ABN·AMRO Clearing

ABN AMRO Clearing Bank N.V. Annual Report 2018

Notes to the reader

This is the Annual Report for the year 2018 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 statements contained in this Annual Report have 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 labelled as 'audited' in the respective headings.

This Annual Report is presented in euros (EUR), which is ABN AMRO Clearing Bank's presentation currency, rounded to the nearest thousands.

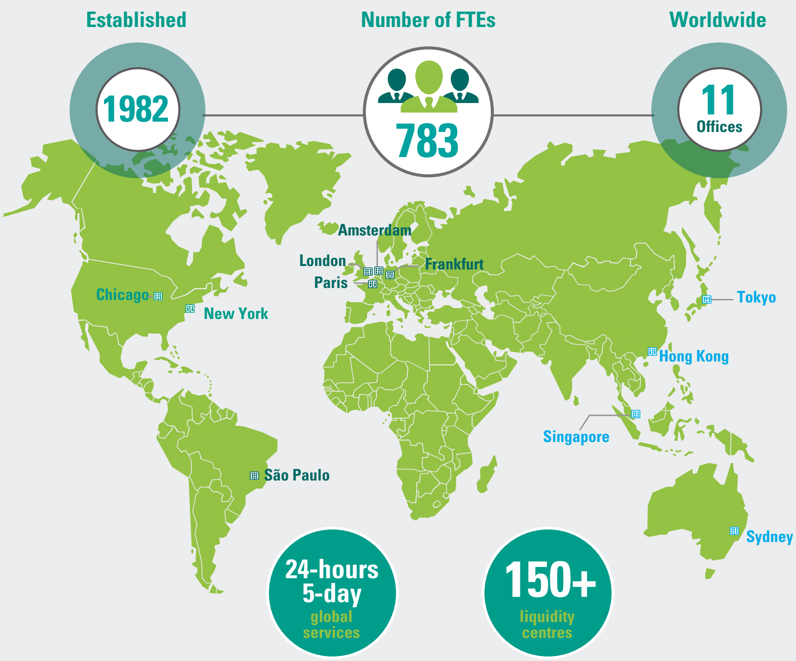
Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided. In addition, certain percentages in this report have been calculated using rounded figures.

As of 1 January 2018, ABN AMRO Clearing Bank adopted IFRS 9 "Financial Instruments". IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" and includes new requirements for the classification and measurement of financial instruments and impairment of financial assets. Prior years were not restated in line with the transitional provisions of the standard. We refer you to the chapter on Accounting policies of the Notes to the Consolidated Annual Financial Statements for more information on the transitional impact of IFRS 9.

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

Contents

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. → Managing Board

Banking licence

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

Client segments

Professional Trading Groups
Corporate Hedgers
Prime

Number of transactions processed

3,79 billion

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

The value chain

Disciplines	The value chain	Role ABN AMRO Clearing
Execution	Client → Exchange ← Client	Trading member
	T	
Clearing	GCM ← Transaction CCP → GCM	General clearing member
	S	
Settlement	Custodian ← Settlement CSD → Custodian	Global custodian

Net profit
Underlying net profit
(x EUR million)
2018
119
2017
79

Cost/Income ratio
2018
67%
2017
72%

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

NPS on a scale from -100 to +100
36

Employee engagement
83%

Message from the **CEO**

ABN AMRO Clearing's financial performance in 2018 has been excellent, and revenue generation was the best so far. With a net profit of EUR 119 million and a return on equity (RoE) of 10%, we have been able to outperform against our planning. In addition and similar to 2017, we also amply exceeded ABN AMRO's target range on profitability.

"Our purpose - Leading the way to safe and transparent markets - guides us in our efforts to add value to clients, stakeholders and society."

It is fair to say that we have seen some extraordinary income (EUR 10 million), but we also had to cope with limitations in on-boarding new clients due to the current calculation methodology of capital requirements (current exposure method - CEM) in the leverage-ratio calculation and as a result ABN AMRO Clearing Bank N.V.'s (AACB's) impact on the leverage ratio (LR) of ABN AMRO Bank N.V. (ABN AMRO). These performance results, together with an increase of our Net Promoter Score (from 28 to 36) and Employee engagement score (from 80 to 83), make us feel we are on the right track.

In the course of the year, we have updated our strategy and have developed our purpose, linked to the purpose of our shareholder: banking for better, for generations to come. Our purpose – Leading the way to safe and transparent markets – guides us in our efforts to add value to clients, stakeholders and society.

Also, we have progressed in our ambition to becoming a more global and efficient counterpart for our clients in 2018. With the upcoming system replacement in the US, we have almost completed the last step in our move to a global clearing platform. Both the consolidation and transfer of part of our IT infrastructure (data centres) to an external vendor as well as outsourcing the End User Services is planned to be finalised in 2019. The decision to work on modernising our global clearing platform marked the start of a multi-year initiative. Furthermore, we reorganised both our Operations and Accounting departments in Amsterdam. And last but not least, we introduced the Agile way of working for the IT and product development activities in Europe. The next step will be to connect the same activities in Asia-Pacific and the United States to the global Grid.

In 2018, preparations for Brexit demanded a lot in terms of our flexibility in making sure we have solutions for different scenarios, lobbying policymakers and informing clients about these scenarios. We have made key decision makers aware of the impact for financial markets: such as the connections to central counterparties (CCPs) and exchanges from both the Continent and the UK for both our clients and ourselves. Although some uncertainties remain for the industry, it seems like most important topics have been covered when the transitional arrangement for a soft and hard Brexit scenario was announced in December 2018.

Upcoming regulatory challenges like Basel IV and the LR implementation (including the introduction of the standard approach to counterparty credit risk methodology (SA-CCR) remain. Yet we feel we are on the right track and have clear plans to mitigate the impact for AACB.

In February 2018, we announced a partnership with Nx'change, to introduce a new service to give non-bank organisations entrusted with client funds an alternative for escrow accounts. In this cooperation AACB delivers individual cash accounts under its banking licence through the blockchain. Nx'change, a growing next generation stock exchange, was also the first client to launch this service.

During the FOW International Awards dinner we have been chosen by our clients as the Proprietary Traders Clearing Firm of the year for the 6th year in a row.

All in all a busy and rewarding year. We hope we can continue on our path together with our valued client base, staff and other stakeholders.

Amsterdam, 24 May 2019

Rutger Schellens
Chief Executive Officer

Highlights 2018

February
- Banking as a Service - AACB announces partnership with Nx'change to offer clients an alternative for escrow accounts.
- ABN AMRO Clearing wins 6 SGX awards.

March
- AACB hosted the 7th edition of the Amsterdam Investor Forum, a highly-successful annual event for alternative investors and managers.

June
- AACB partners with EuroCCP, Euroclear and Nasdaq on blockchain-based margin and collateral solution.

July
- AACB offers Indian Single Stock Futures via Dubai Gold & Commodities Exchange.

October
- On 1 October 2018, a new group of trainees started their career with AACB in the Global Graduates Programme.

November
- AACB signed a Memorandum of Understanding with Frontclear. A shared commitment to address clearing and settlement challenges in emerging and frontier markets in Africa, Asia and Latin America.
- ABN AMRO Clearing Hong Kong wins 2 HKEX awards.

December
- Global Acceleration Week - challenging employees from three regions to work together on strategic clearing topics.
- ABN AMRO Clearing awarded FOW 'Proprietary Traders Clearing Firm of the Year'.

Supervisory Board

This section presents AACB's Supervisory Board over the year 2018 and how it is organised, in particular related to its permanent educational activities which continues to be of utmost importance for oversight and control over AACB.

Self-assessment

Every three years, the Supervisory Board reviews its performance by involving a third party in accordance with the Dutch Banking Code. The self-assessment performance for 2018 was conducted and facilitated by an external company in the last quarter of 2018. The results were evaluated in the Supervisory Board meeting in December 2018. Topics covered in the self-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 is confident 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 2018. 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 2018.

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's financial performance. 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 Supervisory Board in December 2018. The 2018 Financial Statements and 2018 Annual Report were audited and discussed by the Supervisory Board, Managing Board and EY in May 2019. The Supervisory Board noted the independent auditor's report on the Financial Statements 2018 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

The ARCC comprises the following members: Toon Peek (Chair), Alexander Rahusen and Rintse Zijlstra. 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 2018, 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 auditors 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. Supervisory Board members are also invited to participate in ABN AMRO's lifelong learning programme. Appropriate actions have been taken to organise, execute and monitor this accordingly.

These actions 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; a strategy session; an AAC Singapore office visit in June 2018, for which an extensive programme was organised and hosted by Adrian Rubin (MD AACB Singapore Branch), and client visits.

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, 24 May 2019

Supervisory Board

Frans van der Horst
Toon Peek
Alexander Rahusen
Rintse Zijlstra

Frans van der Horst (Dutch, male, 1959)

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 (Dutch, male, 1955)

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 (Dutch, male, 1972)

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 Clients Europe of ABN AMRO.

Rintse Zijlstra (Dutch, male, 1975)

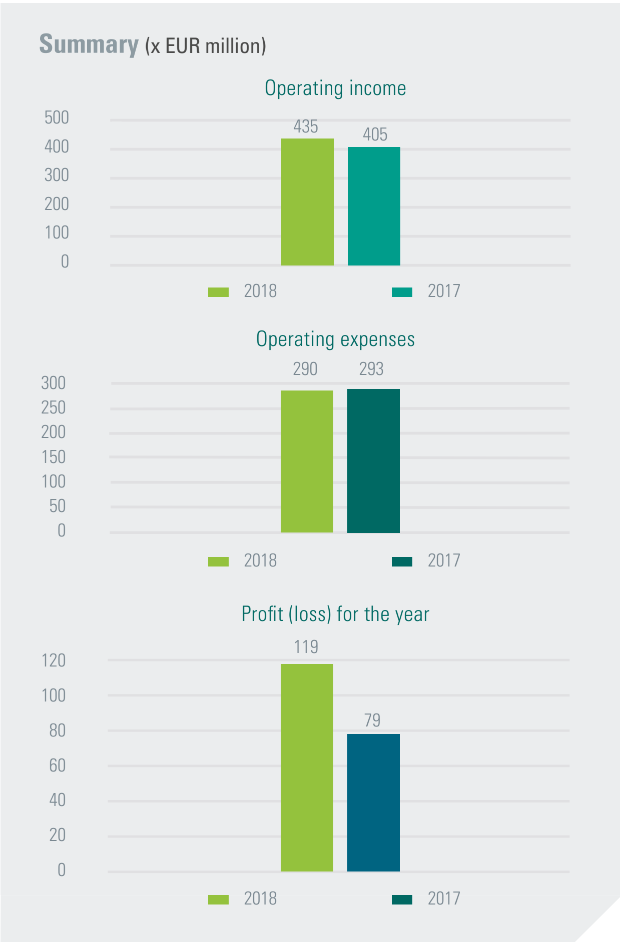
Supervisory Board member

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.

Managing Board

Financial review 2018

Operating income totalled up to EUR 435 million in 2018, an increase of EUR 30 million compared to 2017. Activity on the major global financial markets picked up strongly in 2018 due to various macro-economic factors and geopolitical tensions across the globe. The possibility of a US-China trade war, Brexit negotiations, US federal reserve rate hikes in combination with the political developments, the US shutdown in December and the yellow vest protests in Europe led to an increase in volatility throughout the year. As a result, AACB recorded net fees and commissions of EUR 250 million, an increase of EUR 11 million versus prior year.



Also, the net interest income increased to a level of EUR 170 million, EUR 12 million above the 2017 result. This is largely due to higher credit utilisation from clients in combination with better net interest margins. The improvement in earned spreads (i.e. the difference between interest income and interest expenses) is mostly driven by further realized treasury efficiencies. Other operating income increased by EUR 7 million to a total of EUR 15 million in 2018. This is the result of favourable revaluation results regarding trading rights held by AACB in organisations active in the clearing and settlement industry.

The 2018 operating expenses remained broadly flat compared to 2017 at a level of EUR 290 million, despite an increase in regulatory levies, Collective Labour Agreements and customer price index effects. In 2018, AACB continued its programmes to come to a more efficient, agile and robust global environment. As a consequence of reorganising AACB's operating model, for which restructuring provisions were included in 2017, the number of FTEs on AACB's payroll lowered by 25, leading to a decrease of EUR 9 million in personnel expenses in 2018 to an amount of EUR 114 million.

General and Administrative expenses ends at EUR 171 million, EUR 10 million higher than in 2017. The increase is largely due to higher expenses for the outsourcing of IT activities to a third party vendor, a rise in regulatory costs for contributions to Dutch Banking Tax and Single Resolution Fund, increased expenses for external advice and support.

Depreciation and amortisation lowered to a level of EUR 5 million, a decrease of EUR 2 million, which is primarily due to the outsourcing of IT assets to a third party vendor.

Impairment charges/releases on loans and other receivables resulted in a release of EUR 4 million. In 2018, AACB settled the Sentinel Litigation in the US leading to a positive result of EUR 8 million. Contrary to this, the default of a Nasdaq Clearing AB clearing member in the third quarter of 2018 led to an additional contribution to the default fund of this Central Clearing House. The financial impact of this event amounts to EUR 4 million.

Fiscal reforms in the Netherlands and the US have resulted in a lower effective tax rate applicable to AACB, positively impacting both current and deferred taxes.

Amsterdam, 24 May 2019

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

From left to right:
Jan Bart de Boer, Frederik ten Veen, Lieve Vanbockrijck, Rutger Schellens

Rutger Schellens (Dutch, male, 1962)

Chief Executive Officer

Rutger started working for ABN AMRO in 1985 and has held various roles in Sales & Trading. In 2011, he led the Financial Institutions Group and Commercial Real Estate business. From 2013 to 2017 he was responsible for the Global Markets division and Chair of the Supervisory Board of ABN AMRO Clearing Bank N.V.

On 15 June 2017, Rutger was appointed Chief Executive Officer and Chair of the Managing Board of ABN AMRO Clearing Bank N.V.

Jan Bart de Boer (Dutch, male, 1967)

Chief Commercial Officer

Jan Bart started working for ABN AMRO in 2004 and holds various board positions in financial services industry organisations.

On 17 December 2004 he was appointed Global Chief Commercial Officer and Managing Board Member of ABN AMRO Clearing Bank N.V.

Lieve Vanbockrijck (Belgian, female, 1973)

Chief Financial Officer

Lieve started working for ABN AMRO in 1999 and has held various roles within Asset & Liability Management as well as Investor Relations.

On 4 December 2013, Lieve was appointed Global Chief Financial Officer and Managing Board Member of ABN AMRO Clearing Bank N.V.

Frederik ten Veen (Dutch, male, 1973)

Chief Risk Officer

Frederik started working for ABN AMRO Clearing in 2003. As of 2010, he was appointed as Director of Risk & Credit Europe responsible for market risk and credit risk. From 2013 to March 2018, he was Chief Risk Officer Europe of AACB Europe and responsible for all market, credit, operational and partial reputational/compliance and legal risk.

On 1 March 2018, Frederik was appointed Global Chief Risk Officer and Managing Board Member of ABN AMRO Clearing Bank N.V.

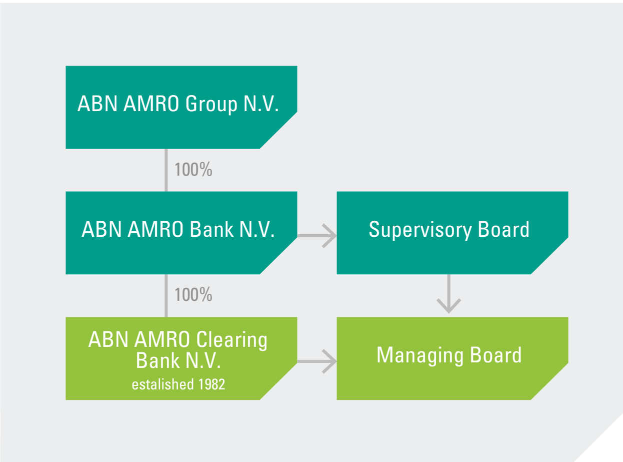
Corporate Governance

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. (ABN AMRO Group). AACB's financial statements are incorporated in the consolidated financial statements of ABN AMRO Group. As of November 2015, ABN AMRO Group is listed on the Euronext Amsterdam exchange.

Corporate structure

ABN AMRO 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. The Global Management Team advises the Managing Board and supports the execution of AACB's strategy.

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.

Joost Wokke, Jorgen Postma - Amsterdam office

Remuneration

In accordance with the Bonus Prohibition Act, remuneration restrictions are extended to senior management as described in the Act on Remuneration Policies of Financial Undertakings (*Wet beloningsbeleid financiële ondernemingen - Wbfo*). These restrictions also apply to AACB Managing Board members.

ABN AMRO's Global Reward 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 and applies to AACB Managing Board members as well.

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 pay out).
- Benefits and other entitlements.

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.

Diversity

The Managing Board and the Supervisory Board consist exclusively of natural persons. At the end of 2018, the Managing Board consisted of 25% female members and the Supervisory Board of 100% male members. In the event of vacancies, AACB will give due consideration to any applicable diversity requirements in its search to find suitable new members who meet the proper requirements under the Dutch Act on Financial Supervision.

