	-	1.011
Fixed assets	-	45	-	55
Tax assets	-	-	-	20
Other assets	-	6	-	360
Due to banks	-	-8.042	-	-10.974
Due to customers	-	-4.963	-	-21.160
Other liabilities	-	-116	-	-411
Total net assets acquired / net assets divested	**-**	**2.989**	**474**	**2.004**
Cash used for acquisition / received from divestments:				
Proceeds from sale / paid	-	12.531	- 474	3.365
Cash and cash equivalents acquired / divested	-	-	-	-
Total cash used for acquisitions / received for divestments	**-**	**12.531**	**-474**	**3.365**

Divestment during 2017: decrease of AACB's ownership in ICE Clear from 25% to 0%
(2016: Decrease of AACB's ownership in EuroCCP from 25% to 20%).

Accounting policy for subsidiaries

AACB's subsidiaries are those entities which it directly or indirectly controls. Control over an entity is evidenced by AACB's ability to exercise its power in order to affect the variable returns that AACB is exposed to through its involvement with the entity. The existence and effect of potential voting rights that are currently exercisable are taken into account when assessing whether control exists.

The assessment of control is based on the consideration of all facts and circumstances. AACB reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control (power, exposure to variability in returns and a link between the two).

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Accounting policy for associates and joint ventures

Associates are those entities in which AACB has significant influence, but no control or joint control, over the operating and financial policies. Significant influence is generally presumed when AACB holds between 20% and 50% of the voting rights. Potential voting rights that are currently exercisable are considered in assessing whether AACB has significant influence. Among other factors, representation on the board of directors, participation in policy-making process and material transactions between the entity and the investee are considered to determine significant influence.

A joint venture is an investment in which two or more parties have contractually agreed to share control over the investment. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method. Under this method the investment is initially recorded at cost of recognition and subsequently increased (or decreased) for post-acquisition net income (or loss), other movements impacting the equity of the investee and any adjustments required for impairment. AACB's share of the profit or loss of the investee is recognised in Share of result in equity accounted investments in the income statement. When AACB's share of losses exceeds the carrying amount of the investment, the carrying amount is reduced to zero, including any other unsecured receivables, and recognition of further losses is discontinued except if AACB has incurred obligations or made payments on behalf of the investee.

Equity investments held without significant influence which are not held for trading or not designated at fair value through profit or loss are classified as available-for-sale.

20. Equity accounted investments

Accounting policy for equity accounted investments

Equity accounted investments comprise associates and joint ventures. Associates are those entities in which AACB has significant influence (this is generally assumed when AACB holds between 20% and 50% of the voting rights), but no control or joint control over the operating and financial policies. Joint ventures are investments in which two or more parties have contractually agreed to share control over the investment.

Investments in associates and joint ventures are accounted for using the equity method.

Refer to note 19 for more accounting policies on equity accounted investments.

(x EUR 1.000)	31 December 2017	31 December 2016
Equity accounted investments consist of the following:		
EuroCCP	8.696	8.035
ICE Clear Netherlands	-	13.008
ABN AMRO Investments USA LLC	476	474*
Total equity accounted investments	**9.172**	**21.517**

* This amount has been restated from financial investments as it meets the definition of a joint venture.

EUROCCP

AACB incorporated the European Multilateral Clearing Facility N.V. (EMCF) on February 28th, 2007 to provide European CCP services in a public limited company in the Netherlands. EMCF is headquartered in Amsterdam. Due to a high level of competition EMCF and EuroCCP chose to combine their strengths and capabilities to deliver greater efficiencies and sustainable competition to the European market. To achieve this cooperation AACB sold the majority of the shares of EMCF to the owner of EuroCCP.

In January 2014, EMCF changed it's name into EuroCCP.

Mid December 2016, AACB completed the sale of 5% of the shares of EuroCCP, thereby reducing the stake of AACB in EuroCCP to 20%.

The shares of EuroCCP are not quoted on any market. There are five shareholders each holding 20% of the shares. The company's Supervisory Board consists of 7 supervisory board members (a representative from four shareholders and three independent members).

ICE Clear Netherlands

On February 28th 2011, AACB incorporated ICE Clear Netherlands (ICE NL), formerly known as Holland Clearing House. ICE provides CCP Services for the derivatives Multilateral Trading Facility (MTF), TOM MTF. The office of ICE is located in Amsterdam, the Netherlands.

At the start of the 2014 financial year, AACB owned 100% of the shares of ICE NL. On December 3rd, 2014 AACB sold 75% of the shares to Intercontinental Exchange (ICE). After this transaction AACB no longer had control over ICE NL. However, based on the percentage of owned shares AACB did have significant influence. The remaining shares (25% of the total issued shares of ICE NL) were initially measured at fair value represented by the guaranteed sale price of the remaining 25% shares. On June 15th, 2017 the remaining investment (25% shareholding) in ICE Clear was sold for a total consideration of EUR 12.5 million to Intercontinental Exchange (ICE).

The shares of ICE NL are not quoted on any market.

ABN AMRO Investments USA LLC

On 13 January 2016, ABN AMRO Bank N.V. (AAB) and ABN AMRO Clearing Chicago LLC (AACC), a wholly owned subsidiary of ABN AMRO Clearing Bank N.V. (AACB), each acquired 50% of the investment in ABN AMRO Investments USA LLC (AAIU). The two entities together have joint control over AAIU, which is incorporated in the State of Delaware, the United States of America. The shareholding has not changed in the 2017 financial year.

The shares of AAIU are not quoted on any market and no dividends were declared.

The following is the summarised financial information of the associates and joint venture, including the aggregated amounts of assets, liabilities, income and expenses:

(x EUR 1.000)	31 December 2017		31 December 2016	
	Associates	Joint ventures	Associates	Joint ventures
Cash and cash equivalents	584.421	-	603.970	-
Financial investments	-	1.014	-	947
Loans and receivables	9.696	-	15.520	-
Property and equipment	1.032	-	691	-
Intangible assets	652	-	1.064	-
Other assets	4.603	-	4.520	-
Total assets	**600.404**	**1.014**	**625.765**	**947**
Due to banks	256.222	-	232.858	-
Due to customers	291.570	-	329.752	-
Accrued interest, expenses and other liabilities	9.231	61	10.925	-
Total liabilities	**557.023**	**61**	**573.535**	**-**
Total Equity	43.381	953	52.230	947
Net revenue	22.556	-	26.766	-
Expenses	18.456	16	22.992	-
Other comprehensive income / expenses	-7	136	49	-
Tax expenses	883	-	1.242	-
Total comprehensive income	**3.210**	**120**	**2.581**	**-**

(x EUR 1.000)	31 December 2017		31 December 2016	
	Associates	Joint ventures	Associates	Joint ventures
Equity accounted investment	**8.696**	**476**	**21.043**	**474**

21. Property and equipment

Accounting policy for property and equipment

Property and equipment is stated at cost less accumulated depreciation and any amount for impairment. At each balance sheet date an assessment is performed to determine whether there is any indication of impairment. If an item of property and equipment is comprised of several major components with different useful lives, each component is accounted for separately. Additions and subsequent expenditures, including accrued interest, are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the asset. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property and equipment, and of major components that are accounted for separately.

Depreciation rates and residual values are reviewed at least annually to take into account any change in circumstances. Capitalised leasehold improvements are depreciated in a manner that takes into account the term and renewal conditions of the related lease.

AACB applies the following principles regarding straight-line depreciation:
The useful life for property and equipment is a maximum of 10 years;
The useful life for leasehold improvements is the lesser of 10 years or or the lease term; and
The useful life for IT equipment is a maximum of 5 years.

(x EUR 1.000)	31 December 2017	31 December 2016
Total property and equipment	**11.032**	**10.373**

The table below shows the categories of property and equipment at 31 December 2017 against net book value.

2017	Leasehold improvements	IT equipment	Other property and equipment	Total
Acquisition costs as at 1 January 2017	**6.203**	**55.134**	**2.328**	**63.665**
Divestment of AACB Frankfurt Branch	-	-	-	-
Additions	5.324	3.369	1.162	9.855
Disposals	-	-4.448	-1.188	-5.636
Losses on disposals	-	-1.521	-	-1.521
Foreign exchange differences	-922	-3.925	-203	-5.050
Acquisition costs as at 31 December 2017	**10.605**	**48.609**	**2.099**	**61.313**
Accumulated depreciation as at 1 January 2017	**-6.072**	**-45.406**	**-1.815**	**-53.293**
Divestment of AACB Frankfurt Branch	-	-	-	-
Depreciation expense	-267	-3.872	-502	-4.641
Disposals	-	2.320	1.188	3.508
Foreign exchange differences	630	3.398	117	4.145
Accumulated depreciation as at 31 December 2017	**-5.709**	**-43.560**	**-1.012**	**-50.281**
Property and equipment as at 31 December 2017	**4.896**	**5.049**	**1.087**	**11.032**

2016

	Leasehold improvements	IT equipment	Other property and equipment	Total
Acquisition costs as at 1 January 2016	**6.009**	**51.676**	**2.455**	**60.140**
Divestment of AACB Frankfurt Branch	-	-1.885	-218	-2.103
Additions	-	8.123	28	8.151
Disposals	-	-847	-	-847
Losses on disposals	-	-29	-	-29
Foreign exchange differences	194	-1.904	63	-1.647
Acquisition costs as at 31 December 2016	**6.203**	**55.134**	**2.328**	**63.665**
Accumulated depreciation as at 1 January 2016	**-5.611**	**-44.009**	**-1.758**	**-51.377**
Divestment of AACB Frankfurt Branch	-	1.769	157	1.926
Depreciation expense	-268	-5.475	-164	-5.907
Disposals	-	611	-	611
Foreign exchange differences	-193	1.698	-50	1.455
Accumulated depreciation as at 31 December 2016	**-6.072**	**-45.406**	**-1.815**	**-53.292**
Property and equipment as at 31 December 2016	**131**	**9.728**	**513**	**10.373**

No impairments to property and equipment have been recorded in 2017 or 2016.

22. Intangible assets

Accounting policy for intangible assets

Intangible assets consists solely of software that is not an integral part of the related hardware. Software is amortised over three years unless the software is classified as core application software, which is depreciated over its estimated useful lifetime set at a maximum of 5 years.
The amortisation rate and residual values are reviewed at least annually to take into account any changes in circumstances. Costs associated with maintaining computer software programs are recognised as expenses when incurred.

(x EUR 1.000)	31 December 2017	31 December 2016
Acquisition costs as at 1 January	**21.488**	**22.156**
Divestment of subsidiary AACB Frankfurt Branch	-	-1.172
Additions	15	684
Disposals	-	-7
Transfer	-27	-
Foreign exchange differences	-2.019	-173
Acquisition costs as at 31 December	**19.457**	**21.488**
Accumulated amortisation 1 January	**-16.965**	**-14.981**
Divestment of subsidiary AACB Frankfurt Branch	-	1.145
Amortisation expense	-2.275	-3.297
Disposals	-	7
Transfer	19	-
Foreign exchange differences	1.661	161
Accumulated amortisation as at 31 December	**-17.560**	**-16.965**
Total intangible assets as at 31 December	**1.897**	**4.523**

No impairments to intangible assets have been recorded in 2017 or 2016.

23. Tax assets

Accounting policy for tax assets

AACB applies IAS 12 Income Taxes in accounting for taxes on income. Deferred tax is recognised for qualifying temporary differences. Temporary differences represent the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts utilised for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.
A deferred tax asset is recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect accounting profit or taxable profit.

Deferred tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and an intention to settle on a net basis.

The current tax asset is the calculated tax position based on actual income over the year less the prepayments made during the year based on the profit estimations.

(x EUR 1.000)	31 December 2017	31 December 2016
Total current tax assets	**2.680**	**407**
The deferred tax assets can be categorised into:		
Net investment hedge	10.662	10.609
Other assets	1.211	944
Investments available for sale	5	410
Accrued expenses and deferred income	1.292	1.250
Total deferred tax assets	**13.170**	**13.213**

Of the deferred tax assets as per 2017 an amount of EUR 2.149 thousand is recorded through the income statement and an amount of EUR 11.021 thousand is recorded through equity.

Total tax assets	**15.850**	**13.620**

(x EUR 1.000)

	As at 1 January 2017	Income statement	Equity	Other	As at 31 December 2017
Deferred tax assets					
Financial Investments - (impairments) investments AFS	410	-	-378	-27	5
Net investment hedges - forex contracts	10.609	-	-	53	10.662
Provisions for pensions and post-retirement benefits	-	-	-	-	-
Deferred income and accrued expenses	1.250	364	-	32	1.646
Other assets	944	-53	-	-34	857
Total deferred tax assets	**13.213**	**311**	**-378**	**24**	**13.170**

(x EUR 1.000)

	As at 1 January 2016	Income statement	Equity	Other	As at 31 December 2016
Deferred tax assets					
Financial Investments - (impairments) investments AFS	685	-	-283	8	410
Net investment hedges - forex contracts	10.648	-	-	-39	10.609
Provisions for pensions and post-retirement benefits	94	-	-	-94	-
Deferred income and accrued expenses	1.108	115	-	27	1.250
Other assets	-	986	-	-42	944
Total deferred tax assets	**12.535**	**1.101**	**-283**	**-140**	**13.213**

24. Other assets

(x EUR 1.000)	31 December 2017	31 December 2016
The table below shows the components of other assets at 31 December:		
Related to securities transactions*	10.777	6.607
Accrued other income	3.011	2.960
Prepayments	3.903	6.190
VAT and other tax receivable	3.768	1.089
Other	3.734	1.120
Total other assets	**25.193**	**17.966**

* These include transitory amounts related to securities transactions.

(x EUR 1.000)

Liabilities

25. Financial liabilities held for trading

The accounting policy for financial liabilities held for trading is included in note 12.

(x EUR 1.000)	31 December 2017	31 December 2016
The financial liabilities held for trading consist of the following:		
Contract for differences (CFD's)	110.552	2.754
Equity instruments held for trading*	64.345	28.985
Total financial liabilities held for trading	**174.897**	**31.739**

* These shares are used for hedging the contract for differences (CFD's).

26. Securities financing

The accounting policy for securities financing is included in note 15.

The payables relating to the securities financing refers to the (cash) collateral requirements of counterparties or the cash settlement of the securities transactions.

(x EUR 1.000)	31 December 2017	31 December 2016
Repurchase agreements and securities borrowing	657.161	597.653
Transactions related to securities*	1.248.292	479.609
Total securities financing	**1.905.453**	**1.077.262**

* These transactions relate to the settlement of the purchase of securities under the practice of Delivery versus Payment.

27. Due to banks

Accounting policy for due to banks and due to customers

According to IAS 39 Financial Instruments, amounts due to banks and customers are held at amortised cost. That is, fair value at initial recognition, adjusted for repayment and amortisation of coupons, fees and expenses to represent the effective interest rate of the asset or liability.

(x EUR 1.000)	31 December 2017	31 December 2016
The table below shows the components of due to banks:		
Demand deposits	1.130.918	1.382.175
Time deposits	10.179.729	8.733.220
Total due to banks	**11.310.647**	**10.115.395**

Of the due to banks item the following amounts were with:

Demand deposits due to banks ABN AMRO Group	398.086	393.813
Time deposits due to banks ABN AMRO Group	10.179.729	8.733.220
Total ABN AMRO Group companies	10.577.815	9.127.033
Demand deposits due to third party banks	732.832	988.362
Total third party banks	732.832	988.362
Total due to banks	**11.310.647**	**10.115.395**

As at 31 December 2017, an amount of EUR 2.873 thousand had a maturity of more than 3 months but less than one year (2016: EUR 2.468 thousand).

28. Due to customers

The accounting policy for due to customers is included in note 27

This item is comprised of amounts due to non-banking customers.

(x EUR 1.000)	31 December 2017	31 December 2016
The table below shows the components of due to customers:		
Demand deposits	8.462.800	7.275.310
Time deposits	995.717	1.303.024
Total due to customers	**9.458.517**	**8.578.334**
The due to customers item can be split between ABN AMRO Group customers and third party customers as follows:		
Demand deposits due to customers ABN AMRO Group	142.757	90.965
Total ABN AMRO Group companies	**142.757**	**90.965**
Demand deposits due to customers third party	8.320.043	7.184.345
Time deposits due to customers third party	995.717	1.303.024
Total third party customers	**9.315.760**	**8.487.369**
Closing balance as at 31 December	**9.458.517**	**8.578.334**

As at December 2017, no amount had a maturity of more than 3 months (2016: 0).

29. Issued debt

Accounting policy for issued debt

Issued debt securities are initially recorded at amortised cost using the effective interest rate method.

AACB applies IAS 32 Financial instruments: Presentation to determine whether funding is either a financial liability or equity. Issued financial instruments or their components are classified as financial liabilities where the substance of the contractual arrangement results in AACB having a present obligation to deliver either cash or another financial asset or to satisfy the obligation other than by the exchange of a fixed number of equity shares.

This debt was issued on 14 August 2017 for regulatory reasons and has a duration of three years.