Dutch Banking Code
The Dutch Banking Code 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

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.

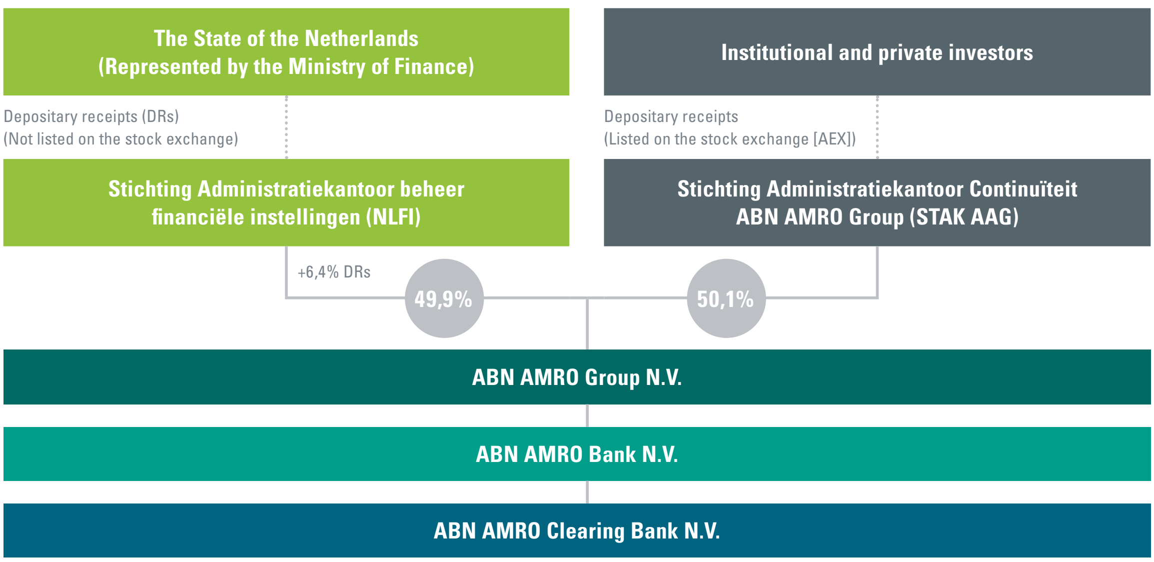
The AACB General Meeting was held on 18 May 2018. The General Meeting adopted the 2017 annual accounts and granted discharge to members of the Managing Board and Supervisory Board.

Legal structure
AACB is a wholly owned subsidiary of ABN AMRO 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 2018, all shares in the capital of ABN AMRO Group were held by two foundations: Stichting administratiekantoor 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. The Dutch State holds an interest in ABN AMRO Group through NLFI.

Shareholder structure

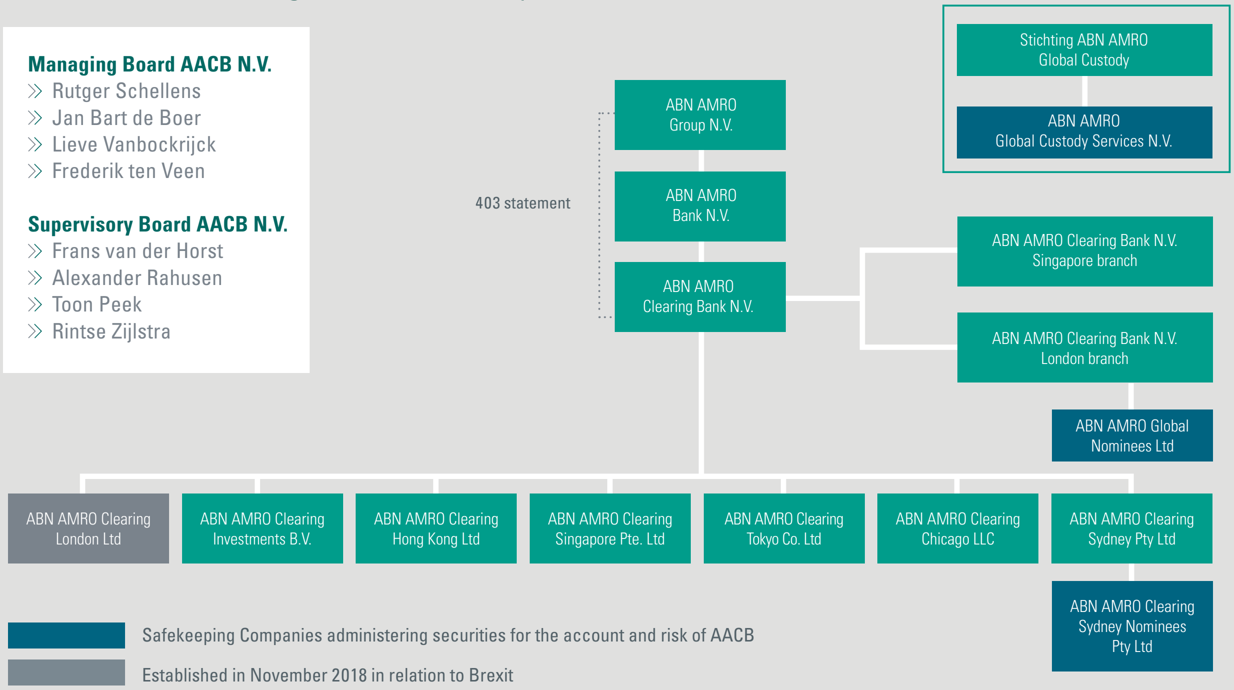


NLFI was set up as a means to avoid potential conflicting responsibilities that the Dutch Minister of Finance might otherwise face, as a shareholder and as a regulator, as well as to avoid undesired political influence being exerted. STAK AAG is independent from ABN AMRO and the holder of shares in ABN 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.

Our **purpose**

During 2018, AACB embarked on a journey to discover and articulate its purpose. Inspired by other purpose-driven organisations, and led by ABN AMRO, a multidisciplinary group of employees from all regions was formed to define AACB's 'Why'.

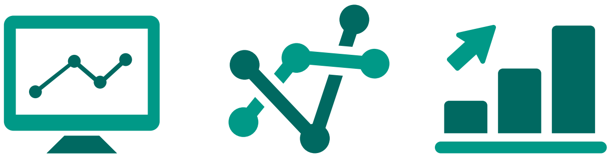
This diverse group of employees spent a number of days in Amsterdam to understand what the essence of a purpose is and to discuss what this would look like for AACB. The team embraced the organisation's diverse backgrounds, experience, expertise and insight to create a narrative that represents AACB's aspiration.

AACB's purpose: leading the way to safe and transparent markets, underpins the bank-wide purpose: banking for better, for generations to come.

Our purpose

Banking for Better, for Generations to Come

Leading the Way to Safe and Transparent Markets



Markets are evolving rapidly, driving increasingly stronger connections between society and the financial industry. Whether it is a pension fund that invests to secure retirements, farmers safeguarding their crop prices or entrepreneurs raising capital for their next venture, the impact on all of us is far-reaching. The need for dependable, stable, accessible markets is greater than ever.

ABN AMRO Clearing helps make markets efficient. We support transparency and liquidity by providing financing, vital market infrastructure and services. Together with our clients, it is our responsibility to set standards as well as encourage and support sensible regulatory frameworks. We use our knowledge and expertise to facilitate safe and orderly financial ecosystems.

ABN AMRO Clearing is devoted to being a positive influence across global financial markets.

Embedding our purpose

Following the definition of the purpose, we are continuously working on activating and embedding it in everything we do: starting with strategic goals and long-term vision. It also serves as a guideline for behaviour, which is translated into how we work together and what type of organisation we aspire to be. The AACB purpose serves as a guideline for our business, people and sustainability strategy.

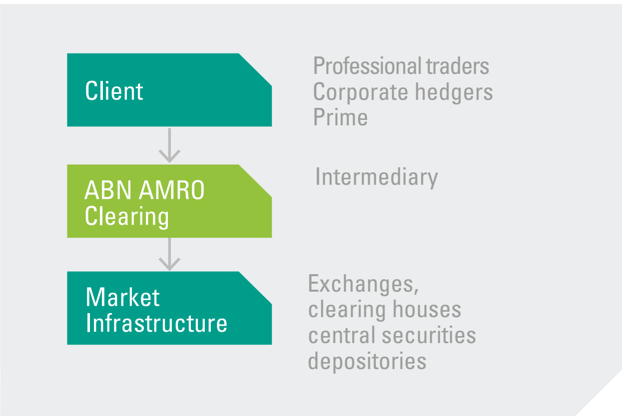
Our **business**

AACB is one of the world's largest general clearing members, providing execution, clearing, custody and financing services for listed derivatives, cash securities as well as 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

The need for stable and accessible markets is greater than ever. ABN AMRO Clearing helps make markets efficient. We support transparency and liquidity by providing financing, vital market infrastructure and services. We use our knowledge and expertise to facilitate safe and orderly financial ecosystems.



Banking as a Service (BaaS)

In 2018, BaaS went live as a new service. BaaS focuses on licensed retail brokers handling client deposits without a banking licence. Today, companies rely on Money Market Funds to create proper segregation of assets. For such companies AACB created a blockchain-powered retail cash administration that runs in sync with our clients' core systems. As such, retail clients also become part of AACB's client base.

Clients

AACB maintains a strong market position with the principal-trading-group segment. In recent years, we successfully extended our efforts to diversify our client portfolio with other segments, such as alternative-investment managers (prime) 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. The purpose of their market intervention is to keep price equilibrium between related instruments (securities, options, and futures), often based on high-volume algorithmic trading models. By closely following these clients and developing systems to satisfy their high-profile demands, AACB has established a strong reputation as a partner and reference service providers 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 2018, our specialist team managed to further benefit from market consolidation in the European power & gas markets.

Prime

Within our prime segment we cater to three different client groups with either execution, clearing, settlement and custody services or a mixture thereof:

1. European financial institutions use our global custody services and we offer futures and swap clearing services. More and more, we see regional banks, insurance companies and pension funds look for a combination of Interest rate swap (IRS) clearing and safekeeping due to liquidity needs arising from CCP margin calls.
2. Retail brokers across Europe use our global execution, clearing, settlement and custody services. When needed enhanced with stock, loan and financing services. For these companies we aim to be a one-stop shop allowing the retail brokers to focus on their core competences.
3. Alternative investment funds and hedge funds use our clearing and financing services or our Prime Broker services. Here we focus on those funds that create exposures to listed markets.

Amsterdam Investor Forum

Our landmark Amsterdam Investor Forum is a highly-successful annual event for alternative investors and managers, now in its 7th edition. On 6 and 7 March 2018, more than 250 delegates attended, benefitting from inspiring keynotes and topical industry-focused panel discussions.

AIF 2018

Our **regions**

Europe

AACB is headquartered in Amsterdam, the Netherlands. Our offices in Amsterdam (325 FTE), Paris (3 FTE), Frankfurt (22 FTE), London (95 FTE) and São Paulo (7 FTE) cover all relevant liquidity pools in the region. 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. In the second half of 2018, Robbert Booij took over as CEO Europe.

Key focus in 2018

Preparing for Brexit was a key priority in 2018. We actively engaged in dialogue with European regulators and government agencies to ensure the interests of our clients were well represented. We set up a subsidiary in London as part of our Brexit contingency planning. We further expanded our product offering with the introduction of new clearing capabilities for interest rate swaps. Additionally, we rolled out a new FX-spot clearing contract on the basis of an FX-principal model and started building our synthetics products. This expansion allows us to grow our presence in all three client segments. Volumes were in general slightly lower compared with 2017, although we had several strong months on the back of higher volatility.

We completed a reorganisation in our Amsterdam Operations and Accounting departments in June. The corresponding reduction in FTEs improved the efficiency ratio for the region. We further increased our automated processing capabilities by introducing new client reporting files, thereby reducing operational risk for our clients and ourselves. Additionally, we went through an Agile transformation combining our IT and global product management organisation into one delivery Grid, which has become effective 1 January 2019.

Engagement

Having an engaged workforce is key to providing optimal service to our clients. Overall engagement increased from 74% to 82% in 2018. Staff especially appreciates the inclusive environment as well as development opportunities. The annual Client Satisfaction Survey showed a 5.46 on a scale from 1-7. This is a strong and stable result compared to last year and we will make sure we follow up diligently on the identified improvement points.

Number of FTEs

Amsterdam	**325** FTE
Paris	**3** FTE
Frankfurt	**22** FTE
London	**95** FTE
São Paulo	**7** FTE

Client satisfaction
on a scale from 1 to 7

5,46

Employee
engagement (%)

82

Robbert Booij
Regional CEO Europe

Introduction
Governance
Business section
Risk management
Financial Statements
Other information

United States

Our US offices are located in Chicago (190 FTE) and New York (6 FTE).

Key focus in 2018

Business was very strong in the first quarter of 2018. It could be stated that some risk mitigating measures and regulations have an unintended consequence on the workings of the markets, while parties try to manage within boundaries. Business was very strong in the first quarter of the year followed by a very quiet second quarter and summer. Activities finally started picking up again at the end of the third quarter with significant volume in October as a result of developments in US trade talks, Brexit uncertainty and pressure on the Euro. There were no issues with any of our clients during the volatility spikes we have observed during the year.

Furthermore, we have been busy preparing for the final piece of system replacement in our efforts to harmonize across the globe. We have been working with clients lobbying for the implementation of SA-CCR for the LR-calculations. To cope with the impact of the LR under CEM, ABN AMRO Clearing Chicago and its US clients were initial participants with the Chicago Mercantile Exchange on a compression methodology to lower the CEM exposure of open derivative positions. A true cross-industry team effort.

Engagement

There are two results we very much focus on annually. The first is the Employee Engagement Survey which this year had a score of 87%, an increase of 2% compared to last year. The second is the Client Satisfaction Survey where we scored an average of 6,24 on a scale of 1-7. The client satisfaction score is a great result, a tribute to all the hardworking employees and a sign of our partnership with our clients. Our Social & Philanthropy Committee spends a lot of time on several different charities and we grant employees hours to work on a charity of their choosing.

Number of FTEs

Chicago	**190** FTE
New York	**6** FTE

Client satisfaction
on a scale from 1 to 7

6,24

Employee
engagement (%)

87

Andrej Bolkovic
Regional CEO US

Introduction
Governance
Business section
Risk management
Financial Statements
Other information

Asia-Pacific

AACB has four offices in the Asia-Pacific region, Hong Kong (20 FTE), Singapore (48 FTE), Sydney (51 FTE) and Tokyo (16 FTE). These offices cover their relevant home markets along with providing our clients access to other Asian markets including Taiwan, China and Korea. The ability of our clients to trade the European and North-American markets is facilitated via our global network.

Key focus in 2018

2018 provided our Asia-Pacific clients with significant trading opportunities, largely emanating from the market volatilities in the first and fourth quarters. Whilst it is always positive to see enhanced trading environments, it is also important to continue to grow our product and geographical reach.

In 2018, the Asia-Pacific region concentrated on diversifying our client base with a greater focus on clients from the Prime and Corporate Hedger sectors, along with opening up new trading opportunities originating in the Greater China region.

Engagement

The 2018 Client Satisfaction Survey saw a continued steady increase in our client satisfaction results. Whilst we are very pleased with the ongoing improvement, we will seek to constantly improve our client offering through increased automation, improved client service or as mentioned previously by remaining relevant to our clients through broadening our product range and geographical reach. The Employee engagement score remained consistently high, reflecting the positive workplace environment and the opportunities for employees to continue to use and develop their skill base.

Number of FTEs

Hong Kong	**20** FTE
Singapore	**48** FTE
Sydney	**51** FTE
Tokyo	**16** FTE

Client satisfaction
on a scale from 1 to 7

5,97

Employee
engagement (%)

82

Barry Parker
Regional CEO Asia Pacific

Regulatory environment

In 2018, global political and economic developments continued to affect financial markets as well as AACB and its clients. The primary regulatory developments were centred around capital requirements and the implementation of the Markets in Financial Instruments Directive/Regulation (MiFID II/MiFIR) which came into force on 3 January 2018. Furthermore, AACB focused on meeting multiple regulatory requirements and monitoring developments in regards to the General Data Protection Regulation (GDPR), the Benchmark Regulation, the Central Securities Depositories Regulation (CSDR) and the Securities Financing Transaction Regulation (SFTR).

Throughout 2018, 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. AACB is in constant dialogue with and actively involved in the proceedings of many market and industry groups.

With MiFID II/MiFIR and the Benchmark Regulation coming into force in January, the beginning of 2018 was dominated by meeting several regulatory requirements. In addition, the implications of capital requirements as part of the Basel III framework implemented in the European Economic Area as Capital Requirements Directive IV/Regulation (CRD IV/CRR), most notably, the impact of the leverage ratio for AACB and its clients, continued to be key focus in 2018.

Market and infrastructure reform

AACB has focused on establishing systems and controls in order to meet requirements as set under MiFID II/MiFIR. Even though 3 January 2018 is considered the key date for MiFID II/MiFIR, revision and changes were already announced:

1. MiFID II suitability assessment: new rules on environmental, social and governance preferences in light of the MiFID II suitability assessment were proposed in May;
2. Tick-size regime amendment: introduced to harmonise price increments in order to create a level playing field between third-country and European trading venues;
3. Amendments to the Systematic Internaliser (SI) regime: European Securities and Markets Authorities (ESMA) amended Regulatory Technical Standard (RTS) 1 in order to solve the lack of level playing field between SIs and trading venues.

The most significant reforms affecting financial markets after MiFID II/MiFIR are introduced under SFTR. This regulation creates a reporting framework for securities financing transactions and introduces transparency requirements for the reuse of collateral. The European Commission (EC) adopted the RTS with further implementing measures for SFTR at the end of 2018.

Progress was also made regarding the amendments to the European Market Infrastructure Regulation (EMIR).

Roeland van Heijst, Erkin Özdemir - Amsterdam office

The EMIR review proposals consists of two sections:

1. The Regulatory Fitness and Performance programme REFIT containing improvements in the existing reporting framework and the clearing obligation (EMIR REFIT);
2. The amendments relating to EU and third-country central counterparty (CCP) recognition and the supervisory powers of authorities involved in the authorisation of CCPs (EMIR 2.2).

The European Parliament, the EC and the European Council reviewed the EMIR REFIT proposal through triloque negotiations in July 2018. By the end of 2018, the final review was still pending without reaching an agreement. As for EMIR 2.2, EU member states reached a compromise triggering the triloque negotiations.

In Singapore, a wide range of changes were introduced under the Securities and Futures Act (SFA) and its underlying regulations. The SFA is the main legislation regulating the financial investments and capital markets sector in Singapore. Changes to the SFA include the streamlining of definitions of investment products and regulated activities and a refined classification of non-retail investors with the introduction of an opt-in/opt-out regime. Where applicable, AAC Singapore has notified its clients of the changes to the SFA and has also reviewed its activities taking into account the revised definitions.

Regulators in the United States (US), prioritised compliance and risks in critical market infrastructures for clearing agencies, national securities exchanges and transfer agents. In this context, the Financial Industry Regulatory Authority (FINRA) proposed rule amendments that would require member firms to notify FINRA within 48 hours after specified events that could signal and adverse change in liquidity risk. Overall, anti-money laundering, cybersecurity, privacy and technology governance continued to have high priority in the US.

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 2018.

The General Data Protection Regulation (GDPR) came into force in May 2018. The use of personal data and data privacy has raised concerns globally. GDPR is designed to harmonise data-privacy laws across Europe and has cross border impact. The regulation introduces new measures to protect all European Union (EU) citizens' data privacy worldwide. AACB has updated its policies and systems to reflect the rights given to data subjects within the GDPR.

The Securities & Futures Commission (SFC) of Hong Kong issued guidelines for reducing and mitigating hacking risks associated with Internet Trading which requires all licensed and registered persons engaged in internet trading to enhance their cybersecurity measures. In regards to the Securities and Futures (Financial Resources Rules (FRR)), the SFC has announced to implement proposed changes related to the relaxing of treatment for foreign currencies subject to exchange controls, clarifying the treatment for non-freely floating foreign currencies, introducing and updating haircut percentages for certain types of securities and investments and refining the treatments for amounts receivable arising from securities transactions.

In Japan, amendments to the Financial Instruments and Exchange Act came into effect. Under the new regulations, brokers are forbidden to accept any high frequency trading (HFT) orders from traders that are not registered. Exchanges will also have authority to investigate HFT investors directly for the purpose of fair trades and investor protection. As a result, AAC Tokyo required its clients to provide evidence in order to determine whether they fall within the scope of the new requirements for HFT traders or investors.

The Australian Securities and Investments Commission (ASIC) proposed a modified licensing regime for Foreign Financial Service Providers (FFSP) executing financial services business in Australia. ASIC has initiated a consultation phase and extended existing exemptions on which AACB can rely.

Capital requirements

One of the most significant sets of regulations applicable to AACB is the Basel framework, implemented in European legislation in the Capital Requirements Directive (CRD) and the Capital Requirements Regulation (CRR). Two sets of changes to this framework are relevant to AACB, namely Basel IV and the revision of CRD and CRR, referred to as CRD V/CRR II.

ABN AMRO continues to be heavily impacted by the LR 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. Both Basel IV and CRD V/CRR II will have an effect on the calculations of capital requirements of derivative positions, as well as on the calculations of the LR.

The European banking reform package consists of CRD V, CRR II, and the revision of the Bank Recovery and Resolution Directive (BRRD) and of the Single Resolution Mechanism Regulation (SRMR). It aims at enhancing the stability of the EU banking system by introducing new and revised rules on capital and orderly wind-downs for troubled banks. The legislative process for the European banking reform package seems to be in its final stages. At the end of 2018, the EP and EU member states agreed on the final outlines. The amendments to the CRD/CRR framework include 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 calculation methodology is aligned with measures advocated by AACB and its clients and gives a more realistic outcome of the LR for AACB.

Basel IV

Basel IV, also referred to as Basel 3.5, is the final Basel III reform package by the Basel Committee on Banking Supervision. The main elements of this package include:

I. Revisions to standardised risk-measurement approaches for calculating credit risk, market risk, credit-valuation adjustment and operational risk.
II. 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.
III. 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.
IV. A leverage ratio buffer to further limit the leverage of global systemically important banks.

Corporate **social responsibility**

AACB acknowledges the importance of working together towards a more sustainable social responsible market. In line with our purpose AACB actively seeks to boost the transparency and robustness of financial markets. Together with our clients, it is our responsibility to set standards as well as encourage and support sensible regulatory frameworks.

Client portfolio review

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 the sustainability screening for new clients in 2016, AACB has integrated sustainability into client due-diligence and on-boarding 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.

Sustainable Development Goals

In 2018, ABN AMRO started 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 SDGs, which represent a commitment to working with the UN through 2030, with specific industry knowledge and through active participation in round-table discussions.

Decent work and economic growth (SDG 8)

Companies that uphold labour standards across their operations and value chains face lower risk of reputational damage and legal liability. Instituting non-discriminatory practices and embracing diversity and inclusion will also lead to greater access to skilled, productive talent. AACB believes this to be valid for its own operations as well as its outsourcing partners.

Climate action (SDG 13)

Together with our partners in the industry, AACB is committed to reducing its global CO_2 footprint. In 2018, AACB agreed that it will have all its data centres operating CO_2 neutral by 2020 latest.

Partnerships for the goals (SDG 17)

By collaborating with stakeholders in the value chain, we take up our role in promoting sustainable capital markets. In 2018, AACB continued its engagement with the UN Sustainable Stock Exchange (SSE) initiative including participation in their Investor Working Group (IWG). As part of the latter, AACB continues to contribute to achieving SSEs goals by using its leverage. This all in the effort to increase transparency on environmental, social and governance performance in capital markets.

Additionally, AACB believes minimum standards on responsible sourcing of commodities are to be included in commodity-derivative contracts. AACB will use its industry knowledge and industry alliances to push this topic forward in 2019.

On 12 November 2018, a Memorandum of Understanding (MoU) was signed by Frontclear, the financial markets development company, and AACB. This MoU highlights our shared commitment to address clearing and settlement challenges in emerging and frontier markets in Africa, Asia and Latin America. AACB agreed to provide project and institutional review recommendations as well as knowledge and advisory services on the clearing and settlement infrastructure. Thus pledging support to Frontclear's research on innovations and developments in clearing and settlement structures and systems, including blockchain.

Charity initiatives

AACB encourages staff to free up time to organise, participate or contribute to charity initiatives in each of its regions:

Asia-Pacific:

Cambodia orphanage visit

1. **NHCC**, the orphanage in Cambodia that supports children with AIDS, fundraising for this charity included the “Tour-de-push up” and a Quiz night. Nine staff members from across the region volunteered for a three-day visit to the orphanage located just outside Phnom Penh. Volunteer activities included teaching English, planting fruit trees and painting classrooms and buildings.
2. **In-house Massage for a Good Cause** – supporting the visually impaired in Singapore by raising funds from colleagues who signed up for a 20-min massage.
3. **Office Bake Sale** in Sydney for the Australian Farmers Drought Relief.

US:

Letters to Santa

FIA Cares Corporate Challenge benefitting the Greater Chicago Food Depository 2018 Winner. Left to right: Maria Mancusi, Andrej Bolkovic, Jill Zimmerman, Paul Le Beau, Emily Attar, Lauren Arbid

1. **Wall Street Rides Far for Autism Research benefitting the Autism Science Foundation**. The Autism Science Foundation provides funding directly to scientists conducting cutting-edge autism research to discover the causes of autism and develop better treatments. ASF also provides information about autism to the general public and supports the needs of individuals with autism and their families.
2. **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.
3. **FIA Cares Fund Raiser for the Greater Chicago Food Depository**. AACC sponsored the annual FIA Cares charity dinner. In addition, through the generosity of its employees, AACC made a significant contribution to this effort to combat hunger in Chicago.

Europe:

ABN AMRO Foundation

1. **Job-application training** for 30 students and teachers of the Johan-Hinrich-Wichern school, a school for special-needs children in Frankfurt. A local photographer took their portraits for their job applications. AACB also supports the school with a monetary donation every year to help finance extra needs like musical instruments or trainings.
2. AACB employees in Amsterdam contribute to various charity initiatives offered by the ABN AMRO Foundation such as **Only Friends**, a sports club that gives young people with disabilities the chance to play over 20 sports and **Hermitage for children**; catering for youngsters to discover their artistic side.

Our **people**

In 2018, AACB built upon the 2017 people strategy to stay fit for the future. The organisation has partially changed into multidisciplinary teams in our goal to work in a more agile way. This to help create an environment in which innovation and co-creation are nurtured and we can deliver value faster.

Development

Our focus is on creating value for our clients. Therefore, AACB strives to create a culture in which employees are empowered and encouraged to do just that. We have a fair remuneration policy, and value continuous development of our staff. Either by training on the job, or by amongst others giving them challenging (global) projects, global assignments and training programmes.

In 2018, we organised a learning week, during which employees could participate in workshops on personal development. In addition, knowledge bites and panel discussions were held on innovation, performance, sustainability transition and more strategic topics.

Like in 2017, we organised a Global Acceleration Week, challenging employees from all three regions to work together on strategic topics and allowing them to work on their personal development and build a network.

In 2018, we continued our Global Graduates Programme and hired a group of 10 graduates from across the globe. They were offered a 12-month programme with training and rotations in various departments and locations in order to learn about our clients, markets and products.

Zain Alam, Kaling Wu, Charlotte Hülsenbeck - Amsterdam office

Employee engagement

Employees provide management with feedback annually in the Employee Engagement Survey. The results on different topics like talent & development, leadership and vision & direction help us to improve staff engagement. In 2018, AACB achieved a high engagement score of 83%, 3% higher compared to 2017. Managers received their teams' results and, as in previous years, were encouraged to discuss them with their teams and take the desired actions.

Leadership

To stay future proof we need to have leaders who can make the difference. We encourage our leaders to act as multipliers: to act in a way that employees are supported and challenged at the same time. We ask them to support their team members' development and thus encourage them to develop their own leadership skills.

In 2018, we offered a tailored leadership programme for regional management teams and workshops on performance management and being a 'multiplier'.

Diversity

AACB aspires to be an organisation in which employees 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. Like in 2017, in 2018 the Employee Engagement Survey showed us that our employees are positive about the inclusive environment at AACB.

"We continuously invest in attracting, retaining and developing talented, dedicated employees to stay a top player in our field."

Photo 1: From left to right: Franka van Ginkel, Maik Oud - Amsterdam office

Photo 3: From left to right: Sheldon Liew, Ryan Yap, Duane Mangahas, Marnick Maassen, Cathryn Huang, Edyta Kurak-McKenzie - Singapore office

Photo 2: From left to right: Marco Prent, Hüseyin Böler, Stela Munteanu - Amsterdam office

Photo 4: From left to right: Patrick Blok, Marc van der Meulen - Amsterdam office

Compliance

The Compliance team is an integral part of the broader ABN AMRO Compliance department. 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 bank, supporting the purpose: Banking for Better, for Generations to Come. The team also provides dedicated advice and regulatory support to AACB.

Initiatives 2018

Accelerating the Sustainability Shift

As ABN AMRO accelerates its transition to sustainable banking and AACB its contribution towards safer and more transparent markets, there is a unique opportunity for Compliance. Compliance is far from the tick-a-box exercise of years gone by. The current shift adds another dimension for Compliance and AACB – to view long-term value generation in a new environment of corporate ethics, social responsibility and moral positioning.

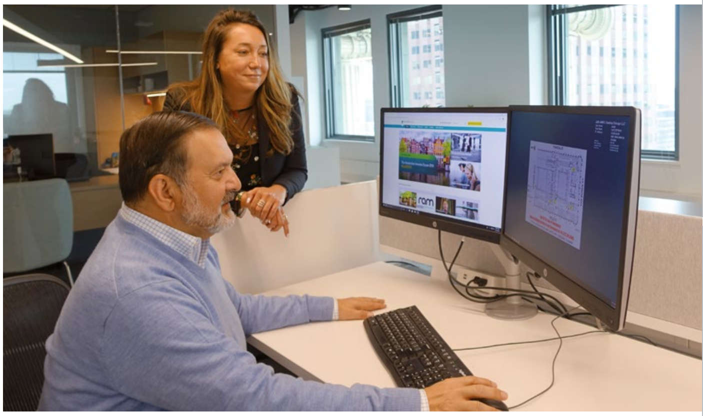
Global Code of Conduct: Act. Right. Now.

In November 2018, the new Global Code of Conduct (CoC) was introduced within ABN AMRO. The CoC addresses behaviour. In situations that require them to seriously think about what is right, the new CoC is effectively a manual. It inspires, guides, and enables employees to make the right decisions and to do the right thing.

Culture & Conduct Cafés

In the Autumn of 2018, three Culture & Conduct Cafés were hosted for employees in Amsterdam. Attending employees provided valuable input by sharing their views and experiences. Attendees were asked to comment on the outcome of an internal conduct survey and to share work-related dilemmas, as well as their own views on the current culture within AACB. The positive outcome of the survey for AACB was recognised as well as the importance of stimulating an open culture.

The overall aim of the sessions was to discuss and create understanding for one another's views in daily work. Based on the experiences and the importance of emphasising good cultural and ethical behaviour, the Global Management Team has commenced similar initiatives take place in other AACB offices.



Tony Orfanos, Jennifer Reed - Chicago office

Privacy officers

Entering into force on 25 May 2018, GDPR brought with it renewed attention on the privacy topic. Given the expanding importance of data protection, data quality and data value, these topics will continue to attract and increasing amount of attention, supported in key areas by Compliance and the privacy officers at AACB.

Muzammil Quadri, Isaac Reinemann - Chicago office

Monitoring

As for many other European financial institutions, monitoring the implementation of MiFID II into day-to-day activities was among the key focus areas for Compliance in 2018. Strong progress has been made in implementing appropriate controls to monitor compliance with MiFID II. Making MiFID II part of the everyday environment has proven both a challenging and beneficial journey.

Training

With new regulation comes a new need for education. Globally, employees had already completed mandatory training MiFID II, for 2018 it was GDPR. Together with such bespoke training, employees also participate in a new app-based training that requires them to review content and answer questions on a continuous basis throughout each month.

Whilst 2018 provided its challenges, 2019 looks set to continue the trend with a host of new regulatory developments demanding attention. This will be played out in an ever-changing and digitalizing environment, charged with innovations both internal and external, and requiring a continual upskilling of compliance expertise and understanding within the business. All at the same time as continuing to give tailored support to a highly sophisticated and fast-moving client base.

Risk management

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.

Risk appetite statement

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, the AACB Managing Board, the Audit, Risk & Compliance Committee and the Supervisory Board of AACB.

Risk governance

AACB falls under ABN AMRO's risk governance. As such, we follow the bank's three lines of defence 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.