(x EUR 1.000)	31 December 2017	31 December 2016
The issued debt consists of the following:		
Bonds and notes issued	60	325
Total issued debt	**60**	**325**

30. Provisions

Accounting policy for provisions

A provision is recognised in the balance sheet when AACB has a legal or constructive obligation as a result of a past event, and it is more likely than not, that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect of time value is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risk specific to the liability.

A provision for restructuring is recognised when an obligation exists. An obligation exists when AACB has approved a detailed plan and has raised a valid expectation in those affected by the plan by starting to implement the plan or by announcing its main features. Future operating costs are not provided for.

(x EUR 1.000)	31 December 2017	31 December 2016
Total provisions	**5.898**	**2.283**

The provision amount mainly relates to a restructuring provision. On the basis of information currently available, AACB determines with reasonable certainty that the full amount represents the expected cash outflow of the provisions for the 2018 financial year.

(x EUR 1.000)	31 December 2017	31 December 2016
Opening balance as at 1 January	**2.283**	**871**
Additions for the period	3.705	1.864
Release for the period	-90	-452
Closing balance as at 31 December	**5.898**	**2.283**

31. Tax liabilities

The accounting policy for tax liabilities is included in note 23.
The current tax liability is the calculated tax position based on actual income over the year less the prepayments made during the year based on profit estimations. However, as the entities based in the Netherlands form part of a local tax unity, prepayments are made and booked at central level. Therefore, at year-end the full year amount of the Dutch tax is still considered to be paid for these entities.

(x EUR 1.000)	31 December 2017	31 December 2016
Total current tax liabilities	**8.200**	**6.135**
The deferred tax liabilities can be categorised into:		
Loans and receivables customers	3.627	6.820
Investments available for sale	3.388	3.376
Total deferred tax liabilities	**7.015**	**10.196**
Total tax liabilities	**15.215**	**16.331**

(x EUR 1.000)

	As at 1 January 2017	Income statement	Equity	Other	As at 31 December 2017
Deferred tax liabilities					
Financial Investments - (impairments) investments AFS	2.195	-	-297	-52	1.846
Property and equipment	575	1.084	-	-116	1.543
Loans and receivables customers	6.820	-2.519	-	-675	3.626
Other	606	-565	-	-41	-
Total deferred tax liabilities	**10.196**	**-2.000**	**-297**	**-884**	**7.015**

(x EUR 1.000)

	As at 1 January 2016	Income statement	Equity	Other	As at 31 December 2016
Deferred tax liabilities					
Financial Investments - (impairments) investments AFS	2.453	-2	-5	-251	2.195
Property and equipment	-	589	-	-14	575
Loans and receivables customers	-	6.481	-	339	6.820
Other	-	576	-	30	606
Total deferred tax liabilities	**2.453**	**7.644**	**-5**	**104**	**10.196**

32. Other liabilities

(x EUR 1.000)	31 December 2017	31 December 2016
The table below shows the components of other liabilities at 31 December:		
Related to securities transactions*	94.060	101.381
Accounts payable	8.005	14.847**
VAT and other tax payable	163	2.817
Rebilling cost by ABN AMRO Group	48.573	44.779
Accrued personnel charges	7.759	6.053***
Other	28.086	34.005
Total other liabilities	**186.646**	**203.881**

* These include transitory amounts related to securities transactions.
** A portion of this figure was previously reported under 'other'.
*** This was previously reported under 'other'.

33. Equity attributable to owner of the company

Accounting policy for equity

Share capital and other components of equity

Other reserves
The other reserves mainly comprise retained earnings, the profit for the period and legal reserves.

Currency translation reserve
The currency translation reserve represents the cumulative gains and losses on the translation of the net investment in foreign operations, net of the effect of hedging.

Defined benefit obligation (DBO) of post employment plans reserve
The DBO reserve comprises the actuarial remeasurements of the defined benefit obligation within the equity-accounted associate.

Financial instruments relating to joint ventures reserve
The financial instruments reserve comprises the revaluation amounts related to available for sale financial instruments held within the equity-accounted joint venture.

Available-for-sale investments reserve
In this component, gains and losses arising from a change in the fair value of available-for-sale assets (within all 3 fair value hierarchy levels) are recognised, net of taxes, excluding impairment losses recognised in the income statement and gains and losses on hedged financial instruments. When the relevant assets are sold or otherwise disposed of, the related cumulative gain or loss recognised in equity is recycled to the income statement.

Net investment hedging reserve
The net investment hedging reserve is comprised of the currency translation differences arising on translation of the currency of these instruments to euros, for the extent they are effective.

Dividends
Dividends on ordinary shares and preference shares classified as equity are recognised as a distribution of equity in the period in which they are approved by shareholders.

The issued and paid-up share capital of AACB did not change in the 2017 financial year. Authorised share capital amounts to EUR 50.000.000 distributed over 50.000 shares each having a par value of EUR 1.000. Of this authorised share capital, 15.000 shares have been issued at a par value of EUR 1.000. At year-end 2017, all shares were held by ABN AMRO.

(x EUR 1.000)	31 December 2017	31 December 2016
Share capital	15.000	15.000
Share premium	55.363	5.363
Other reserves (incl. retained earnings/profit for the period)	998.472	918.128
Accumulated other comprehensive income	16.723	102.340
Shareholder's equity	**1.085.558**	**1.040.831**

For the details on the changes in shareholder's equity we refer to the consolidated statement of changes in shareholder's equity.

The following table provides a breakdown of accumulated other comprehensive income.

(x EUR 1.000)	31 December 2017	31 December 2016
Gross available-for-sale investments reserve	12.075*	9.390
Related tax	-1.840	-1.786
Available-for-sale investments reserve	10.235	7.604
Gross remeasurement of net DBO on post employment plans	-15	-15
Related tax	1	-
Remeasurement of net DBO on post employment plans	-14	-15
Gross remeasurement of financial instruments within joint ventures	91	-
Related tax	-23	-
Remeasurement of financial instruments within joint ventures	68	-
Gross currency translation reserve	54.328	142.823
Related tax	179	1
Currency translation reserve	54.507	142.824
Gross net investment hedge reserve	-64.229	-64.229
Related tax	16.156	16.156
Net investment hedge reserve	-48.073	-48.073
Accumulated other comprehensive income	**16.723**	**102.340**

* Included in this movement of EUR 2.685 thousand is an gross revaluation amounting to EUR 3.039 thousand, as can be seen in note 13, and an additional foreign currency translation movement of EUR - 354 thousand. The related tax on this foreign currency translation is EUR 26 thousand.

The currency translation reserve contains the equity revaluation of the subsidiaries.

The Net Investment Hedge (NIH) reserve which is defined as the hedge of AACB net investment in foreign operations by matching the foreign currency gains or losses on a derivative or liability against the revaluation of a foreign operation based on period end exchange rates. The gain or loss on the hedging instrument is recorded in equity to offset the translation gains and losses on the net investment, to the extent that the hedge is highly effective. The ineffective portion of the hedge relationship is recognised in profit or loss. This NIH policy was applied until 31 December 2010.

The tax on the net investment hedge reserve can be split in two categories. From the total amount of EUR 16.1 million an amount of EUR 11.1 million is related to the deferred tax asset of the NIH (see note 22). The remaining amount of EUR 5.0 million is related to the changes in the NIH up to and including 2009. Until that year the tax amount of the NIH was already settled with the tax authorities.

(x EUR 1.000)	31 December 2017	31 December 2016
Unrealised gains as at 1 January	102.340	78.614
Unrealised gains during the year	2.776	-306
Unrealised currency translation differences	-88.317	24.143
Related tax	-77	-111
Accumulated other comprehensive income as at 31 December	**16.723**	**102.340**

34. Commitments and contingent liabilities

Accounting policy for commitments and contingent liabilities

Contingencies
Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed, unless the outflow of economic resources is remote.

Committed credit facilities
Commitments to extend credit take the form of approved but undrawn loans and revolving facilities. New loan offers have a commitment period that does not extend beyond the normal underwriting and settlement period.

Guarantees
AACB provides guarantees and letters of credit to guarantee the performance of subsidiaries, associates and customers to third parties. AACB expects most transactions to be settled simultaneously with the reimbursement from customers

Irrevocable payment commitment
In April 2016, the Single Resolution Board (SRB) in Brussels provided credit institutions with the option to fulfil part of the obligation to pay the annual ex-ante contributions to the Single Resolution Fund (SRF) through irrevocable payments commitments (IPCs). To secure full and punctual payment, when called by the SRB, credit institutions need to constitute cash collateral and fully transfer (legal) ownership to the SRB.