Three Lines of Defence

1 1st line of Defence Business	2 2nd Line of Defence Risk control functions	3 3rd Line of Defence Group Audit
Risk ownership	**Risk control**	**Risk assurance**
Responsible for ▸ Risk taking and owning the risk ▸ Transaction execution ▸ Acting in accordance with policies ▸ Effectiveness of risk control	Responsible for ▸ Setting frameworks, rules and advice ▸ Approval of risk intake ▸ Monitoring, reporting, and risk control ▸ Ensuring 1st line takes risk ownership	Responsible for ▸ Evaluating the effectiveness of AACB governance, risk management and control processes

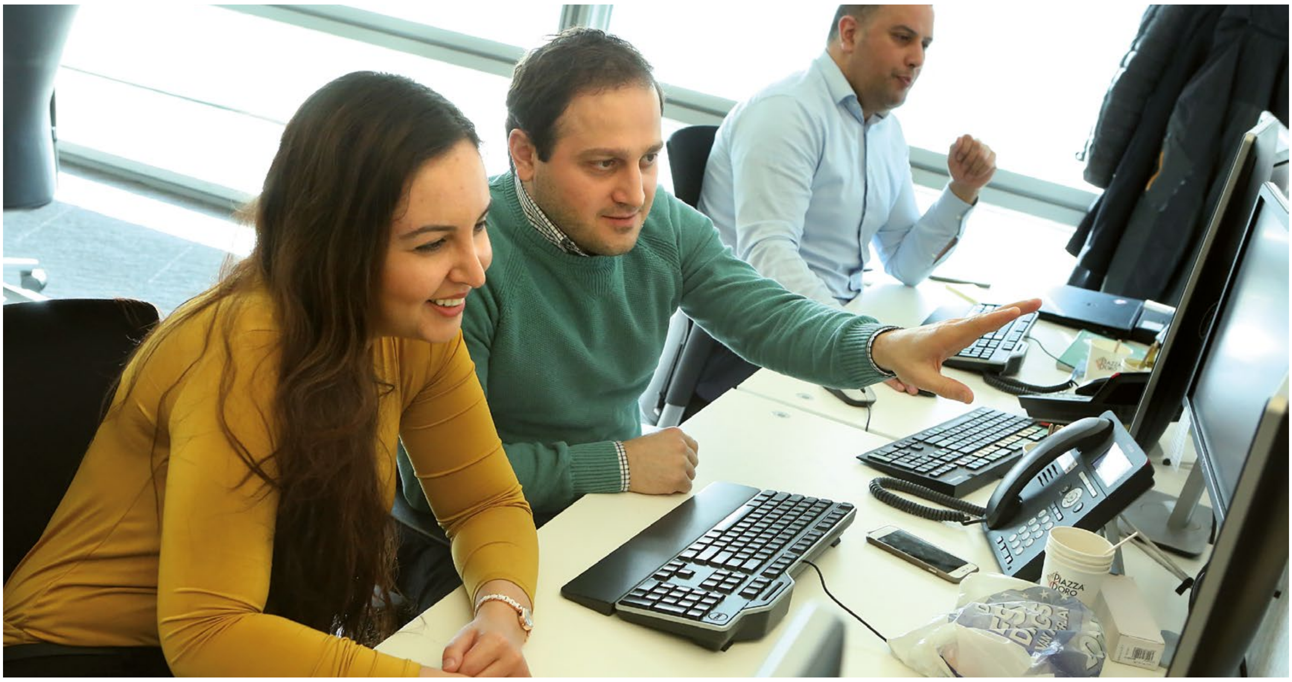
- **2nd Line of Defence - risk control functions**
  Risk Control is responsible for: setting frameworks, drafting rules, advice, monitoring, reporting on execution, management and risk control for AACB. The second line ensures that the first line takes the appropriate amount of risk ownership. It has 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) support 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 departments 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 client 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 to various CCPs, AACB contributes to CCP default funds. When own resources of another member of the CCP are insufficient in case of a default of that member, AACB's contribution to the Default Fund could be (partly) depleted in the default management process.



From left to right: Niloefar Gorden, Aleksander Hachijan, Belaziz Akrouni - Amsterdam office

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:

(x EUR billion)	2018	2017
Total outstanding client credit facilities	37,06	35,8
Total utilisation	14,07	13,6
Of which: total debit cash utilisation	5,12	6,63
Of which: total short stock utilisation	8,95	6,97

In 2018, AACB had no client default (2017: none) and therefore no default rate on overall outstanding credit lines of EUR 37,06 billion (2017: 35,8 billion). Included in the total unused client credit facilities are revocable credit lines amounting to EUR 22,6 billion (2017: EUR 21,8 billion) and irrevocable credit facilities amounting to EUR 0,4 billion (2017: 0,4 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 client assets were past due as per 31 December 2018.

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, AACB can enact exposure limits to protect its organisation and 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

From left to right: Karlos Monteiro, Adriana Lima, Nikolas Petruk - Brazil office

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 a 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 law and legislation and participant contingency arrangements. As a clearing member, AACB is part of the financial infrastructure that interconnects various market participants.

The financial infrastructure is regulated and intensively supervised by regulatory authorities. The 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 pre-paid 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 each of the remaining clearing members up to its prior default fund contribution. Alternatively, the clearing member can forfeit membership. To a large extent, CCP clearing ensures that monetary losses as a result of clearing-member default are covered. In 2018, for the first time in history, AACB was asked to top up its Default Fund contribution at Nasdaq Clearing AB for EUR 6,4 million, resulting in a loss in 2018 of EUR 4,4 million. Further recovery of the top up amount may be expected.

Internal rating scale mapped to external ratings

	UCR (internal rating)	Low PD%	High PD%	Poor's equivalent	Moody's equivalent	Fitch equivalent
Investment grade	UCR 1	0	0,03	AAA to A+	Aaa to Aa3	AAA to AA-
	UCR 2+	0,03	0,04	A+	A1	AA
	UCR 2	0,04	0,07	A	A1	A+
	UCR 2-	0,07	0,13	A-	A3	A
	UCR 3+	0,13	0,2	BBB+	Baa1	BBB+
	UCR 3	0,2	0,3	BBB	Baa2	BBB
	UCR 3-	0,3	0,46	BBB-	Baa3	BBB
Sub-investment grade	UCR 4+	0,46	0,77	BB+	Ba1	BB+
	UCR 4	0,77	1,28	BB	Ba2	BB
	UCR 4-	1,28	2,22	BB-	B1	BB
	UCR 5+	2,22	4,24	B+	B2	B
	UCR 5	4,24	8,49	B-	Caa1	B
	UCR 5-	8,49	16,97	CCC/C	Caa2	CCC/C
	UCR 6+	16,97	100	CCC/C	Caa-C	CCC/C
Default	UCR 6-8			D	D	D

From left to right: Ronald de Groot, Frans van den Hurk, Ian Marshall - Amsterdam office

Credit quality by internal rating scale mapped to stages

The following table presents the net carrying amount of loans and the contractual amount of undrawn loan commitments, classified by internal rating and risk stage. In order to classify a client as stage 2, several qualitative triggers are needed, which are not necessarily dependent on internal ratings. Reference is made to the credit risk management section for more information on internal ratings and stage determination.

(x EUR 1.000)

	Internal rating scale	PD scale	UCR range	Stage 1	Stage 2	Stage 3	Total
Loans and advances banks							
	Investment grade	0,0000 - < 0,0346	1	1.462.571			1.462.571
		0,0346 - < 0,1265	2	326.369			326.369
		0,1265 - < 0,4648	3	1.201			1.201
	Sub-investment grade	0,4648 - < 2,2249	4	17.077			17.077
		2,2249 - < 19,9706	5	0			0
		19,9706 - < 100	6+	0			0
	Default	100	6-8	0			0
Total Loans and advances banks				**1.807.218**	**-**	**-**	**1.807.218**
Corporate loans							
	Investment grade	0,0000 - < 0,0346	1	3.059.684	43		3.059.727
		0,0346 - < 0,1265	2	1.357.685			1.357.685
		0,1265 - < 0,4648	3	453.155			453.155
	Sub-investment grade	0,4648 - < 2,2249	4	618.580			618.580
		2,2249 - < 19,9706	5	917.713			917.713
		19,9706 - < 100	6+	844.325			844.325
	Default	100	6-8	0			0
Total Corporate loans				**7.251.142**	**43**	**-**	**7.251.185**
Other loans and advances							
	Investment grade	0,0000 - < 0,0346	1	5.561.534			5.561.534
		0,0346 - < 0,1265	2	0			0
		0,1265 - < 0,4648	3	0			0
	Sub-investment grade	0,4648 - < 2,2249	4	0			0
		2,2249 - < 19,9706	5	0			0
		19,9706 - < 100	6+	0			0
	Default	100	6-8	0		2.000	2.000
Total Other loans and advances				**5.561.534**	**-**	**2.000**	**5.563.534**
Loan commitments and financial guarantee contracts							
	Investment grade	0,0000 - < 0,0346	1	369.157			369.157
		0,0346 - < 0,1265	2	0			0
		0,1265 - < 0,4648	3	1.091			1.091
	Sub-investment grade	0,4648 - < 2,2249	4	0			0
		2,2249 - < 19,9706	5	0			0
		19,9706 - < 100	6+	0			0
	Default	100	6-8	0			0
Total Loan commitments and financial guarantee contracts				**370.248**	**-**	**-**	**370.248**
Total							
	Investment grade	0,0000 - < 0,0346	1	10.452.946	43		10.452.946
		0,0346 - < 0,1265	2	1.684.054			1.684.054
		0,1265 - < 0,4648	3	455.447			455.447
	Sub-investment grade	0,4648 - < 2,2249	4	635.657			635.657
		2,2249 - < 19,9706	5	917.713			917.713
		19,9706 - < 100	6+	844.325			844.325
	Default	100	6-8	0		2.000	2.000
Total				**14.992.185**	**43**	**2.000**	**14.992.185**

Audited

Offsetting, netting and collateral & guarantees

(x EUR 1.000) — 31 December 2018

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	50.596		50.596						50.596
Financial assets held for trading	34.429		34.429						34.429
Financial investments	384.725		384.725						384.725
Securities financing	6.363.318		6.363.318	65.768	5.581.383	5.647.151	245.348		961.515
Loans and advances banks	1.807.218		1.807.218	63.566	754.287	817.853	753.069		1.742.434*
Loans and advances customers	12.814.719		12.814.719	1.104.390	16.690.434	17.794.824	10.582.577		5.602.472*
Other	73.966		73.966						73.966
Total assets	**21.528.971**	**-**	**21.528.971**	**1.233.724**	**23.026.104**	**24.259.828**	**11.580.994**		**8.850.137**
Financial guarantees given	11.395								11.395
Committed credit facilities	356.290								356.290
Total	**21.896.595**								**9.217.761**

Liabilities	Carrying amount before balance sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement	Collateral	Total risk mitigation	Surplus collateral	Received guarantees	Net amount
Financial liabilities held for trading	18.702		18.702						18.702
Securities financing	1.156.300		1.156.300	14.447	454.893	454.893			686.960
Due to banks	8.720.941		8.720.941	63.566					8.657.375
Due to customers	10.104.364		10.104.364	1.155.711					8.948.653
Other	289.453		289.453						289.453
Total liabilities	**20.289.760**	**-**	**20.289.760**	**1.233.724**	**454.893**	**454.893**			**18.601.143**

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 CCPs and cash in own bank accounts.

(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 advances banks	1.447.203		1.447.203	252.517	1.648.488	1.901.005	1.648.251		1.194.449*
Loans and advances 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	**24.545.926**								**10.847.879**

Liabilities	Carrying amount before balance sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement	Collateral	Total risk mitigation	Surplus collateral	Received guarantees	Net amount
Financial liabilities held for trading	174.897		174.897						174.897
Securities financing	1.905.453		1.905.453	48.107	681.679	681.679			1.175.666
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**	**681.679**	**681.679**			**20.055.901**

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 CCPs and cash in own bank accounts.

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.

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

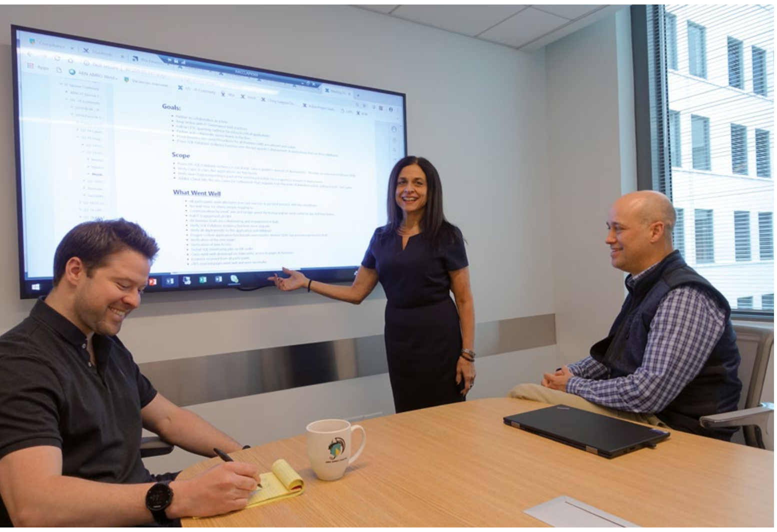
Michalis Michaelides, Pieter Kerkhof - Amsterdam office

- 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. Intraday liquidity requirements such as margin calls, due to new positions or price volatility, might create liquidity stress as these payments need to be fulfilled within a certain timeframe. Liquidity stress tests are performed regularly to ensure the effectiveness of the liquidity management framework and daily liquidity management procedures.



From left to right: Jim Matthews, Jan Guido, Jeff Arnold - Chicago office

The Managing Board meets on a monthly basis to discuss balance and liquidity management items. 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.

Audited Liquidity-sensitivity gap statement

(x EUR 1.000) — **31 December 2018**

	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	50.596						50.596
Financial assets held for trading	34.429						34.429
Financial investments	336.836	9.591	38.297				384.724
Securities financing assets	6.363.318						6.363.318
Loans and advances banks	1.807.218						1.807.218
Corporate loans at amortised cost	6.577.550	655.851	9.828	7.957			7.251.186
Other loans and advances	4.882.366		681.168				5.563.534
Other assets	70.315	942	2.709				73.966
Total assets	**20.122.628**	**666.384**	**732.002**	**7.957**			**21.528.971**
Financial liabilities held for trading	18.702						18.702
Securities financing liabilities	1.156.300						1.156.300
Due to banks	1.466.712	3.627.691	1.450.615	1.087.961	1.087.961		8.720.940
Due to customers	9.427.681	640.039	3.653	32.991			10.104.364
Issued debt						60 *	60
Other liabilities	282.740	3.053	3.600				289.393
Total liabilities	**12.352.135**	**4.270.783**	**1.457.868**	**1.120.952**	**1.087.961**	**60**	**20.289.759**
Net liquidity surplus/gap	**7.770.493**	**-3.604.399**	**-725.866**	**-1.112.995**	**-1.087.961**	**-60**	**1.239.212**

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

(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.

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 departments ensure constant compliance with regulations and liaise with regulators to protect AACB from regulatory risk. Furthermore, our dedicated Global Regulatory Affairs department 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 departments 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 departments 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 cyber risk.

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, embedded a full operational-risk-control framework exposed to operational risk arising from business processes and the Information and IT Security.

Introduction
Governance
Business section
Risk management
Financial Statements
Other information

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.

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.

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.

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. 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 close to zero. The foreign currency translation reserve presented in the statement of other comprehensive income relates to foreign currency translation exposure upon consolidation.

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.

Jane Downey, Michael Flaherty - Chicago office

Currently, a review by the home regulator is ongoing to assess the permission to use internal approaches pursuant to Article 101 of Directive 2013/36/EU for ABN AMRO Clearing Bank N.V.'s client portfolio (Asset Secured Lending Pillar I models). This may lead to a higher RWA and as a consequence lower capital ratios.

Capital indicators versus risk appetite

AACB has a set internal risk-appetite limit and checkpoint for CET1 and leverage 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.

(x EUR 1.000)	31 December 2018	31 December 2017
Capital		
IFRS capital	1.239.212	1.085.558
Composition of regulatory capital:		
- Common Equity Tier 1 (CET1)	1.192.953	1.047.160
- Other tier 1 capital	-	-
- Tier 2 capital	-	-
Total regulatory capital	**1.192.953**	**1.047.160**
Total Risk Exposure Amount (RWA)	2.777.180	3.073.410
CET 1 ratio	42,96%	34,07%
Basel I floor ratio	- *	9,72%
Fully loaded leverage ratio (CEM)	1,6%	1,2%
Fully loaded leverage ratio (SA-CCR)	5,2%	4,3%

* As of 1 January 2018, the Basel I floor is no longer applicable.

(x EUR 1.000)	31 December 2018	31 December 2017
Geographic breakdown RWA		
Europe	52%	52%
US	32%	31%
APAC	16%	17%
Total	**100%**	**100%**

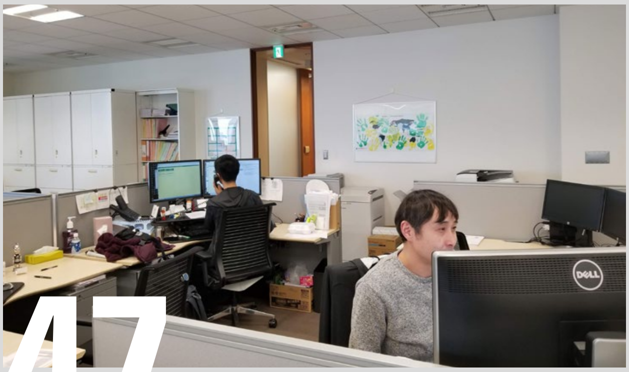
(x EUR 1.000)	31 December 2018	31 December 2017
RWA breakdown per counterparty		
Clients	38%	36%
Central counterparties (CCPs)	12%	20%
Other	49%*	44%*
Third party exposures	99%	100%
ABN AMRO Bank intra-group	1%	0%
Total	**100%**	**100%**

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

(x EUR 1.000)	31 December 2018	31 December 2017
Liquidity ratio's		
Liquidity Coverage Ratio (LCR)	>100%	>100%
Net Stable Funding Ratio (NSFR)	>100%	>100%

Annual Financial Statements

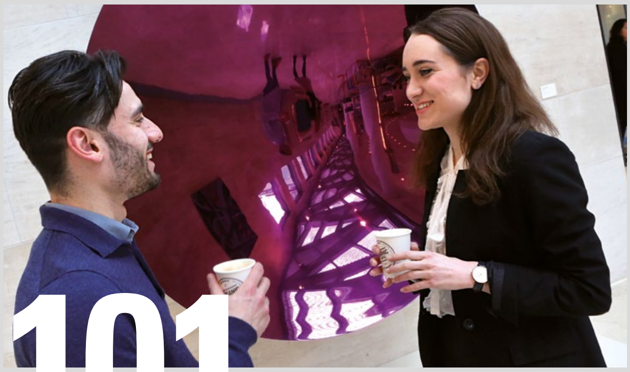
Consolidated Statements



Accounting policies

Notes

Company Financial Statements



Consolidated income statement

(x EUR 1.000)	Note	2018	2017
Income			
Interest income from financial instruments measured at amortised costs and fair value through other comprehensive income		476.784	357.562
Interest expenses		306.899	199.581
Net interest income	1	**169.885**	**157.981**
Fee and commission income		1.359.057	1.243.071
Fee and commission expenses		1.108.950	1.003.813
Net fee and commission income	2	**250.107**	**239.258**
Net trading income	3	-109	-426
Share of result in equity accounted investments	4	22	632
Other operating income	5	15.503	8.050
Operating income		**435.408**	**405.495**
Expenses			
Personnel expenses	6	114.397	123.722
General and administrative expenses	7	171.383	161.747
Depreciation and amortisation of (in)tangible assets	8	4.546	7.374
Operating expenses		**290.326**	**292.843**
Impairment charges on financial instruments	9	-4.386	-
Total expenses		**285.940**	**292.843**
Operating profit / (loss) before taxation		**149.468**	**112.652**
Income tax expense	10	30.539	33.380
Profit (loss) for the year		**118.929**	**79.272**
Attributable to:			
Owner of the company		118.929	79.272

Consolidated statement of comprehensive income

(x EUR 1.000)	Note	2018	2017
Profit for the period		**118.929**	**79.272**
Other comprehensive income:			
Items that will not be reclassified to the income statement			
Associates: Remeasurement gains/(losses) on defined benefit plans	30	-4	-
Joint ventures: Remeasurement gains/(losses) of financial instruments	30	-	91
Items that will not be reclassified to the income statement before taxation		**-4**	**91**
Income tax relating to items that will not be reclassified to the income statement	30	-1.917	-22
Items that will not be reclassified to the income statement after taxation		**-1.921**	**69**
Items that may be reclassified to the income statement			
(Un)realised gains/(losses) currency translation	30	35.951	-88.495
(Un)realised gains/(losses) available-for-sale / fair value through OCI	30	-11	2.686
Other comprehensive income for the period before taxation		**35.940**	**-85.809**
Income tax relating to items that may be reclassified to the income statement	30	-58	124
Other comprehensive income for the period after taxation		**35.882**	**-85.685**
Total comprehensive income/(expense) for the period after taxation		**152.890**	**-6.344**
Total comprehensive income attributable to:			
Owner of the company		**152.890**	**-6.344**

Consolidated statement of financial position

Before profit appropriation

(x EUR 1.000)	Note	2018	2017
Assets			
Cash and balances at central banks	11	50.596	380.063
Financial assets held for trading	12	34.429	221.987
Financial investments	13	384.725	390.321
Securities financing	15	6.363.318	4.226.433
Loans and advances banks	16	1.807.218	1.447.203
Corporate loans at amortised cost	17	7.251.185	11.687.434
Other loans and advances	17	5.563.534	5.726.306
Equity accounted investments	20	9.210	9.172
Property and equipment	21	9.348	11.032
Intangible assets	22	1.106	1.897
Tax assets	23	19.575	15.850
Other assets	24	34.727	25.193
Total assets		**21.528.971**	**24.142.891**
Liabilities			
Financial liabilities held for trading	12	18.702	174.897
Securities financing	15	1.156.300	1.905.453
Due to banks	25	8.720.941	11.310.647
Due to customers	26	10.104.364	9.458.517
Issued debt	27	60	60
Provisions	28	2.555	5.898
Tax liabilities	23	19.119	15.215
Other liabilities	29	267.718	186.646
Total liabilities		**20.289.759**	**23.057.333**
Equity			
Share capital		15.000	15.000
Share premium		55.363	55.363
Other reserves (incl. retained earnings/profit for the period)		1.128.704	998.472
Accumulated other comprehensive income		40.145	16.723
Equity attributable to owner of the company	**30**	**1.239.212**	**1.085.558**
Total Equity		**1.239.212**	**1.085.558**
Total Liabilities and Equity		**21.528.971**	**24.142.891**
Committed credit facilities	31	356.290	393.990
Commitments and contingent liabilities	31	13.958	10.824

Consolidated statement of changes in equity

(x EUR 1.000)

			Other reserves		Accumulated other comprehensive income (note 30)					
	Share capital	Share	Retained earnings	Unappropriated result of the year	Fair value reserve	Remeasurement of net DBO on post-employment plans	Net remeasurement of joint venture financial instruments	Currency translation reserve	Net investment hedging reserve	Total Equity
Balance at 1 January 2017 (IAS 39)	**15.000**	**5.363**	**850.461**	**67.668**	**7.604**	**-15**	**-**	**142.824**	**-48.073**	**1.040.831**
Total comprehensive income				79.272	2.632	1	68	-88.317		-6.344
Transfer			67.668	-67.668						-
Increase capital		50.000								50.000
Other			1.072							1.072
Balance at 31 December 2017 (IAS 39)	**15.000**	**55.363**	**919.201**	**79.272**	**10.235**	**-14**	**68**	**54.507**	**-48.073**	**1.085.558**
Impact of adopting IFRS 9			10.538	-158	-10.262		-68	-208		-158
Balance at 1 January 2018	**15.000**	**55.363**	**929.739**	**79.114**	**-27**	**-14**	**-**	**54.299**	**-48.073**	**1.085.400**
Total comprehensive income				118.929	-11	-5		35.893	-1.917	152.890
Transfer			79.114	-79.114						-
Increase capital										-
Other			922							922
Balance as at 31 December 2018	**15.000**	**55.363**	**1.009.775**	**118.929**	**-38**	**-19**	**-**	**90.192**	**-49.990**	**1.239.212**

Consolidated statement of cash flows

(x EUR 1.000)	Note	2018	2017
Profit after taxation		**118.929**	**79.272**
Adjustments on non-cash items included in profit:			
Net (un)realised gains/losses		-9.818	1.991
Income of equity associates and partnerships	4	-22	-632
Depreciation, amortisation of (in)tangible assets	8	4.546	7.374
Provisions and impairments		-5.150	6.818
Income tax expenses	10	30.539	33.380
Changes in operating assets and liabilities:			
Loans and advances banks		-627.376	1.327.331
Corporate loans		4.575.622	-3.824.723
Other loans and advances		236.995	-1.057.335
Financial instruments held for trading and securities transactions		-2.219.548	565.207
Due to banks		-2.595.903	1.337.069
Due to customers		525.827	1.280.708
Net changes in all other operational assets and liabilities		-634.196	522.654
Income taxes paid		-35.017	-36.586
Cash flow from operating activities		**-634.572**	**242.528**
Investing activities:			
Purchases of financial investments	13	-6	-248.436
Proceeds from sales, maturities and redemptions	13	29.378	340.407
Proceeds from sales of associates and partnerships	19	-	12.531
Dividend from financial investments	13	2.140	5.158
Purchases of property and equipment	21	-1.217	-9.855
Purchases of other (in)tangible assets	22	-58	-15
Cash flow from investing activities		**30.237**	**94.632**
Financing activities:			
Issuance of debt certificates	34	-	60
Payment of debt certificates	34	-	-325
Proceeds from capital contributions		-	50.000
Cash flow from financing activities		**-**	**49.735**
Net increase (decrease) of cash and cash equivalents		**-604.335**	**386.895**
Cash and cash equivalents as at 1 January		**1.774.916**	**1.436.715**
Effect of exchange rate variance on cash and cash equivalents		7.430	-48.694
Cash and cash equivalents as at 31 December	34	**1.178.011**	**1.774.916**
Supplementary disclosures of operating cash flow information			
Interest income received		472.482	344.699
Interest expense paid		-316.081	-193.898

The cash position decreased with EUR 597 milllion and includes EUR 7.4 million related to foreign currency translation differences. The non-cash activities were mostly impacted by movements in the fair value reserves, depreciation and amortization and provisions. The operating activities fluctuated as a result of changes in corporate loans, securities financing and due to banks. The variance in the investing activities was mostly attributable to proceeds form sales, maturities and redemptions of financial investments.

The supplementary disclosure contains interest income or interest expense which is actually received or paid in cash, excluding accruals.

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 Annual Financial Statements of ABN AMRO Group N.V. (ABN AMRO Group).

The Consolidated Annual Financial Statements were prepared by the Managing Board and authorised for issue by the Supervisory Board and Managing Board on 24 May 2019.

For the purpose of its consolidated subsidiaries ABN AMRO Group has issued notices of liability. Based on this, ABN AMRO Group 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 a historical cost basis, except for derivative financial instruments, financial assets and liabilities held for trading or designated as measured at fair value through profit or loss, financial instruments not held in a hold to collect business model, debt instruments that do not meet the solely payments of principal and interest (SPPI) test, and equity investments in associates of a private equity nature, all of which are measured at fair value. Associates and joint ventures are accounted for using the equity method.

The Consolidated Annual Financial Statements are prepared under the going concern assumption. The Consolidated 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

To combine disclosures where possible and to reduce duplication, we have integrated some IFRS disclosures into our Risk Management paragraph. These are:

- IFRS 7 Risk disclosures of financial instruments.
- IAS 1 Presentation of financial statements

Certain of the disclosures in the Risk Management section on pages 34 to 45 are labelled as 'audited'. These disclosures are an integral part of the Consolidated Annual Financial Statements and are covered by the Audit opinion.

Introduction
Governance
Business section
Risk management
Financial Statements
Other information

Changed presentation of loans and advances customers

AACB considered regulatory guidance and market practices for the presentation of loans and advances customers (refer to note 17). As a result, it was concluded that a change in presentation would be appropriate as this would better align with the level of regulatory reporting of financial assets and provide more relevant information about the effect of these financial assets on our financial position and performance.

The change in presentation did not impact measurement of these line items, retained earnings or the result for any period. Comparative figures have been adjusted accordingly. As a result, the following definitions apply to the new classification of loans and advances customers:

- Corporate loans include amounts related to client current accounts and term loans.
- Other loans and advances consists mostly of amounts related to margin and default fund contributions deposited at CCPs.

Applying the previously used presentation the loans and advances customers amounted to EUR 17,4 billion per 31 December 2017. As per 1 January 2018 applying the new presentation the corporate loans amounted to EUR 11,7 billion and other loans and advances to EUR 5,7 billion.

Changes in accounting policies

During 2018 AACB adopted the following amendments to IFRS:

IFRS 9 Financial Instruments

As from 1 January 2018, AACB has adopted IFRS 9 "Financial Instruments". IFRS 9 was issued by the IASB in July 2014 and endorsed by the EU in November 2016. AACB has applied the principles of IFRS 9 retrospectively from 1 January 2018 onwards. Prior years have not been restated in line with the transitional provisions of the standard. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" and includes requirements for the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting.

IFRS 9 has an impact on the financial statements of AACB in two areas: classification and measurement of financial assets and liabilities and impairment of financial assets. Refer to the IFRS 9 transition disclosures in this note for the transitional impact of IFRS 9.

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.

Financial assets are classified based on the business model in which they are held. The business model is determined at a portfolio level. Portfolios are based on how AACB as a group manages financial assets in order to achieve a particular business objective. The business model assessment is based on the level of sales, risk management, performance evaluation, and management compensation. Derecognition is used as condition in order to determine whether a transaction results in a sale.

Three business models are distinguished:

- A 'hold to collect' business model, in which cash flows are primarily generated by collecting contractual cash flow until maturity of the financial instrument. Sales can occur, as long as they are incidental, infrequent and insignificant. The assessment of frequency and significance of sales is determined based on comparison with sales in the underlying portfolio. Sales that result from increases in credit risk of the counterparty or take place close to maturity do not contradict the 'hold to collect' business model.
- A 'hold to collect and sell' business model, in which the selling of financial assets is integral to achieving the business objective. In this business model, sales take place more frequently and have a greater value than in a business model with an objective to hold to collect.

Left to right: Simon Chan, Rina Ku, Peter Mok - Hong Kong office.

- 'Other' business models not meeting the criteria of the business models mentioned before, for example business models in which financial assets are managed with the objective of realising cash flows through sales (trading book) are managed on a fair value basis. Under these business models, the financial assets are measured at FVTPL.

After determining the business model, the contractual cash flows of financial assets have to be assessed. Debt instruments can only be classified at amortised cost or FVOCI when the contractual cash flows are SPPI compliant. Contractual cash flows that are SPPI are consistent with a basic lending arrangement in which consideration for the time value of money and credit risk are typically the most significant interest elements. Debt instruments that do not meet the SPPI requirements are mandatorily measured at FVTPL. Financial assets are assessed in their entirety, including any embedded derivatives.

As part of the transition to IFRS 9, AACB has performed an analysis of the business models and contractual cash flows of all financial assets.

AACB has chosen not to elect the FVOCI option for equity securities and therefore measures these instruments at FVTPL under IFRS 9, whereas the equity instruments were classified as AFS under IAS 39.
The fair value reserve presented separately in equity includes the gains and losses, net of tax, resulting from a change in the fair value of debt instruments measured at FVOCI. When the instruments are sold or otherwise disposed of, the related cumulative gain or loss recognised in equity is recycled to the income statement.

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

Measurement of financial instruments

- Amortised cost - Financial instruments measured at amortised cost are debt instruments within a hold to collect business model with fixed or determinable payments which meet the SPPI criteria. These instruments 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. This category includes financial instruments reported in Cash and balances at central banks, Securities financing and Loans and advances. Financial instruments at amortised cost are presented net of credit loss allowances in the statement of financial position.
- FVTPL - Financial instruments measured at FVTPL include instruments held for trading, derivatives, equity instruments for which the FVOCI option has not been elected and instruments whose cash flows do not meet the SPPI requirements. Changes in the fair value of these instruments are directly recognised in the income statement. FVTPL instruments are reported in Financial assets held for trading and Financial investments.
- FVOCI - Financial instruments measured at FVOCI are debt instruments which are held in a hold to collect and sell business model and which meet the SPPI criteria. They are initially measured at fair value, with subsequent unrealised changes recognised in other comprehensive income. Equity instruments for which the fair value option is elected are also measured at FVOCI. FVOCI instruments are reported in Financial investments, of which the majority is measured in this category.

Derecognition and modification

Financial assets are derecognised when AACB loses control and the ability to obtain benefits from the contractual rights that comprise that asset. This occurs when the rights are realised, expire or substantially all risks and rewards are transferred. Financial assets are also derecognised if 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, rewards 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.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified (for example in forbearance measures) AACB analyses in both qualitative and quantitative terms whether the modification should be accounted for as derecognition. Generally a 10% difference in the present value of the cash flows is accounted for as derecognition. Qualitative terms such as changes in the repayment schedule, counterparty or currency could also result in derecognition. Derecognition is accounted for as an expiration of the financial asset and recognition of a new financial asset. The difference between the former carrying amount and the carrying amount of the new financial asset is recognised in the income statement.
If the modification does not result in derecognition of that financial asset, AACB will recalculate the gross carrying amount of the financial asset based on the present value of the renegotiated or modified contractual cash flows, discounted at the financial asset's original effective interest rate. The effect will be recognised and disclosed as a modification loss in the income statement.
Financial liabilities are derecognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms, qualitatively and quantitatively (a 10% difference in the present value of the cash flows) is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the former amortised cost and the consideration paid is recognised in the income statement. Any subsequent resale is treated as a new issuance.