(x EUR 1.000)	31 December 2017	31 December 2016
Total committed credit facilities	**393.990**	**1.320.814***
The guarantees and other commitments consist of the following:		
Guarantees	9.086	4.731**
Irrevocable payment commitment	1.738	1.027***
Total guarantees and other commitments	**10.824**	**5.758**
The guarantees have been given to third parties and are divided as follows:		
Guarantees given to exchanges	9.045	4.690
Guarantees given to customers	41	41
Total guarantees	**9.086**	**4.731**

Other commitments arising from securities borrowing consists partly of related parties. Most of these securities are borrowed from the parent company.

* This figure has been restated from nil in the 2016 comparative figures as it meets the requirements for disclosure under IAS 37.
** This figure has been restated to include an additional EUR 41 thousand in the 2016 comparative figures as it meets the requirements for disclosure under IAS 37.
*** This figure has been restated from nil in the 2016 comparative figures as it meets the requirements for disclosure under IAS 37.

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The contractual amounts of guarantees are set out by category in the following table:

(x EUR 1.000) **31 December 2017**

	Less than one year	Between one and three years	Between three and five years	After five years	Total
Guarantees given to exchanges	-	-	-	9.045	9.045
Guarantees given to customers	41	-	-	-	41
Total Guarantees	**41**	**-**	**-**	**9.045**	**9.086**

(x EUR 1.000) **31 December 2016**

	Less than one year	Between one and three years	Between three and five years	After five years	Total
Guarantees given to exchanges	-	-	-	4.690	4.690
Guarantees given to customers	41	-	-	-	41
Total Guarantees	**41**	**-**	**-**	**4.690**	**4.731**

Many of the guarantees and other commitments are expected to expire without being advanced in whole or in part. This means that the amounts stated do not represent expected future cash flows.

Leasing

AACB only enters into leases classified as operating leases (including property rental). The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

AACB leases offices and other premises under non-cancellable operating lease arrangements. The leases have various terms, escalation and renewal rights. There are no contingent rents payable. AACB also leases equipment under non-cancellable lease arrangements.

(x EUR 1.000)	31 December 2017	31 December 2016
Where AACB is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:		
Not more than one year	2.241	1.838
Longer than one year but not longer than five years	8.289	5.838
Longer than five years	10.536	10.843
Total operating lease agreements*	**21.066**	**18.519**

* In the prior year, amounts payable under cancellation clauses were included in the future minimum lease payments. Under IAS 17: Leases, future minimum payments related only to non-cancellable leases are to be included. The 2016 figures have therefore been restated to represent future minimum lease payments related to non-cancellable leases. The 2017 future minimum lease payments have also been disclosed in this regard.

Other contingencies

The German authorities are currently conducting a large scale investigation into withholding tax aspects of certain transactions in German shares in the years before 2012. If clients of AACB were involved in these transactions, by operation of German law, AACB as depository bank might in specific circumstances be held secondary liable in respect of tax (re)payable. It is uncertain if and to what extent such potential claims materialize. It is not more likely than not that such claims materialize and result in a financial loss.

35. Pledged, encumbered and restricted assets

Accounting policy for pledged, encumbered and restricted assets

Pledged assets are assets pledged as collateral for liabilities or contingent liabilities and the terms and conditions relating to its pledge. Encumbered assets are those that are pledged or other assets which we believed to be restricted to secure, credit-enhance or collateralise a transaction.
In principle, pledged assets are encumbered assets.
Significant restrictions on assets can arise from statutory, contractual or regulatory requirements such as:
- Those that restrict the ability of the parent or its subsidiaries to transfer cash or other assets to (or from) other entities within AACB.
- Guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid to other entities within AACB.
- Protective rights of non-controlling interests might also restrict the ability of AACB to access and transfer assets freely to or from other entities within AACB and to settle liabilities of AACB.

AACB only has restrictions due to the prevailing regulatory requirements per region.

Pledged and encumbered assets are assets given as security to guarantee payment of a debt or fulfilment of an obligation. Predominantly, the following activities conducted by AACB are related to pledged assets:
- Cash provided as collateral to secure trading transactions;
- Cash pledged to secure lending in reverse repurchase transactions and securities borrowing transactions;
- Cash and securities pledged to secure CFD or OTC transactions.

AACB has a clearing member contract with various CCP's. Such contracts contain the rules and regulations in relation to cash provided as collateral.

(x EUR 1.000)	31 December 2017	31 December 2016
Assets pledged:		
Securities financing assets	3.356.631	4.905.404
Financial assets held for trading	221.987	31.745
Loans and receivables - banks	138.194	781
Loans and receivables - customers	5.726.306	4.959.765
Total assets pledged as security	**9.443.118**	**9.897.695**

Off balance sheet collateral is held as security for assets mainly as part of professional securities transactions. AACB obtains securities on terms which permit it to re-pledge the securities to others.

Restrictions on assets

Assets held in certain jurisdictions to comply with local liquidity requirements and that are subject to restrictions in terms of their transferability within the Group amount to EUR 1.57 billion (2016: EUR 1.40 billion).

36. Related parties

Parties related to AACB include the parent ABN AMRO Bank N.V. with significant influence, associates, the Managing Board, the Supervisory Board, close family members of any person referred to above, entities controlled or significantly influenced by any person referred to above and any other related entities.

Transactions
As part of its business operations, AACB frequently enters into transactions with related parties. Normal banking transactions relate to transactions, loans and deposits and are entered into under the same commercial and market terms that apply to non-related parties. ABN AMRO owns all the shares of AACB.

Labour contract employees Amsterdam
Every employee of AACB in the Netherlands has a labour contract with ABN AMRO. The total salary costs including pensions and social security charges in 2017 was EUR 50.857 thousand (2016: EUR 48.866 thousand). The salary costs are paid by ABN AMRO and rebilled to AACB.

Balances with Related Parties

(x EUR 1.000)

	Associates	Parent	Other Related Parties
For the period ending 31 December 2017			
Assets	207.061	813.380	655.683
Liabilities	343	10.645.904	134.673
Irrevocable facilities	143.279	-	-
Collateral received	301.765	611.829	64.396
2017			
Income received	2.351	20.432	6.927
Expenses paid	5.025	235.860	2.988
For the period ending 31 December 2016			
Assets	113.535	1.385.464	421.907
Liabilities	101	9.193.755	81.085
Irrevocable facilities	109.489	-	-
Collateral received	333.823	611.829	773.340
2016			
Income received	1.611	28.323	2.647
Expenses paid	4.195	224.627	2.101

The transactions with associates consist of transactions with European Central Counterparty NV and Ice Clear Netherlands BV. During May 2017 the stake in Ice Clear was sold and therefore transactions until May 2017 have been disclosed. Refer to note 20 for the associates and joint venture note.

There were no transactions between AACB and the joint venture, ABN AMRO Investments USA LLC during 2016 or 2017.

Remuneration of the Managing Board

The remuneration of the Managing board members, which consists of 4 FTE's (2016: 4 FTE's) is stated in the table below. The remuneration of the Supervisory Board members in 2017 was nil (2016: nil).

(x EUR 1.000)

	Base salary	Total pension related contributions	Total
Total in 2017	1.041	275	1.316
Total in 2016	1.215	285	1.500

37. Cash flow statement

Accounting policy for cash flow statement

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, freely available balances with central banks and other banks and net credit balances on current accounts with other banks, which have a maturity of less than three months from the date of acquisition. The statement of cash flows, based on the indirect method of calculation, provides details of the source of cash and cash equivalents, which became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations, including clearing activities, investment activities and financing activities. Movements in loans and receivables and interbank deposits are included in the cash flow from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as investments in, and sales of, subsidiaries, associates, property and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities.

The following table shows the determination of cash and cash equivalents at 31 December:

(x EUR 1.000)	31 December 2017	31 December 2016
Cash and balances at central banks	380.063	41.741
Loans and receivables banks (less than 3 months)*	1.394.853	1.394.974
Total cash and cash equivalents	**1.774.916**	**1.436.715**

* Loans and receivables banks with a maturity of less than 3 months is included in Loans and receivables - banks, see note 16.

Reconciliation of liabilities arising from financing activities:

(x EUR 1.000)	31 December 2016	Cash flows	Non-cash changes	31 December 2017
Long-term borrowings*	-	-265	-	-265
Total cash and cash equivalents	-	**-265**	-	**-265**

* Long term borrowings consists of debt certificates issued, refer to note 29 for the note on issued debt.

38. Post-balance sheet date events

There have been no significant events between the year-end date and the date of approval of these financial statements which would require a change or disclosure in the financials.

Legal procedures

ABN AMRO Clearing Bank N.V. and its subsidiaries are involved in a court procedure.

In August 2007, Sentinel Management Group, Inc. ("Sentinel"), a futures commission merchant that managed certain customer segregated funds for ABN AMRO Clearing Chicago LLC (AACC), filed for bankruptcy. Shortly before Sentinel filed for bankruptcy, Sentinel sold certain securities to Citadel Equity Fund, Ltd. ("Citadel"). The U.S. Bankruptcy Court ordered funds from the sale to Citadel, to be distributed to certain Sentinel customers. AACC received its pro rata share which totalized $52,755,815. On or about September 15, 2008, the bankruptcy trustee filed an adversary proceeding (the "Complaint") against all of the recipients of the court ordered distribution of funds from the Citadel sale, including AACC. The Complaint also includes a claim for money AACC received shortly before Sentinel filed for bankruptcy to the amount of $4,000,399 and a claim for prejudgment interest which could range from $443,000 to $9,720,000. AACC, after consultation with legal counsel, cannot yet express an opinion as to the ultimate outcome of the proceeding. AACC believes that claims are without merit and intends to vigorously defend against the Complaint. Accordingly, no provision has been made in the financial statements for any loss that may result from the Complaint.

In the normal course of business AACC is subject to litigation and regulatory proceedings. AACC, after consultation with legal counsel, believes that the outcome of such proceedings will not have a material adverse effect on AACC statement of financial condition.

Company Financial Statements for the year ended 31 December 2017

Company Income Statement for the year ended 31 December 2017

(x EUR 1.000)	Note	2017	2016
Income			
Interest income		282.165	238.805
Interest expense		182.596	151.212
Net interest income	1	**99.569**	**87.593**
Fee and commission income		185.758	199.664
Fee and commission expense		77.451	78.354
Net fee and commission income	2	**108.307**	**121.310**
Net trading income	3	-13	-153
Share of result in equity accounted investments	4	65.859	80.691
Other income	5	2.072	1.861
Operating income		**275.794**	**291.302**
Expenses			
Personnel expenses	6	76.485	72.455
General and administrative expenses	7	114.961	115.976
Depreciation and amortisation of (in)tangible assets	8	2.552	3.720
Operating expenses		**193.998**	**192.151**
Impairment charges on loans and other receivables	9	-	-1.717
Total expenses		**193.998**	**190.434**
Operating profit / (loss) before taxation		**81.796**	**100.868**
Income tax expense	10	2.524	33.200
Profit (loss) for the year		**79.272**	**67.668**
Attributable to:			
Owner of the company		79.272	67.668

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Company Statement of Financial Position as at 31 December 2017

(x EUR 1.000)	Note	31 December 2017	31 December 2016
Assets			
Cash and balances at Central banks	11	380.063	41.741
Financial assets held for trading	12	221.987	31.745
Financial investments	13	60.905	70.171
Securities financing	14	2.095.800	3.434.950
Loans and receivables - banks	15	1.058.079	920.809
Loans and receivables - customers	16	16.115.927	11.640.008
Participating interest in group companies	17	748.087	772.706
Property and equipment	18	1.650	5.066
Intangible assets	19	225	561
Tax assets	20	12.365	11.622
Other assets	21	20.357	11.424
Total assets		**20.715.445**	**16.940.803**
Liabilities			
Financial liabilities held for trading	22	174.897	31.739
Securities financing	23	428.182	159.117
Due to banks	24	11.294.552	10.062.773
Due to customers	25	7.623.008	5.533.658
Issued debt	26	60	325
Provisions	27	5.898	2.283
Tax liabilities	28	8.844	13.923
Other liabilities	29	94.446	96.154
Total liabilities		**19.629.887**	**15.899.972**
Equity			
Share capital		15.000	15.000
Share premium		55.363	5.363
Other reserves (incl. retained earnings/profit for the period)		998.472	918.128
Accumulated other comprehensive income		16.723	102.340
Total Equity	30	**1.085.558**	**1.040.831**
Total Liabilities and Equity		**20.715.445**	**16.940.803**
Committed credit facilities	31	385.332	423.427
Guarantees and other commitments	31	254.269	196.164

Company Statement of Changes in Equity

(x EUR 1.000)

			Other reserves		Accumulated other comprehensive income					
	Share capital	Share Premium	Retained earnings	Unappropriated result of the year	Available-for-sale investments reserve	Remeasurement of net DBO on post-employment plans	Equity associates reserve	Currency translation reserve	Net investment hedging reserve	Total
Balance as at 31 December 2015	**15.000**	**250**	**786.536**	**63.926**	**7.042**	**-201**	**1.162**	**118.683**	**-48.073**	**944.325**
Total comprehensive income	-	-	-	67.668	-532	201	-84	24.141	-	91.394
Transfer	-	-	63.925	-63.926	-	-	-	-	-	-1
Increase capital	-	5.113	-	-	-	-	-	-	-	5.113
Balance as at 31 December 2016	**15.000**	**5.363**	**850.461**	**67.668**	**6.510**	**-**	**1.078**	**142.824**	**-48.073**	**1.040.831**
Total comprehensive income	-	-	-	79.272	185	-	2.515	-88.317	-	-6.344
Transfer	-	-	67.668	-67.668	-	-	-	-	-	-
Increase capital	-	50.000	-	-	-	-	-	-	-	50.000
Other	-	-	1.072	-	-	-	-	-	-	1.072
Balance as at 31 December 2017	**15.000**	**55.363**	**919.201**	**79.272**	**6.695**	**-**	**3.593**	**54.507**	**-48.073**	**1.085.558**

Accounting principles for the company statement

Basis of preparation

AACB's Company Financial Statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code, applying the same accounting policies as for the Consolidated Financial Statements. The Company Financial Statements are compiled taking into account ABN AMRO Clearing Bank N.V. and the legal entities and companies that form part of the Company. The registered office is at Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands (Chamber of Commerce number 33170459).

Principles for the measurement of assets and liabilities and determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its Company Financial Statements, ABN AMRO Clearing Bank N.V. applies the option provided in section 2:362(8) of the Dutch Civil Code. By making use of this option, reconciliation is maintained between the consolidated and the company's equity. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the Company Financial Statements of ABN AMRO Clearing Bank N.V. are the same of those applied for the Consolidated IFRS Financial Statements. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method. The Consolidated IFRS Financial Statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union.

Notes to the Company Income Statement for the year ended 31 December 2017

1. Net interest income and interest expense

This item includes interest income and interest expense from banks and customers.

(x EUR 1.000)	2017	2016
Interest Income		
Of the interest income items the following amounts were related to:		
Interest income from ABN AMRO Group companies	70.187	61.546
Interest income from third party customers/banks	211.978	177.259
Total interest income	**282.165**	**238.805**

The interest income of 2017 includes an amount of EUR 560 thousand (2016: EUR 419 thousand) concerning financial instruments that are at fair value through other comprehensive income. The remaining EUR 281.605 thousand (2016: EUR 238.386 thousand) relates to financial instruments carried at amortised cost. No interest income amounts relate to financial instruments measured at fair value through profit or loss.

(x EUR 1.000)	2017	2016
Interest Expense		
Of the interest expense items the following amounts were related to:		
Interest expense paid to ABN AMRO Group companies	107.052	101.738
Interest expense paid to associates	1.704	1.061
Interest expense paid to third party customers / banks	73.840	48.413
Total interest expense	**182.596**	**151.212**

All interest expense amounts in 2017 and 2016, relate to financial instruments carried at amortised cost.
No interest expense amounts relate to financial instruments measured at fair value through profit or loss.

(x EUR 1.000)	2017	2016
Net interest income	**99.569**	**87.593**

2. Net fee and commission income

(x EUR 1.000)	2017	2016
The components of net fee and commission income are:		
Net fees and commissions for payment services	-2.169	-2.564
Net fees and commissions for securities and derivatives	108.627	122.441
Other net fees and commissions	1.849	1.433
Total net fee and commission income	**108.307**	**121.310**
Of the net fees and commissions amount, the following amounts were with:		
Net fees and commissions with ABN AMRO Group companies	-1.377	-2.590
Net fees and commissions with associates	754	339
Net fees and commissions with third party customers/banks	108.930	123.561
Total net fee and commission income	**108.307**	**121.310**

All fee and commission amounts in 2017 and 2016 relate to financial instruments carried at amortised cost.

3. Net trading income

(x EUR 1.000)	2017	2016
Foreign exchange transaction results	**-13**	**-153**

4. Share of result in equity accounted investments

(x EUR 1.000)	2017	2016
Total realised result on equity accounted investments	**65.859**	**80.691**

See note 17 for more information.

5. Other income

(x EUR 1.000)	2017	2016
Dividend	1.564	1.694
Other operating income*	508	167
Total other income	**2.072**	**1.861**

* Other operating income consists of income related to activities that are not considered core activities of AACB.