Impairments

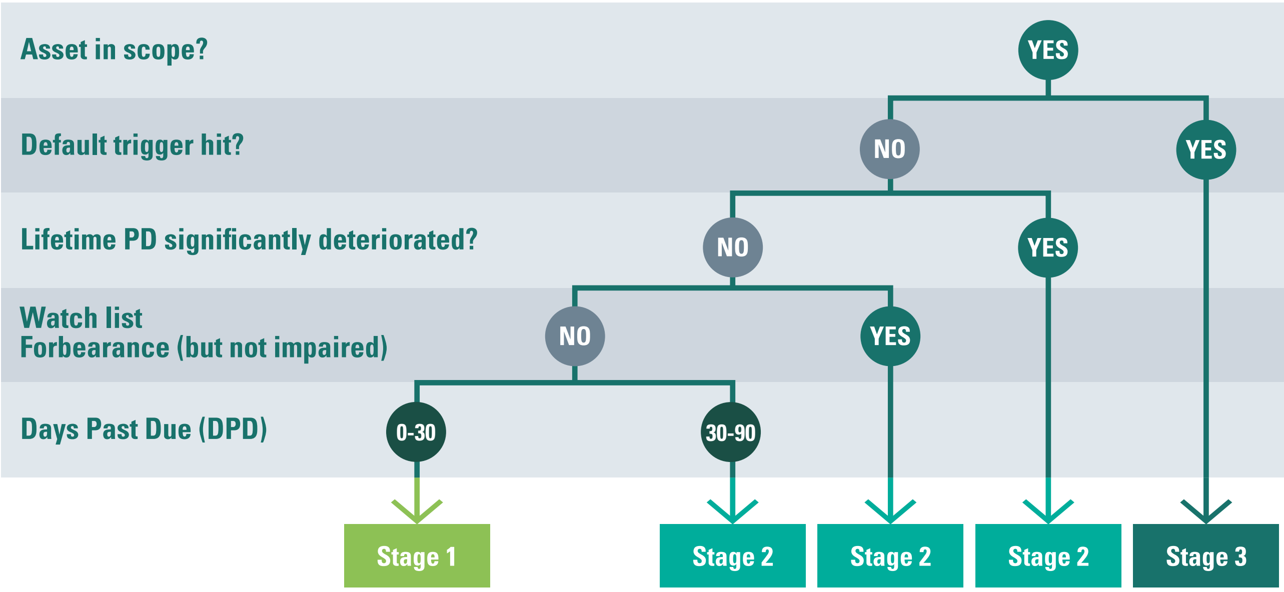
IFRS 9 replaced the incurred loss model with the expected credit loss model (ECL), which is designed to be forward-looking. The IFRS 9 impairment requirements are applicable to financial assets measured at amortised cost or FVOCI. Additionally the scope of IFRS 9 is broader than under IAS 39 as loan commitments and financial guarantee contracts are also included. These financial instruments are divided into three groups, depending on the stage of credit quality deterioration:

- Financial instruments without a significant increase in credit risk (stage 1): the portion of the lifetime expected credit losses associated with default events occurring in the next twelve months (12M ECL) is recognised. Interest income is recognised based on the gross carrying amount;
- Financial instruments with significantly increased credit risk (stage 2): lifetime expected credit loss (LECL) is recognised. Interest income is recognised based on the gross carrying amount;
- Credit-impaired financial instruments (stage 3): these financial instruments are defaulted and consequently a LECL is recognised. Interest income is recognised based on the amortised cost.

AACB has chosen to apply the same default definition under IFRS 9 as it has always used for credit risk management purposes. A default is considered to have occurred when one of the default triggers (e.g. unlikely to pay, involuntary restructuring, bankruptcy or fraud) is hit.

When a financial instrument meets one of the following qualitative trigger, the bank transfers the instrument to stage 2:

- Watch status of a borrower. AACB assigns the watch status to individual counterparties with an increased risk. This process allows for intensive monitoring, early detection of deterioration in the credit portfolio and appropriate follow-up measures.
- Forborne status of a borrower.
- More than 30 days past due.



The amount of expected credit loss allowances is based on the probability-weighted present value of all expected cash shortfalls over the remaining life of the financial instrument for both on and off balance sheet exposures. AACB makes a distinction between two types of calculation methods for credit loss allowances:

Individual LECL for credit-impaired (stage 3) financial instruments. If significant doubts arise regarding a client's ability to meet its contractual obligations and/or one of the default triggers is met. And;

12M ECL and LECL for (stage 1, 2 and 3) financial instruments are individually assessed for impairment losses. AACB has introduced new models to quantify the Probability of Loss (PL), Loss Given Loss (LGL) and Exposure at Loss (EAL) for calculating the individual 12M ECL and LECL for these financial assets. The stage is determined per individual financial instrument. Due to the short term and nature of the exposures and the collateralized business model, a credit loss allowance is only calculated on the exposure related to nostro accounts and debt securities at fair value through OCI and the 12M ECL and LECL are assumed to be equal.

Lifetime expected credit loss

ABN AMRO defines the lifetime of credit as the maximum contractual period over which the bank is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice.

Write-off

When a loan is deemed no longer collectible, it is written off against the related loan loss allowance, specifically if:
- the likelihood of debt repayment falls below a certain point (e.g. in the event of bankruptcy or a cash flow shortfall); or

Change in credit quality since initial recognition

	Stage 1	Stage 2	Stage 3
	Performing (Initial recognition)	**Credit risk deteriorated** (Assets with significant increase in credit risk since initial recognition)	**Default = Impaired** (Credit impaired assets)
Recognition of ECL	12 month ECL	Lifetime ECL	Lifetime ECL
Interest revenue	Effective interest on gross carrying amount	Effective interest on gross carrying amount	Effective interest on amortised cost (gross carrying amount less loss allowance)

- the financial asset reaches a certain stage of delinquency (e.g. if agreed terms are no longer complied with or the borrower has left AACB).

Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment charges on loans and advances in the income statement.

Forward-looking information

Three different scenarios of future economic developments are incorporated into the IFRS 9 expected credit loss calculation and risk stage determination in a probability weighted manner (at 31 December 2018: baseline 60%, up 15%, down 25%). These scenarios are developed by ABN AMRO Group Economics at least every quarter and reviewed at each reporting date. The 28 macroeconomic variables (including GDP, unemployment rate, housing price index, oil price and Euribor 3M) are forecasted by ABN AMRO Group Economics and used for the expected credit loss calculation and selected for each specific portfolio separately. The variables we use are based on statistical relevance and expert judgement. ABN AMRO has aligned its forward-looking scenarios with those used in the budgeting process. Specific forecasts of macroeconomic variables are made for two to three years, while subsequent periods gradually align to the long-term average.

Transition to IFRS 9

This section provides insight of the impact on the consolidated statement of financial position at transition date, 1 January 2018, resulting from the transition to IFRS 9. The impact is the result of specific changes following from new classification and measurement requirements, combined with an increase in the allowances for expected credit losses following from the new impairment requirements.

		IAS 39		IFRS 9			
		31 December 2017		Reclassifications		1 January 2018	
(x EUR 1.000)	Ref	Measurement Category	Carrying Amount	From AFS to FVTPL	ECL	Carrying Amount	Measurement Category
Cash and balances at central banks		L&R	380.063			380.063	AC
Financial Assets held for trading		FVTPL	221.987			221.987	FVTPL
Financial Investments (FVTPL)	1	FVTPL		194.446		194.446	FVTPL
Financial Investments (AFS)	1	AFS	390.321	-194.446		195.875	FVOCI
Securities financing		L&R	4.226.433			4.226.433	AC
Loans and advances - banks	2	L&R	1.447.203		-208	1.446.995	AC
Loans and advances - customers		L&R	17.413.740			17.413.740	AC
Tax assets	3	AC	15.850		50	15.900	AC
Other assets		L&R	25.193			25.193	AC
Total assets			**24.120.790**	**0**	**-158**	**24.120.632**	
Share Capital			15.000			15.000	
Share Premium			55.363			55.363	
Other reserves (incl. retained earnings/ profit for the period)	1-3		998.472	10.538	-158	1.008.852	
Accumulated other comprehensive income	1		16.723	-10.538		6.185	
Total equity			**1.085.558**	**0**	**-158**	**1.085.400**	

1. AACB has chosen not to elect the FVOCI option under IFRS 9 for all equity securities. As a result, an amount of 194 million has been reclassified from AFS under IAS 39 to FVTPL under IFRS 9. In addition, the cumulative AFS reserve of EUR 10.5 million (net of tax) relating to these equity securities reclassified to FVTPL has been transferred to retained earnings.
2. The IFRS 9 impairment requirements resulted in ECL remeasurement of total assets by 208 thousand.
3. The tax effect of the remeasurement of the ECL is EUR 50 thousand.
4. There was no change to the liability and off balance sheet positions of AACB as a result of the transition to IFRS 9.

Introduction
Governance
Business section
Risk management
Financial Statements
Other information

IFRS 15 Revenue from Contracts with Customers

The IFRS 15 standard became effective for annual periods beginning on or after 1 January 2018. It establishes a comprehensive five-step framework for determining the nature, amount, timing and uncertainty of revenue from contracts with customers.

After contracts and their performance obligations have been identified, revenue is recognised as an amount that reflects the consideration to which the bank expects to be entitled in exchange for transferring promised goods or services to customers. The transaction price is allocated to each performance obligation. Revenue is recognised when a promised good or service is transferred to the customer, either at a point in time or over time. AACB elected to apply the modified retrospective approach in the transition to the new standard and uses practical expedients where applicable. The standard introduced enhanced disclosures on fee and commission income, and had no further impact on AACB's financial statements and comparative figures.

IFRS 2 Share-based Payment

In June 2016, the IASB issued amendments to IFRS 2 "Share-based Payments": Classification and Measurement of Share-based Payment Transactions. The issuance consists of three amendments that clarify how to account for certain types of share-based payment transactions. As AACB does not have any IFRS 2 share-based payment plans at the end of 2018, this amendment does not impact 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, became effective on 1 January 2018. Neither amendment had an impact on the AACB financial statements.

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 amendments are required to be applied from 1 January 2019 or a later date. Note that only the new IFRS standards that are relevant for AACB are discussed below.

New standards

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.

The main impact of IFRS 16 on AACB's financial statements is expected to arise from leases of office buildings which the bank leases for its own use as lessee. AACB has elected to apply the modified retrospective approach in the transition to the new standard and will use several of the practical expedients. The transition to IFRS 16 is estimated to result in an increase in assets and liabilities of approximately EUR 15 million. The expected impact on equity is not significant. Additional disclosures regarding both the lessor and lessee lease portfolios will be included in the 2019 financial statements.

Amendments

IFRS 9 Financial instruments

The IASB issued amendments to IFRS 9, Prepayment Features with Negative Compensation, which allow instruments with symmetric prepayment options to be measured at amortised cost or at fair value through other comprehensive income. As AACB currently does not have any financial instruments with these features, these amendments do not have an impact.

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

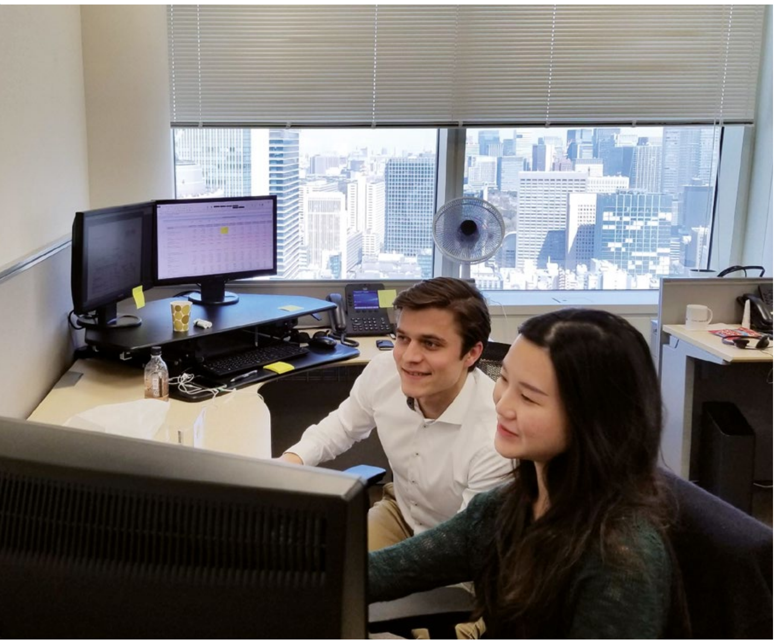
In October 2017, the IASB issued amendments to IAS 28 that will become effective on 1 January 2019. The amendments state that IFRS 9 should be applied to long-term interests in an associate or joint venture to which the equity method is not applied. Based on our initial analysis, no impact on AACB is expected.

Annual Improvements 2015-2017 Cycle

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 assessed to be insignificant.

IFRS 3 Business Combinations

In October 2018, the IASB issued amendments to IFRS 3 Business Combinations. The amendments resolve difficulties in determining whether an entity has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after 1 January 2020. AACB is currently assessing the impact of the amendments.



Jake van Baarsel, Beatrice Ho - Tokyo office

Definition of Material (IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting policies, Changes in Accounting Estimates and Errors. The amendments revise the definition of material and align the definition across other IFRS publications. AACB is currently assessing the impact of the amendments.

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 Annual 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
ABN AMRO Clearing Bank London Ltd	100%	2018	2018	London	United Kingdom

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 Annual 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 Annual 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 ABN AMRO Group loses control, joint control or significant influence over the foreign operation.

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

	Rates at year end		Average rates	
	2018	2017	2018	2017
1 Euro =				
Pound Sterling	0,90	0,89	0,88	0,88
Singapore Dollar	1,56	1,61	1,59	1,56
Japanese Yen	126,14	135,23	130,36	126,65
Hong Kong Dollar	8,98	9,39	9,26	8,80
Australian Dollar	1,62	1,54	1,58	1,47
US Dollar	1,15	1,20	1,18	1,13

Financial assets and liabilities

Classification and measurement of financial assets (applicable from 1 january 2018)

Under IFRS 9 AACB classifies financial assets based on the business model in which they are held. The business models and measurement categories are further disclosed under '*Changes in Accounting Policies*'.

Reclassifications of financial assets are expected to be very infrequent and only occur when AACB changes its business model for a certain portfolio of financial assets. No reclassifications occurred during the reporting period.

Classification and measurement of financial assets (applicable before 1 January 2018)

Before 1 January 2018 financial assets were classified based on the criteria in IAS 39 as assets held for trading, financial investments, or loans and receivables. Their measurement and income recognition depended on the classification of the financial assets. The following four groups were identified:

- Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They generally arose when money or services were directly provided to a client with no intention of trading or selling the loan. They were 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 were non-derivative financial assets that consisted 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 was demonstrated. They were 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;
- Financial assets at fair value through profit or loss included:
  - financial assets held for trading;
  - financial assets that AACB irrevocably designated at initial recognition to be held at fair value through profit or loss when the instruments were held to reduce an accounting mismatch, were managed on the basis of their fair value or included terms that had, by nature, substantive derivative characteristics;
- Available-for-sale financial assets were those assets that were otherwise not classified as loans and receivables, held-to-maturity investments, financial assets designated at fair value through profit or loss or financial assets held for trading. They were initially measured at fair value, with subsequent changes recognised in other comprehensive income.

If AACB reclassified a financial asset from held for trading, the financial asset was reclassified at its fair value and this fair value became the new amortised cost. On the same date, a new effective interest was calculated.

Classification of assets and liabilities held for trading

In both the current and prior reporting period 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).

Classification and measurement of financial liabilities

Financial liabilities are initially recognised at their fair value. Under both IFRS 9 and IAS 39, financial liabilities are classified as subsequently measured at amortised cost, except for the following instruments:

- Financial liabilities held for trading are measured at fair value through profit or loss;
- 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 their fair value or include terms that have derivative characteristics in nature.

Under IFRS 9 the changes in fair value attributable to changes in the credit risk of financial liabilities designated at FVTPL are presented in other comprehensive income. The cumulative amount of changes in fair value attributable to credit risk of such liabilities is presented as liability own credit risk reserve in equity.

Applying IFRS 9, financial liabilities are never reclassified after initial recognition.

Recognition and derecognition

Under both IFRS 9 and IAS 39 traded instruments are recognised on the trade date, defined as the date on which AACB commits to purchase or sell the underlying instrument. If the settlement terms are non-standard, the commitment is accounted for as a derivative between the trade and settlement dates. Loans and advances 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 when AACB becomes a party to the contractual provisions of the asset or liability.
Derecognition of financial assets and financial liabilities is further disclosed under 'Changes in Accounting Policies'.

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 ETDs 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.

Levies and other regulatory charges

AACB recognises a liability arising from levies and similar charges when it becomes legally enforceable (i.e. when the obligating event arises).

Overview of financial assets and liabilities by measurement base

(x EUR 1.000)					31 December 2018
	Amortised cost	Fair value through profit or loss - trading	Fair value through profit or loss - other	Fair value through other comprehensive income	Total
Financial Assets					
Cash and balances at central banks	50.596				50.596
Financial assets held for trading		34.429			34.429
Financial investments			211.662	173.063	384.725
Securities financing	6.363.318				6.363.318
Loans and advances banks	1.807.218				1.807.218
Corporate loans at amortised cost	7.251.185				7.251.185
Other loans and advances	5.563.534				5.563.534
Total financial assets	**21.035.851**	**34.429**	**211.662**	**173.063**	**21.455.005**
Financial Liabilities					
Financial liabilities held for trading		18.702			18.702
Securities financing	1.156.300				1.156.300
Due to banks	8.720.941				8.720.941
Due to customers	10.104.364				10.104.364
Issued debt	60				60
Total financial liabilities	**19.981.665**	**18.702**			**20.000.367**

(x EUR 1.000)					31 December 2017
	Amortised cost	Fair value through profit or loss - trading	Fair value through profit or loss - other	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 advances banks	1.447.203				1.447.203
Corporate loans at amortised cost	11.687.434				11.687.434
Other loans and advances	5.726.306				5.726.306
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**

Notes

Notes to the consolidated income statement

1. Net interest income and interest expense

Accounting policy for net interest income and interest expense

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 measured at fair value through profit or loss. Interest paid on assets with a negative interest yield is classified as interest expense. Interest received from liabilities with a negative interest yield is classified as interest income.