6. Personnel expenses

(x EUR 1.000)	2017	2016
Personnel expenses are specified as follows:		
Salaries and wages	52.060	51.078
Social security charges	6.287	6.596
Pension expenses	10.057	9.548
Other	8.081	5.233
Total personnel expenses	**76.485**	**72.455**

7. General and administrative expenses

(x EUR 1.000)	2017	2016
Other general and administrative expenses can be broken down as follows:		
Agency staff, contractors and consultancy costs	36.296	38.673
Financial statement audit fees	199	200
Audit related fees	25	30
Staff related costs	2.589	3.131
Information technology costs	21.797	13.719
Housing	651	1.615
Post, telephone and transport	191	233
Marketing and public relations costs	726	744
Recharges from ABN AMRO Group companies	37.955	46.145
Dutch banking tax	9.020	8.240
Other	5.512	3.246
Total general and administrative expenses	**114.961**	**115.976**

8. Depreciation and amortisation of (in)tangible assets

This item refers to the depreciation and amortisation of equipment and software.

(x EUR 1.000)	2017	2016
Leasehold improvements - depreciation	32	49
Equipment - depreciation	20	23
IT equipment - depreciation	1.724	2.465
Purchased software - amortisation	318	698
Depreciation and amortisation expenses	**2.094**	**3.235**
Equipment - depreciation rebilled by ABN AMRO Group	21	21*
IT equipment - depreciation rebilled by ABN AMRO Group	124	152
Purchased software - amortisation rebilled by ABN AMRO Group	314	312
Total depreciation and amortisation expenses	**2.552**	**3.720**

* This was previously reported under 'IT Equipment - depreciation rebilled by ABN AMRO Group'.

9. Impairment charges/releases on loans and other receivables

For details on the impairments, refer to the loans and receivables from banks and customers items in the balance sheet. Please see notes 15 and 16 of the Company Statement.

(x EUR 1.000)	2017	2016
Total impairment charges / releases on loans and other receivables	**-***	**-1.717**

* There were no defaults in 2017.

10. Income tax expenses

(x EUR 1.000)	2017	2016
The details of the current and deferred income tax expense are presented below:		
Current tax	4.977	27.513
Deferred tax	-2.453	5.687
Total income tax expenses	**2.524**	**33.200**

The table below shows a reconciliation between the expected income tax expense and the actual income tax expense. The expected income tax expense has been calculated by multiplying the profit before tax to the weighted average rate from branches and subsidiaries.

Profit before taxation	81.796	100.868
Weighted applicable tax rate	27,82%	31,84%
Expected income tax expense	**22.754**	**32.119**
Change in taxes resulting from:		
Tax exemptions	-18.346*	-1.580
Adjustments for current tax of prior period	-85	2.668
Change in tax rate**	-2.519	-
Other	720	-7
Actual income tax expenses	**2.524**	**33.200**
Effective tax rate	3,09%*	32,91%

* The noted reduction in the weighted applicable tax rate to the effective tax rate is partially as a result of the realignment of the taxation related to the Chicago entity. Previously, this was accounted for under the Company structure and effectively paid by the Chicago entity. This has been amended and is now accounted for and paid for within the Chicago entity. The Chicago entity does not fall within the Company structure and therefore after tax net income is included in the Company and a tax exemption for Chicago applies within the Company structure.

** As a result of the United States tax reform (Tax Cuts and Jobs Act of 2017), the Federal tax rate in the US will decrease to 21% in the 2018 financial year, from 35%. This rate change also results in a noted reduction in the weighted applicable tax rate to the effective tax rate.

Notes to the Company Statement of Financial Position as at 31 December 2017

ASSETS

11. Cash and balances at central banks

All cash and cash equivalents are available for use in AACB's day-to-day operations.

(x EUR 1.000)	31 December 2017	31 December 2016
Total cash and balances at central banks	**380.063**	**41.741**

12. Financial assets held for trading

(x EUR 1.000)	31 December 2017	31 December 2016
The trading assets consists of the following financial instruments:		
Contract for differences (CFD's)	111.337	1.794
Equity instruments held for trading*	110.650	29.951
Total financial assets held for trading	**221.987**	**31.745**

* These shares are used for hedging the contract for differences (CFD's).

13. Financial investments

(x EUR 1.000)	31 December 2017	31 December 2016
Movements in the financial investments were as follows:		
Opening balance as at 1 January	**70.171**	**67.138**
Sales to third parties	-6.472	-
Transferred to another group company	-	-6.886
Additions	-	9.866*
Gross revaluation to equity	223	830
Exchange rate differences	-3.017	-777
Closing balance as at 31 December	**60.905**	**70.171**

* These amounts consist mostly of Treasury bills needed for regulatory requirements.

(x EUR 1.000)	31 December 2017	31 December 2016
Interest-earning securities in the European Union	49.686	58.868
Equity instruments	11.219	11.303
Closing balance as at December 31	**60.905**	**70.171**

14. Securities financing

The receivables relating to the securities financing refers to the (cash) collateral requirements of counterparties or the cash settlement of the securities transactions.

(x EUR 1.000)	31 December 2017	31 December 2016
Reverse purchase agreements and securities borrowing	1.442.720	3.025.070
Transactions related to securities*	653.080	409.880
Total securities financing	**2.095.800**	**3.434.950**

* These transactions relate to the settlement of the sale of securities under the practice of Delivery versus Payment.

(x EUR 1.000)	31 December 2017	31 December 2016
Of the securities financing the following counterparties were involved:		
ABN AMRO Group companies	33.883	757.631
Banks	1.206.056	2.114.383
Customers	855.861	562.936
Total securities financing	**2.095.800**	**3.434.950**

15. Loans and receivables - banks

This item includes all accounts receivable from credit institutions that relate to business operations and own bank accounts and does not consist of trade and other receivables.

As of 31 December 2017 no amount had a maturity of more than 3 months (2016: 0).

(x EUR 1.000)	31 December 2017	31 December 2016
Loans and receivables - banks consists of the following:		
Demand receivables	1.050.658	920.028
Mandatory reserve deposits with central banks	7.421	781
Net loans and receivable - banks	**1.058.079**	**920.809**

None of the amounts in the loans and receivables - banks items were subordinated in 2017 or 2016.

(x EUR 1.000)	31 December 2017	31 December 2016
Of the loans and receivables - banks item, the following amounts were due from:		
ABN AMRO Group companies	813.147	801.223
Third parties	244.932	119.586
Total loans and receivables - banks	**1.058.079**	**920.809**

16. Loans and receivables - customers

As at 31 December 2017, EUR 44 thousand had a maturity of more than 3 months but less than one year (2016: 0).

(x EUR 1.000)	31 December 2017	31 December 2016
Loans and receivables - customers consists of the following:		
Commercial loans	12.002.113	9.492.993
Government and official institutions	1.738	1.027
Receivables from Central Counterparties	4.112.076	2.145.988
Total loans and receivables - customers	**16.115.927**	**11.640.008**
Less: loan impairment	-	-
Net loans and receivables - customers	**16.115.927**	**11.640.008**

All commercial loans are fully collateralised (e.g. cash, equities, bonds).

(x EUR 1.000)	31 December 2017	31 December 2016
Of the loans and receivables - customers item, the following amounts were due from:		
ABN AMRO Group companies	4.479.530	3.714.192
Third parties	11.636.397	7.925.816
Total loans and receivables - customers	**16.115.927**	**11.640.008**

17. Participating interest in group companies

The movements in the participating interest in group companies, which are accounted for using the equity method, were as follows:

(x EUR 1.000)	31 December 2017	31 December 2016
Balance as at 1 January	**772.706**	**750.002**
Increase of capital	61.313	-
Unrealised gains/losses	2.601	-
Dividend paid out	-66.239	-88.724
Exchange differences	-88.159	24.042
Transferred to another group company at arms length	-	6.695
Result for the year	65.865	80.691
Balance as at 31 December	**748.087**	**772.706**

The following tables show the details of the investments to be consolidated:

(x EUR 1.000) — 2017

	Entitlements	Currency	Opening shareholders' equity 2017	Net result 2017	Closing shareholders' equity 2017
			(x 1.000)	(x 1.000)	(x EUR 1.000)
ABN AMRO Clearing Chicago LLC, registered office in Chicago, United States	100%	USD	492.328	40.306	410.151
ABN AMRO Clearing Sydney Pte.Ltd, registered office in Sydney, Australia	100%	AUD	68.307	5.071	44.419
ABN AMRO Clearing Hong Kong Ltd, registered office in Hong Kong	100%	HKD	1.658.567	174.841	176.695
ABN AMRO Clearing Tokyo Ltd, registered office in Tokyo, Japan	100%	JPY	11.595.533	480.244	85.750
ABN AMRO Clearing Singapore Pte, registered office in Singapore	100%	SGD	4.408	70	2.746
ABN AMRO Clearing Investments BV, registered office in Amsterdam, The Netherlands	100%	EUR	28.309	3.061	28.326
					748.087

(x EUR 1.000) — 2016

	Entitlements	Currency	Opening shareholders' equity 2016	Net result 2016	Closing shareholders' equity 2016
			(x 1.000)	(x 1.000)	(x EUR 1.000)
ABN AMRO Clearing Chicago LLC, registered office in Chicago, United States	100%	USD	512.262	66.023	485.234
ABN AMRO Clearing Sydney Pte.Ltd, registered office in Sydney, Australia	100%	AUD	63.236	7.546	43.367
ABN AMRO Clearing Hong Kong Ltd, registered office in Hong Kong	100%	HKD	1.162.749	124.296	142.037
ABN AMRO Clearing Tokyo Ltd, registered office in Tokyo, Japan	100%	JPY	9.104.289	838.179	73.869
ABN AMRO Clearing Singapore Pte, registered office in Singapore	100%	SGD	4.338	37	2.843
ABN AMRO Clearing Investments BV, registered office in Amsterdam, The Netherlands	100%	EUR	25.356	-5.501	25.356
					772.706

18. Property and equipment

(x EUR 1.000)	31 December 2017	31 December 2016
Total property and equipment	**1.650**	**5.066**

The tables below shows the categories of property and equipment at 31 December 2017 against net book value, and the comparatives.

(x EUR 1.000)				2017
	Leasehold improvements	IT equipment	Other property and equipment	Total
Acquisition costs as at 1 January 2017	**863**	**24.215**	**290**	**25.368**
Additions	-	2.158	-	2.158
Disposals	-	-4.448	-	-4.448
Losses on displosals	-	-1.521	-	-1.521
Foreign exchange differences	-43	-879	-14	-936
Acquisition costs as at 31 December 2017	**820**	**19.525**	**276**	**20.621**
Accumulated depreciation 1 January 2017	**-801**	**-19.269**	**-232**	**-20.302**
Depreciation expense	-32	-1.724	-20	-1.776
Disposals	-	2.320	-	2.320
Foreign exchange differences	40	735	12	787
Accumulated depreciation as at 31 December 2017	**-793**	**-17.938**	**-240**	**-18.971**
Property and equipment as at 31 December 2017	**27**	**1.587**	**36**	**1.650**

(x EUR 1.000)				2016
	Leasehold improvements	IT equipment	Other property and equipment	Total
Acquisition costs as at 1 January 2016	**855**	**23.676**	**505**	**25.036**
Divestment of subsidiary	-	-1.885	-218	-2.103
Additions	-	5.276	-	5.276
Foreign exchange differences	8	-2.852	3	-2.841
Acquisition costs as at 31 December 2016	**863**	**24.215**	**290**	**25.368**
Accumulated depreciation 1 January 2016	**-745**	**-21.060**	**-364**	**-22.169**
Divestment of subsidiary	-	1.769	157	1.926
Depreciation expense	-49	-2.465	-23	-2.537
Foreign exchange differences	-7	2.487	-2	2.478
Accumulated depreciation as at 31 December 2016	**-801**	**-19.269**	**-232**	**-20.302**
Property and equipment as at 31 December 2016	**62**	**4.946**	**58**	**5.066**

No impairments to property and equipment have been recorded in 2017 or 2016.

19. Intangible assets

(x EUR 1.000)	2017	2016
Acquisition costs as at 1 January	**5.231**	**6.706**
Divestment Frankfurt Branch	-	-1.172
Additions	-	367
Foreign exchange differences	-204	-670
Acquisition costs as at 31 December	**5.027**	**5.231**
Accumulated amortisation 1 January	**-4.670**	**-5.684**
Divestment of subsidiary HCH	-	1.145
Amortisation expense	-318	-698
Foreign exchange differences	186	567
Accumulated amortisation as at 31 December	**-4.802**	**-4.670**
Total intangible assets as at 31 December	**225**	**561**

No impairments to intangible assets have been recorded in 2017 or 2016.

20. Tax assets

The current tax asset is the calculated tax position based on actual income over the year less the prepayments made during the year based on the profit estimations.

(x EUR 1.000)	31 December 2017	31 December 2016
Total current tax assets	**841**	**62**
The deferred tax assets can be categorised into:		
Net investment hedge	10.662	10.648
Other assets	857	-
Investments available for sale	5	912
Total deferred tax assets	**11.524**	**11.560**

Of the deferred tax assets an amount of EUR 857 thousand is recorded through the income statement and an amount of EUR 10.667 thousand is recorded through equity.

Total tax assets	**12.365**	**11.622**

21. Other assets

(x EUR 1.000)	31 December 2017	31 December 2016
The table below shows the components of other assets at 31 December:		
Related to securities transactions*	8.601	4.782
Accrued other income	3.350	940
ABN AMRO group companies	1.167	734
Prepayments	1.250	4.245
VAT and other tax receivable	2.655	327**
Other	3.334	396
Total other assets	**20.357**	**11.424**

* These include transitory amounts related to securities transactions.
** This was previously reported under 'other'.

LIABILITIES

22. Financial liabilities held for trading

(x EUR 1.000)	31 December 2017	31 December 2016
The financial liabilities held for trading consist of the following:		
Contract for differences (CFD's)	110.552	2.754
Equity instruments held for trading*	64.345	28.985
Total financial liabilities held for trading	**174.897**	**31.739**

* These shares are used for hedging the contract for differences (CFD's).

23. Securities financing

The payables relating to the securities financing refers to the (cash) collateral requirements of counterparties or the cash settlement of the securities transactions.

(x EUR 1.000)	31 December 2017	31 December 2016
Reverse purchase agreements and securities borrowing	-	659
Transactions related to securities*	428.182	158.458
Total securities financing	**428.182**	**159.117**

* These transactions relate to the settlement of the purchase of securities under the practice of Delivery versus Payment.

24. Due to banks

(x EUR 1.000)	31 December 2017	31 December 2016
The table below shows the components of due to banks:		
Demand deposits	1.114.822	1.329.553
Time deposits	10.179.729	8.733.220
Total due to banks	**11.294.552**	**10.062.773**
Of the due to banks item the following amounts were with:		
Demand deposits due to banks ABN AMRO Group	398.087	393.813
Time deposits due to banks ABN AMRO Group	10.179.729	8.733.220
Total ABN AMRO Group companies	10.577.816	9.127.033
Demand deposits due to third party banks	716.736	935.740
Time deposits due to third party banks	-	-
Total third party banks	716.736	935.740
Total due to banks	**11.294.552**	**10.062.773**

As at 31 December 2017, an amount of EUR 2.873 thousand had a maturity of more than 3 months but less than one year (2016: EUR 2.468 thousand).

25. Due to customers

This item is comprised of amounts due to non-banking customers.

(x EUR 1.000)	31 December 2017	31 December 2016
The table below shows the components of due to customers:		
Demand deposits	7.186.131	4.735.409
Time deposits	436.877	798.249
Total due to customers	**7.623.008**	**5.533.658**
The due to customers item can be split up between ABN AMRO Group customers and third party customers as follows:		
Demand deposits due to customers ABN AMRO Group	609.184	686.323
Total ABN AMRO Group companies	**609.184**	**686.323**
Demand deposits due to customers third party	6.576.947	4.049.086
Time deposits due to customers third party	436.877	798.249
Total third party customers	**7.013.824**	**4.847.335**
Closing balance as at 31 December	**7.623.008**	**5.533.658**

In 2017 no amount had a maturity of more than 3 months (2016: 0).

26. Issued debt

This debt was issued on 14 August 2017 for regulatory reasons and has a duration of three years.

(x EUR 1.000)	31 December 2017	31 December 2016
The issued debt consists of the following:		
Bonds and notes issued	60	325
Total Issued debt	**60**	**325**

27. Provisions

(x EUR 1.000)	31 December 2017	31 December 2016
Total Provisions	**5.898**	**2.283**

The majority of the provision relates to restructuring. On the basis of information currently available, AACB determines with reasonable certainty that the full amount represents the expected cash outflow of the provisions for the 2018 financial year.

(x EUR 1.000)	31 December 2017	31 December 2016
Opening balance as at 1 January	**2.283**	**871**
Additions for the period	3.705	1.864
Release for the period	-90	-452
Closing balance as at 31 December	**5.898**	**2.283**

28. Tax liabilities

The current tax liability is the calculated tax position based on actual income over the year less the prepayments made during the year based on profit estimations. However, as the entities operating in the Netherlands form part of a local tax unity, prepayments are made and booked at central level. Therefore, at year-end the full year amount of the Dutch tax is still considered to be paid for these entities.