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)	2018	2017
Interest Income		
Of the interest income items the following amounts were related to:		
Interest income from ABN AMRO Group companies	26.495	24.239
Interest income from third party customers/banks	450.289	333.323
Total interest income	**476.784**	**357.562**

The interest income of 2018 includes an amount of EUR 948 thousand (2017: EUR 560 thousand) concerning financial instruments that are at fair value through other comprehensive income. The remaining EUR 475.836 thousand (2017: EUR 357.002 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)	2018	2017
Interest Expense		
Of the interest expense items the following amounts were related to:		
Interest expense to ABN AMRO Group companies	141.535	85.716
Interest expense to associates	3.193	1.704
Interest expense to third party customers/banks	162.171	112.161
Total interest expense	**306.899**	**199.581**

All interest expense amounts in 2018 and 2017, relate to financial instruments carried at amortised cost. No interest expense amounts relate to financial instruments measured at fair value through profit or loss.

	2018	2017
Net interest income	**169.885**	**157.981**

2. Net fee and commission income

Accounting policy for net fee and commission income

AACB applies IFRS 15 when recognising revenue from contracts with customers, all of which is included in net fee and commission income. After identifying contracts and their performance obligations, revenue is recognised as an amount that reflects the consideration to which the bank expects to be entitled in exchange for transferring promised services to customers. The transaction price is allocated to each performance obligation. Revenue is measured at the fair value of the consideration received, taking into account discounts and rebates. The amount of revenue recognised is discounted to the present value of consideration due, if payment extends beyond normal credit terms.

Revenue is recognised when a promised service is transferred to the customer. Fees and commissions are recognised at a point in time: the fee is a reward for a service provided at a moment in time.

(x EUR 1.000)	2018	2017
The components of net fee and commission income are:		
Net fees and commissions related to payment services	-2.680	-2.247
Net fees and commissions related to securities and derivatives	250.803	240.505
Other net fees and commissions	1.984	1.000
Total net fee and commission income	**250.107**	**239.258**
Of the net fees and commissions item, the following amounts were with:		
Net fee and commission with ABN AMRO Group companies	2.535	2.744
Net fee and commission with associates	824	754
Net fee and commission with third party customers/banks	246.748	235.760
Total net fee and commission income	**250.107**	**239.258**

All fee and commission amounts in 2018 and 2017 relate to financial instruments carried at amortised cost and fair value through profit or loss.

3. Net trading income

Accounting policy for net trading income

In accordance with IFRS 9, 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)	2018	2017
Foreign exchange transaction results	**-109**	**-426**

The net trading income of AACB solely consists of gains and losses on foreign currency balances of monetary items that are translated into euros at the period-end exchange rates.

4. Share of result in equity accounted investments

(x EUR 1.000)	2018	2017
Total realised result on equity accounted investments	**22**	**632**

Refer to note 20 for more information on the equity accounted investments.

5. Other operating income

Accounting policy for other operating income

Other operating income includes all other activities such as market access services and results on disposal of assets. It also includes the fair value changes relating to assets and liabities measured at fair value through profit or loss.
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.

(x EUR 1.000)	2018	2017
Dividend	2.140	5.158
Realised gain on financial transactions*	7.855	1.515
Impairment on financial asset	-	-3.138
Other **	5.508	4.515
Total other operating income	**15.503**	**8.050**

* Realised gain on financial transactions is related to realised result on equity securities.
** Other consists of income related to activities that are not considered core activities of AACB, such as collective investment undertakings and charges to clients for direct market access.

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.

Defined contribution plans
For defined contribution plans, AACB pays annual contributions that have been determined by a fixed method and 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 in the plan.

(x EUR 1.000)	2018	2017
Personnel expenses are specified as follows:		
Salaries and wages	86.234	89.882
Social security charges	10.453	10.338
Pension expenses	11.510	12.119
Other	6.200	11.383
Total personnel expenses	**114.397**	**123.722**

The pension expenses are mainly related to the defined contribution plans of the subsidiaries.

The Dutch defined contribution plan is a Collective Defined Contribution (CDC) plan, based on an average salary plan. The normal retirement age is set at 68 years. The contribution payable by pension fund participants is 5.5% (2017: 5.5%).

For the disclosure of the remuneration of the Managing and Supervisory Board members, refer to the note 33 on related parties.

	2018	2017
The average number of FTEs:		
Netherlands *	324	337
United Kingdom	95	99
Germany *	22	24
Belgium *	1	1
France *	3	4
Singapore	48	50
Japan	16	15
Australia	51	48
Hong Kong	20	22
United States	196	194
Brazil *	7	8
Total	**783**	**802**

* These employees have a contract with ABN AMRO Group with the respective expenses being charged by ABN AMRO Group 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 ABN AMRO Group and charged to AACB.

(x EUR 1.000)	2018	2017
General and administrative expenses can be broken down as follows:		
Agency staff, contractors and consultancy costs	46.096	41.621
Financial statement audit fees	1.319	1.285
Audit related fees	107	145
Staff related costs	4.652	3.924
Information technology costs	49.145	41.685
Housing	4.864	5.907
Post, telephone and transport	819	782
Marketing and public relations costs	837	876
Recharges from ABN AMRO Group companies	44.236	47.423
Dutch banking tax	10.770	9.020
Other	8.538	9.079
Total general and administrative expenses	**171.383**	**161.747**

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)	2018	2017
Leasehold improvements – depreciation	656	267
Equipment – depreciation	264	502
IT equipment – depreciation	2.113	3.872
Purchased software – amortisation	902	2.275
Depreciation and amortisation expenses	**3.935**	**6.916**
Equipment – depreciation rebilled by ABN AMRO Group	15	21
IT equipment – depreciation rebilled by ABN AMRO Group	172	124
Purchased software – amortisation rebilled by ABN AMRO Group	424	314
Total depreciation and amortisation expenses	**4.546**	**7.374**

9. Impairment charges on loans and other receivables

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

(x EUR 1.000)	2018	2017
Stage 1 - twelve month expected credit loss	-77	-
Stage 2 - lifetime expected credit loss	-	-
Stage 3 - lifetime expected credit loss	-4.309 *	-
Total impairment charges on loans and other receivables	**-4.386**	**-**

* The impairment charges in stage 3 are related to the top up of the Default Fund contribution of AACB at Nasdaq Clearing AB (EUR 4.424 thousand) and a recovery of a previously impaired loan (EUR -8.733 thousand).

10. Income tax expenses

Accounting policy for Income tax expenses, tax assets and tax liabilities

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 ABN AMRO Group 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 ABN AMRO Group result is a profit.

(x EUR 1.000)	2018	2017
The details of the current and deferred income tax expense are presented below:		
Current tax	33.777	35.678
Deferred tax	-3.238	-2.298
Total income tax expenses	**30.539**	**33.380**

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	149.468	112.652
Weighted applicable tax rate	23,61%	30,45%
Expected income tax expense	**35.293**	**34.303**
Change in taxes resulting from:		
Tax exemptions	2.393	1.334
Change in provision for impairments	-	834
Adjustments for tax of prior periods	-5.549	-1.224
Change in tax rate	-86	-2.519
Other	-1.512	652
Actual income tax expenses	**30.539**	**33.380**

Effective tax rate	**20,43%**	**29,63%**

See also tax note 23 in the Notes to the consolidated statement of financial position.

Country-by-country reporting 2018

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.	189.155	324	-3.388	-2.489	-899 *
International activities						
Great Britain	ABN AMRO Clearing Bank London Branch	6.284	95	9.185	1.190	7.995
United States	ABN AMRO Clearing Chicago LLC	143.997	196	88.888	23.587	65.301
Singapore	ABN AMRO Clearing Bank Singapore Branch	30.408	48	16.846	2.040	14.806
Japan	ABN AMRO Clearing Tokyo Co Ltd	15.770	16	6.224	1.195	5.029
Hong Kong	ABN AMRO Clearing Hong Kong Ltd	35.589	20	26.496	3.457	23.039
Australia	ABN AMRO Clearing Sydney Pty Ltd	14.205	51	5.217	1.559	3.658
Other			33			
Total		**435.408**	**783**	**149.468**	**30.539**	**118.929**

* This loss is caused by the rebilled charges from ABN AMRO Group which are not rebilled to AACB subsidiaries.

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 Group which are not rebilled to AACB subsidiaries.

Notes to the consolidated statement of financial position

Assets

11. Cash and balances at central banks

Accounting policy for cash and balances at central banks
In accordance with IFRS 9, 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 2018	31 December 2017
Total cash and balances at central banks	**50.596**	**380.063**

12. Financial assets and liabilities held for trading

Accounting policy for financial assets and liabilities held for trading
In accordance with IFRS 9, 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.

Financial assets held for trading

The following table shows the composition of assets held for trading.

(x EUR 1.000)	31 December 2018	31 December 2017
The trading assets consists of the following financial instruments:		
Contract for differences (CFDs)	16.120	111.337
Equity instruments held for trading *	18.309	110.650
Total financial assets held for trading	**34.429**	**221.987**

* These shares are used for hedging the contract for differences (CFDs).

Financial liabilities held for trading

The following table shows the composition of liabilities held for trading.

(x EUR 1.000)	31 December 2018	31 December 2017
The financial liabilities held for trading consist of the following:		
Contract for differences (CFDs)	14.681	110.552
Equity instruments held for trading *	4.021	64.345
Total financial liabilities held for trading	**18.702**	**174.897**

* These shares are used for hedging the contract for differences (CFDs).

13. Financial investments

Accounting policy for financial investments

Financial investments includes instruments measured at fair value through other comprehensive income (FVOCI) and instruments measured at fair value through profit or loss (FVTPL).

Accounting policy for instruments at fair value through other comprehensive income

Unrealised gains and losses of FVOCI assets are recognised directly in other comprehensive income, net of applicable taxes. Interest earned, premiums, discounts and qualifying transaction costs of interest earning FVOCI assets are amortised to income on an effective interest rate basis. When FVOCI assets are sold, collected or impaired, the cumulative gain or loss recognised in other comprehensive income is transferred to other operating income in the income statement. Fair value changes of equity instruments which are irrevocably designated at FVOCI upon initial recognition are recognised in other comprehensive income and not subsequently reclassified to the income statement, including when such assets are sold. Currently AACB has chosen not to elect the FVOCI option for equity securities and therefore measures these instruments at FVTPL under IFRS 9.

Accounting policy for instruments at fair value through profit and loss

Financial investments at fair value through profit or loss are either designated upon initial recognition or are mandatorily required to be measured at fair value applying IFRS 9. Financial investments managed on a fair value through profit or loss basis are at initial recognition designated at fair value through profit or loss when the instruments:
- are held to reduce an accounting mismatch; or
- are managed on the basis of its fair value.

Critical accounting estimates and judgements

Interest-bearing debt securities classified as FVOCI investments are assessed at each reporting date to establish whether there are any expected credit losses. AACB has developed models to determine such credit losses. Impairment charges on FVOCI instruments are recorded in (un)realised gains/(losses) fair value through OCI in the statement of comprehensive income.

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)	2018	2017
Debt securities held at fair value through other comprehensive income	173.063	-
Available-for-sale	-	390.321
Held at fair value through profit or loss	211.662	-
Total financial investments	**384.725**	**390.321**

(x EUR 1.000)	2018	2017
Movements in the financial investments were as follows:		
Opening balance as at 1 January	**390.321**	**534.022**
Sales to third parties	-29.378	-338.292
Additions	6	248.436
Impairments	-	-3.138
Gross revaluation to equity	-11	3.039
Gross revaluation to income	10.025	-
Dividends received	-2.140	-5.158
Exchange rate differences	15.902	-53.746
Closing balance as at 31 December	**384.725**	**390.321**

(x EUR 1.000)	2018	2017
Interest-earning securities:		
United States	121.974	145.300
European Union	51.089	49.686
Non-financial institutions	174.490	166.528
Subtotal	**347.553**	**361.514**
Equity instruments	37.172	28.807
Closing balance as at 31 December	**384.725**	**390.321**

An analysis of changes in the carrying amount in relation to debt securities measured as FVOCI is as follows:

(x EUR 1.000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 january 2018	194.985			194.985
Change in carrying amount due to origination, repayment and other movements	-29.383			-29.383
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	7.461			7.461
At 31 December 2018	**173.063**			**173.063**

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 and liabilities held for trading and note 13 financial investments.

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 describe 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

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 2018
	Quoted prices in active market	Valuation technique observable market data	Valuation technique unobservable market data
Financial assets held for trading	18.309	16.120	-
Financial investments	367.644	-	17.081
Total financial assets	**385.953**	**16.120**	**17.081**
Financial liabilities held for trading	4.021	14.681	-
Total financial liabilities	**4.021**	**14.681**	**-**

(x EUR 1.000)			At 31 December 2017
	Quoted prices in active market	Valuation technique observable market data	Valuation technique unobservable market data
Financial assets held for trading	110.650	111.337	-
Financial investments	378.212	-	12.108
Total financial assets	**488.862**	**111.337**	**12.108**
Financial liabilities held for trading	64.345	110.552	-
Total financial liabilities	**64.345**	**110.552**	**-**

Within financial investments 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
There were no material transfers from levels 1 and 2 into 3.

Other transfers
During 2017, AACB transferred certain investments 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
Balance at 1 January 2017	**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**
Dividends	-960
Gains/(losses) recorded in profit and loss	6.119
Unrealised gains/(losses)	-186
Balance at 31 December 2018	**17.081**

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 2018

	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	-477	314	6,7	19,5	13,1

(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

Introduction Governance Business section Risk management Financial Statements Other information

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. 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 2018	31 December 2017
Assets		
Reverse repurchase agreements	1.214.942	871.496
Securities borrowing transactions	4.304.214	2.485.135
Transactions related to securities *	844.162	869.802
	6.363.318	**4.226.433**
Liabilities		
Securities lending transactions	461.528	657.161
Transactions related to securities **	694.772	1.248.292
Total securities financing	**1.156.300**	**1.905.453**

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

Of the securities financing the following counterparties were involved:

(x EUR 1.000)	31 December 2018	31 December 2017
Assets		
ABN AMRO Group companies	233.421	645.405
Banks	3.068.294	1.723.814
Customers	3.061.603	1.857.214
Total securities financing	**6.363.318**	**4.226.433**
Liabilities		
Banks	475.455	647.694
Customers	680.845	1.257.759
Total securities financing	**1.156.300**	**1.905.453**

An analysis of changes in the carrying amount in relation to securities financing is as follows:

(x EUR 1.000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 january 2018	4.226.433			4.226.433
Change in carrying amount due to origination, repayment and other movements	2.014.983			2.014.983
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	121.902			121.902
At 31 December 2018	**6.363.318**			**6.363.318**

During the year, there were no transfers from Stage 1. The ECL for 2018 is nil.

16. Loans and advances banks

The accounting policy for loans and advances

Under IFRS 9 Financial Instruments, loans and advances from banks and customers are held in a hold to collect business model. Loans and advances of which the contractual cash flows are solely payments of principal and interest (SPPI) are measured at amortised cost, i.e. fair value at initial recognition adjusted for repayment and amortisation of coupon, fees and expenses to represent the effective interest rate of the asset. Loans and advances that do not pass the SPPI test are measured at fair value through profit or loss.

Impairment losses on loans and advances

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 2018, no amount has a maturity of more than 3 months (2017: nil).

(x EUR 1.000)	31 December 2018	31 December 2017
Loans and advances - banks consists of the following:		
Demand receivables	1.805.872	1.435.973
Interest bearing deposits	345	3.809
Mandatory reserve deposits with central banks	1.159	7.421
Less: loan impairment allowance	-158	-
Net loans and advances - banks	**1.807.218**	**1.447.203**

None of the amounts in the loans and advances - banks items were subordinated in 2018 or 2017.

(x EUR 1.000)	31 December 2018	31 December 2017
Of the loans and advances - banks item the following amounts were due from:		
ABN AMRO Group companies	1.243.301	813.147
Third parties	563.917	634.056
Total loans and advances - banks	**1.807.218**	**1.447.203**

An analysis of changes in the carrying amount in relation to loans and advances bank is as follows:

(x EUR 1.000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 january 2018	1.447.203			1.447.203
Change in carrying amount due to origination, repayment and other movements	347.237			347.237
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	12.778			12.778
At 31 December 2018	**1.807.218**			**1.807.218**

(x EUR 1.000)

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 january 2018	-208			-208
New assets originated or purchased				
Assets derecognised or repaid (excluding write offs)	50			50
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments				
At 31 December 2018	**-158**			**-158**

17. Loans and advances customers

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

As at 31 December 2018, EUR 7.957 thousand has a maturity of more than 3 months but less than one year (2017: EUR 44 thousand).