(x EUR 1.000)	31 December 2017	31 December 2016
Total current tax liabilities	**3.841**	**5.465**
The deferred tax liabilities can be categorised into:		
Loans and receivables customers	3.627	6.820
Investments available for sale	1.376	1.638
Total deferred tax liabilities	**5.003**	**8.458**
The total deferred tax liabilities is originated through equity.		
Total tax liabilities	**8.844**	**13.923**

29. Other liabilities

(x EUR 1.000)	31 December 2017	31 December 2016
The table below shows the components of other liabilities at 31 December:		
Related to securities transactions*	21.687	19.724
Accounts payable	7.747	8.980
VAT and other tax payable	18	2.815
Rebilling cost by ABN AMRO Group	48.573	44.214
Accrued personnel charges	1.522	3.344**
Other	14.899	17.076
Total other liabilities	**94.446**	**96.154**

* These include transitory amounts related to securities transactions.
** This was previously reported under 'other'.

30. Equity

	31 December 2017	31 December 2016
Total Equity	**1.085.558**	**1.040.831**

For more information, see the notes to the Consolidated Financial Statements, note 33, Equity.

31. Commitments and contingent liabilities

(x EUR 1.000)	31 December 2017	31 December 2016
The committed credit facilities consist of the following:		
Total committed credit facilities	**385.332**	**423.427***
The guarantees and other commitments consist of the following:		
Guarantees	252.531	195.137**
Irrevocable payment commitment	1.738	1.027***
Total guarantees and other commitments	**254.269**	**196.164**
The guarantees have been given to third parties and are divided as follows:		
Guarantees given to subsidiaries	243.445	190.406****
Guarantees given to clients	41	41
Guarantees given to exchanges	9.045	4.690
Total guarantees	**252.531**	**195.137**

Other commitments arising from securities borrowing consists almost entirely of related parties. Most of these securities are borrowed from the parent company.

* This figure has been restated from nil in the 2016 comparative figures as it meets the requirements for disclosure under IAS 37.
** This figure has been restated to include an additional EUR 41 thousand in the 2016 comparative figures as it meets the requirements for disclosure under IAS 37.
*** This figure has been restated from nil in the 2016 comparative figures as it meets the requirements for disclosure under IAS 37.
**** This figure has been restated to exclude an amount of EUR 1.000 thousand in the 2016 comparative figures as it does not meet the requirements for disclosure under IAS 37.

Many of the guarantees and other commitments are expected to expire without being advanced in whole or in part. This means that the amounts stated do not represent expected future cash flows.

AACB leases equipment under non-cancellable lease arrangements.

(x EUR 1.000)	31 December 2017	31 December 2016
Where AACB is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:		
Not more than one year	9	9
Longer than one year but not longer than five years	25	44
Longer than five years.	-	-
Total operating lease agreements*	**34**	**53**

* In the prior year, the above operating lease was not disclosed. The 2016 comparative have therefore been restated to disclose the related future minimum lease payments.

Acquisitions

No acquisitions were made by ABN AMRO Clearing Bank N.V. in 2017.
Amsterdam, 18 May 2018

Managing Board

R.V.C Schellens
J.B.M. de Boer
L.M.R. Vanbockrijck
J.F.E. ten Veen

Rules on profit appropriation as set out in the Articles of Association

The profit shown in the income statement as adopted by the General Meeting of Shareholders has been placed at the disposal of the General Meeting of Shareholders.

Profit appropriation

The ABN AMRO group policy is to upstream dividends from subsidiaries where appropriate. The dividend 2018 will be based on our current and projected consolidated capital ratios and local regulatory and exchange requirements in combination with our growth strategy. AACB proposes not to pay any dividend due to higher regulatory capital requirements. The final dividend amount will be decided at the General Meeting of Shareholders in May 2018.

Other information

Building a better working world

Independent auditor's report

To: the shareholders and supervisory board of ABN AMRO Clearing Bank N.V.

Report on the audit of the annual financial statements 2017 included in the annual report

Our opinion

We have audited the annual financial statements 2017 of ABN AMRO Clearing Bank N.V. (the Company), based in Amsterdam. The annual financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2017
- The following statements for 2017: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows
- The notes, comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company statement of financial position as at 31 December 2017
- The following statements for 2017: the company income statement and the company statement of changes in equity
- The notes, comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

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

We are independent of ABN AMRO Clearing Bank N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence), and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Materiality	€5.6 million (2016: €6.3 million).
Benchmark applied	5% of operating profit before taxation.
Explanation	Based on our professional judgment, a benchmark of 5% of operating profit before taxation is an appropriate quantitative indicator of materiality and it best reflects the financial performance of the Company.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of €280 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

The Company is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of the Company.

Our group audit mainly focused on significant group entities in the Netherlands and the United States. We were responsible for the scope and direction of the audit process. On a regular basis, we interacted with the component teams during various stages of the audit. Based on our risk assessment, we visited component locations in the United States, reviewed key local working papers and conclusions, and met with local management.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Complexity and diversity of the fee schedules	
Risk	Clients' fee schedules are customized and depend on a variety of factors including the kind of transaction, the investment type, and the related exchanges. Furthermore, both fixed fees and fees dependent on volume exist. These complex and diverse fee schedules, in combination with significant volumes, lead to an increased risk of material misstatement in relation to revenue recognition, specifically commission income, in the financial statements. As the larger clients typically have the most tailored fee schedules, we deem the risk to be inherent in the Company's main clients' fee schedules. As the fee and commission income represents the majority of the Company's income and given the complexity and diversity of the schedules, we consider this a key audit matter. Please refer to note 2 Net fee and commission income in the financial statements.
Our audit approach	We tested the design and operating effectiveness of the key controls within the fee origination process, including controls over the reconciliations between information from the exchanges, clearing houses and brokers and source systems and controls over changes to fee schedules in the source systems. We have performed substantive testing on the appropriateness and accuracy of the inputs to the fee calculations and reperformed fee calculations on a sample basis. Furthermore, we tested appropriate recognition of fees in the ledger and on the clients' clearing statements. We obtained confirmations from a selection of customers confirming their year-end balances, which includes recognized fees. Also, we performed analytical procedures in relation to portfolio behavior and volumes, as well as prior period's income.
Key observations	Based on our procedures performed, we consider the net fee and commission income to be reasonable.
Reliability and continuity of electronic data processing	
Key audit matter	An adequate IT infrastructure ensures the reliability and continuity of the Company's business processes and financial reporting. The Company continuously makes investments to further improve the IT environment and IT systems. The role of external reports, such as financial reporting and regulatory reporting, and the increased granularity of financial and non-financial data are important for stakeholders, which require high quality data and an adequate IT environment. As the reliability and continuity of the IT systems may have an impact on automated data processing, we therefore consider this a key audit matter. A summary of technology and the IT environment is included in the operational risk section of the risk management section of the managing board report.
Our audit approach	We tested the IT general controls related to logical access, change management and application controls as embedded in automated data processing systems, where we relied upon for financial reporting. In some areas we performed additional procedures on access management for the related systems. We also assessed the reliability and continuity of the IT environment and the possible impact of changes during the year, either from ongoing internal restructuring initiatives or to meet external reporting requirements. In addition, our audit procedures consisted of assessing developments in the IT infrastructure and analyzing the impact on the IT organization. We assessed the reliability and continuity of electronic data processing to the extent necessary within the scope of the audit of the financial statements.
Key observations	For the audit of the annual financial statements we found the reliability and continuity of IT adequate.

In the 2016 auditor's report, the key audit matter IT dependency in financial reporting was identitied as a key audit matter. We excluded the references to suspense accounts, given the limited balance on the related accounts as at 31 December 2017.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information, that consists of:
- Managing board report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding, obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

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

Report on other legal and regulatory requirements

Engagement

We were engaged by the supervisory board as auditor of the Company on 11 September 2015, as of the audit for the year 2016, and have operated as statutory auditor since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided

In addition to the statutory audit of the financial statements, we provided the following services:
- Consent letter in connection with the Information Memorandum for the Medium Term Note Programme of ABN AMRO Clearing Bank N.V.
- Assurance report over the segregation of assets (Vermogensscheiding) of ABN AMRO Clearing Bank N.V.

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

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

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting, unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high but not absolute level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect, we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect, we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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

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

Amsterdam, 18 May 2018

Ernst & Young Accountants LLP

signed by W.J. Smit

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