(x EUR 1.000)	31 December 2018	31 December 2017
Loans and advances customers consists of the following:		
Corporate loans, gross	7.251.185	11.710.888
Less: loan impairment allowances - corporate loans	-	-23.454
Corporate loans	**7.251.185**	**11.687.434**
Government and official institutions	2.563	1.738
Receivables from Central Counter Parties	5.565.396	5.724.568
Less: loan impairment allowances - other	-4.424	-
Other loans and advances	**5.563.534**	**5.726.306**
Loans and advances customers	**12.814.719**	**17.413.740**

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

(x EUR 1.000)	31 December 2018	31 December 2017
Of the loans and advances customers item, the following amounts were due from:		
ABN AMRO Group companies	82	58
Third parties	12.814.637	17.413.682
Loans and advances customers	**12.814.719**	**17.413.740**

An analysis of changes in the carrying amount in relation to corporate loans at amortised cost is as follows:

(x EUR 1.000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 january 2018	11.674.215	13.218	23.454	11.710.888
Change in carrying amount due to origination, repayment and other movements	-4.771.142	-13.708	-8.733	-4.793.583
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off			-14.721	-14.721
Foreign exchange adjustments	348.069	533		348.602
At 31 December 2018	**7.251.142**	**43**	**-**	**7.251.185**

(x EUR 1.000)

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 january 2018			-23.454	-23.454
New assets originated or purchased				
Assets derecognised or repaid (excluding write offs)			8.733	8.733
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off			14.721	14.721
Foreign exchange adjustments				
At 31 December 2018			**-**	**-**

An analysis of changes in the carrying amount in relation to other loans and advances is as follows:

(x EUR 1.000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 january 2018	5.726.306			5.726.306
Change in carrying amount due to origination, repayment and other movements	-239.420		-2.000	-241.420
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3	-6.424		6.424	-
Amounts written off				
Foreign exchange adjustments	78.648			78.648
At 31 December 2018	**5.559.110**		**4.424**	**5.563.534**

(x EUR 1.000)

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 january 2018				
New assets originated or purchased				
Remeasurements			2.000	2.000
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3			-6.424	-6.424
Amounts written off				
Foreign exchange adjustments				
At 31 December 2018			**-4.424**	**-4.424**

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 vale 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 six 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) **2018**

At 31 December 2018	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	50.596	50.596			50.596
Securities financing	6.363.318		6.363.318		6.363.318
Loans and advances banks	1.807.218		1.807.218		1.807.218
Corporate loans at amortised cost	7.251.185		7.251.185		7.251.185
Other loans and advances customers	5.563.534		5.563.534		5.563.534
Total financial assets	**21.035.851**	**50.596**	**20.985.255**		**21.035.851**
Securities financing	1.156.300		1.156.300		1.156.300
Due to banks	8.720.941		6.545.019	2.175.922	8.720.941
Due to customers	10.104.364		10.104.364		10.104.364
Issued debt	60		60		60
Total financial liabilities	**19.981.665**		**17.805.743**	**2.175.922**	**19.981.665**

(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 advances banks	1.447.203		1.447.203		1.447.203
Corporate loans at amortised cost	11.687.434		11.687.434		11.687.434
Other loans and advances customers	5.726.306		5.726.306		5.726.306
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**

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 2018		31 December 2017
	Acquisitions	**Divestments**	**Acquisitions**	**Divestments**
Cash and cash equivalents				15.962
Financial investments				
Loans and advances				98
Fixed assets				45
Tax assets				
Other assets				6
Due to banks				-8.042
Due to customers				-4.963
Other liabilities				-116
Total net assets acquired / net assets divested				**2.989**

Introduction
Governance
Business section
Risk management
Financial Statements
Other information

Cash used for acquisition / received from divestments:	
Proceeds from sale	12.531
Cash and cash equivalents acquired / divested	
Total cash used for acquisitions / received from divestments	**12.531**

There were no acquisitions or divestments during 2018 (2017: decrease of AACB's ownership in ICE Clear from 25% to 0%).

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).

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. Amongst other factors that are considered to determine significant influence, representation on the board of directors, participation in policy-making process and material transactions between the entity and the investee are considered.

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 financial investments.

Restrictions on assets

Significant restrictions on assets may 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 financial assets to (or from) other entities within the ABN AMRO Group; or
- 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 the ABN AMRO Group.

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 2018	31 December 2017
Equity accounted investments consist of the following:		
EuroCCP	8.931	8.696
ABN AMRO Investments USA LLC	279	476
Total equity accounted investments	**9.210**	**9.172**

EUROCCP

AACB incorporated the European Multilateral Clearing Facility N.V. (EMCF) on 28 February 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.

In 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 8 supervisory board members (a representative from five shareholder and three independent members).

ABN AMRO Investments USA LLC (AAIU)

On 13 January 2016, ABN AMRO and ABN AMRO Clearing Chicago LLC (AACC), a wholly owned subsidiary of AACB, each acquired 50% of the investment in AAIU. The two entities together have joint control over AAIU and its relevant activities as a Digital Asset House incorporated in the State of Delaware, the United States of America. The shareholding has not changed in the 2018 financial year.

AAIU's registered office is located in the State of Delaware, the United States of America, at Corporation Service Company, 2711 Centerville Road, Suite 400, City of Wilmington, Country of New Castle 19808.

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

The following is a summary of the combined financial information of the associates and joint ventures, including the aggregated amounts of assets, liabilities, income and expenses, in accordance with IAS 28.37:

(x EUR 1.000)	31 December 2018		31 December 2017	
	Associates	Joint ventures	Associates	Joint ventures
Cash and cash equivalents	566.267	-	584.421	-
Financial investments	-	482	-	1.014
Loans and receivables	39.106	-	9.696	-
Property and equipment	892	-	1.032	-
Intangible assets	373	-	652	-
Other assets	8.601	92	4.603	-
Total assets	**615.239**	**574**	**600.404**	**1.014**
Due to banks	326.731	-	256.222	-
Due to customers	234.232	-	291.570	-
Accrued interest, expenses and other liabilities	9.621	16	9.231	61
Total liabilities	**570.584**	**16**	**557.023**	**-**
Total Equity	44.655	558	43.381	953
Net revenue	21.248	-564	22.556	-
Expenses	18.985	-	18.456	16
Gains/Losses equity instruments (FVTPL)	-	-13	-	-
Other comprehensive income / expenses	-3	-	-7	136
Tax expenses	985	-136	883	-
Total comprehensive income	**1.275**	**-441**	**3.210**	**120**

(x EUR 1.000)	31 December 2018		31 December 2017	
	Associates	Joint ventures	Associates	Joint ventures
Equity accounted investment	**8.931**	**279**	**8.696**	**476**

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 the lease term; and
The useful life for IT equipment is a maximum of 5 years.

(x EUR 1.000)	31 December 2018	31 December 2017
Total property and equipment	**9.348**	**11.032**

The table below shows the categories of property and equipment at 31 December 2018, against net book value.

2018

	Leasehold improvements	IT equipment	Other property and equipment	Total
Acquisition costs as at 1 January 2018	**10.605**	**48.609**	**2.099**	**61.313**
Additions	99	1.015	103	1.217
Disposals	-441	-7.359	-578	-8.378
Losses on disposals	-	-36	-	-36
Foreign exchange differences	372	821	1	1.194
Acquisition costs as at 31 December 2018	**10.635**	**43.050**	**1.625**	**55.310**
Accumulated depreciation as at 1 January 2018	**-5.709**	**-43.560**	**-1.012**	**-50.281**
Depreciation expense	-656	-2.113	-264	-3.033
Disposals	441	7.225	578	8.244
Foreign exchange differences	-241	-657	6	-892
Accumulated depreciation as at 31 December 2018	**-6.165**	**-39.105**	**-692**	**-45.962**
Property and equipment as at 31 December 2018	**4.470**	**3.945**	**933**	**9.348**

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**
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**
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**

No impairments to property and equipment have been recorded in 2018 or 2017.

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)	2018	2017
Acquisition costs as at 1 January	**19.457**	**21.488**
Additions	58	15
Disposals	-1.423	-
Transfer	-	-27
Foreign exchange differences	518	-2.019
Acquisition costs as at 31 December	**18.610**	**19.457**
Accumulated amortisation 1 January	**-17.560**	**-16.965**
Amortisation expense	-902	-2.275
Disposals	1.422	-
Transfer	-	19
Foreign exchange differences	-464	1.661
Accumulated amortisation as at 31 December	**-17.504**	**-17.560**
Total intangible assets as at 31 December	**1.106**	**1.897**

No impairments to intangible assets have been recorded in 2018 or 2017.

23. Tax assets and liabilities

Accounting policy for tax assets and liabilities

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 2018	31 December 2017
Total current tax assets	**6.538**	**2.680**
The deferred tax assets can be categorised into:		
Net investment hedge	8.730	10.662
Property and equipment	1.150	857
Financial investments	5	5
Deferred income, accrued expenses and other	3.152	1.646
Total deferred tax assets	**13.037**	**13.170**

Of the deferred tax assets as per 2018 an amount of EUR 4.302 thousand is recorded through the income statement and an amount of EUR 8.735 thousand is recorded through equity.

Total tax assets	**19.575**	**15.850**

(x EUR 1.000)

	As at 1 January 2018	Income statement	Equity	Other	As at 31 December 2018
Deferred tax assets					
Financial Investments	5				5
Net investment hedges - forex contracts	10.662		-1.917	-15	8.730
Loans and advances	50 *	-9			41
Deferred income, accrued expenses and other	1.646	245		1.220	3.111
Property and equipment	857	283		10	1.150
Total deferred tax assets	**13.220**	**519**	**-1.917**	**1.215**	**13.037**

(x EUR 1.000)

	As at 1 January 2017	Income statement	Equity	Other	As at 31 December 2017
Deferred tax assets					
Financial Investments	410		-378	-27	5
Net investment hedges - forex contracts	10.609			53	10.662
Deferred income, accrued expenses and other	1.250	364		32	1.646
Property and equipment	944	-53		-34	857
Total deferred tax assets	**13.213**	**311**	**-378**	**24**	**13.170**

* The deferred tax assets in the loans and advances category is the impact of the implementation of IFRS 9.

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 2018	31 December 2017
Total current tax liabilities	**14.761**	**8.200**
The deferred tax liabilities can be categorised into:		
Corporate loans at amortised cost		3.627
Property and equipment	608	1.543
Financial investments	3.750	1.845
Total deferred tax liabilities	**4.358**	**7.015**
Total tax liabilities	**19.119**	**15.215**

(x EUR 1.000)

	As at 1 January 2018	Income statement	Equity	Other	As at 31 December 2018
Deferred tax liabilities					
Financial Investments	1.846	1.904			3.750
Property and equipment	1.543	-997		62	608
Corporate loans at amortised cost	3.626	-3.626			
Other					
Total deferred tax liabilities	**7.015**	**-2.719**		**62**	**4.358**

(x EUR 1.000)

	As at 1 January 2017	Income statement	Equity	Other	As at 31 December 2017
Deferred tax liabilities					
Financial Investments	2.195		-297	-52	1.846
Property and equipment	575	1.084		-116	1.543
Corporate loans at amortised cost	6.820	-2.519		-675	3.626
Other	606	-565		-41	
Total deferred tax liabilities	**10.196**	**-2.000**	**-297**	**-884**	**7.015**

24. Other assets

(x EUR 1.000)	31 December 2018	31 December 2017
The table below shows the components of other assets at 31 December:		
Related to securities transactions *	18.303	10.777
Accrued other income	3.467	3.011
Prepayments	4.835	3.903
VAT and other tax receivable	2.884	3.768
Other	5.238	3.734
Total other assets	**34.727**	**25.193**

* These include transitory amounts related to securities transactions.

Liabilities

25. Due to banks

Accounting policy for due to banks and due to customers

According to IFRS 9 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 2018	31 December 2017
The table below shows the components of due to banks:		
Demand deposits	918.387	1.130.918
Time deposits	7.802.554	10.179.729
Total due to banks	**8.720.941**	**11.310.647**
Of the due to banks item the following amounts were with:		
Demand deposits due to banks ABN AMRO Group	277.151	398.086
Time deposits due to banks ABN AMRO Group	7.798.586	10.179.729
Total ABN AMRO Group companies	8.075.737	10.577.815
Demand deposits due to third party banks	641.236	732.832
Time deposits due to third party banks	3.968	-
Total third party banks	645.204	732.832
Total due to banks	**8.720.941**	**11.310.647**

As at 31 December 2018, an amount of EUR 2.176 million has a maturity of more than 3 months but less than one year (2017: EUR 2.873 million).

26. Due to customers

The accounting policy for due to customers is included in note 25.

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

(x EUR 1.000)	31 December 2018	31 December 2017
The table below shows the components of due to customers:		
Demand deposits	8.142.080	8.462.800
Time deposits	1.962.284	995.717
Total due to customers	**10.104.364**	**9.458.517**
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	108.361	142.757
Total ABN AMRO Group companies	**108.361**	**142.757**
Demand deposits due to customers third party	8.033.719	8.320.043
Time deposits due to customers third party	1.962.284	995.717
Total third party customers	**9.996.003**	**9.315.760**
Closing balance as at 31 December	**10.104.364**	**9.458.517**

As at 31 December 2018, an amount of EUR 32.991 thousand has a maturity of more than three months but less than one year (2017: nil).

27. 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 2018	31 December 2017
The issued debt consists of the following:		
Bonds and notes issued	60	60
Total issued debt	**60**	**60**

28. 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 2018	31 December 2017
Total provisions	**2.555**	**5.898**

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 2018	31 December 2017
Opening balance as at 1 January	**5.898**	**2.283**
Additions	585	3.705
Used	-2.791	-
Unused amounts reversed	-1.137	-90
Closing balance as at 31 December	**2.555**	**5.898**

29. Other liabilities

(x EUR 1.000)	31 December 2018	31 December 2017
The table below shows the components of other liabilities at 31 December:		
Related to securities transactions *	166.859	94.060
Accounts payable	13.398	8.005
VAT and other tax payable	578	163
Rebilling cost by ABN AMRO Group	48.186	48.573
Accrued expenses	13.604	7.759
Other	25.093	28.086
Total other liabilities	**267.718**	**186.646**

* These include transitory amounts related to securities transactions.

30. 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.

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.

Fair value reserves
Under IFRS 9 the fair value reserve includes the gains and losses, net of tax, resulting from a change in the fair value of debt instruments measured at FVOCI. When the instruments are sold or otherwise disposed of, the related cumulative gain or loss recognised in equity is recycled to the income statement.

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 2018 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 2018, all shares were held by ABN AMRO.

(x EUR 1.000)	31 December 2018	31 December 2017
Share capital	15.000	15.000
Share premium	55.363	55.363
Other reserves (incl. retained earnings/profit for the period)	1.128.704	998.472
Other comprehensive income	40.145	16.723
Shareholder's equity	**1.239.212**	**1.085.558**

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

(x EUR 1.000)	31 December 2018	31 December 2017
Gross fair value reserve	-44	12.075
Related tax	6	-1.840
Fair value reserve*	-38	10.235
Gross remeasurement of net DBO on post employment plans	-19	-15
Related tax	-	1
Remeasurement of net DBO on post employment plans	-19	-14
Financial instruments relating to joint ventures reserve	-	91
Related tax	-	-23
Financial instruments relating to joint ventures*	-	68
Gross currency translation reserve	90.071	54.328
Related Tax	121	179
Currency translation reserve*	90.192	54.507
	-	-
Gross net investment hedge reserve	-64.229	-64.229
Related tax	14.239	16.156
Net investment hedge reserve	-49.990	-48.073
Total other comprehensive income	**40.145**	**16.723**

* These other comprehensive income components have been impacted by the adoption of IFRS 9. Please refer to the consolidated statement of changes in equity on page 50 for further information on the impact of the adoption of IFRS 9.

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

The gross revaluation reserve contains the Net Investment Hedge (NIH) 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 revaluation reserve can be split in two categories. From the total amount of EUR 14.2 million an amount of EUR 8.7 million is related to the deferred tax asset of the NIH (see note 23). The remaining amount of EUR 5.5 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)	2018		2017
Unrealised gains as at 1 January	6.185	*	102.340
Unrealised gains during the year	-15		2.776
Unrealised currency translation differences	35.893		-88.317
Related tax	-1.918		-77
Other comprehensive income as at 31 December	**40.145**		**16.723**

* As a result of the adoption of IFRS 9, an amount of EUR 10.538 thousand is transferred from other comprehensive income to retained earnings.

31. 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 2018	31 December 2017
The committed credit facilities consist of the following:		
Total committed credit facilities	**356.290**	**393.990**
The guarantees and other commitments consist of the following:		
Guarantees	11.395	9.086
Irrevocable payment commitment	2.563	1.738
Total guarantees and other commitments	**13.958**	**10.824**

The guarantees have been given to third parties and are divided as follows:

Guarantees given to exchanges	11.395	9.045
Guarantees given to customers	-	41
Total Guarantees	**11.395**	**9.086**

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

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

(x EUR 1.000) **31 December 2018**

	Less than one year	Between one and three years	Between three and five years	After five years	Total
Guarantees given to exchanges	-	-	-	11.395	11.395
Guarantees given to customers	-	-	-	-	-
Total Guarantees	**-**	**-**	**-**	**11.395**	**11.395**

31 December 2017 (x EUR 1.000) **31 December 2018**

	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**

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 2018	31 December 2017
Where AACB is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:		
Not more than one year	2.257	2.241
Longer than one year but not longer than five years	9.683	8.289
Longer than five years	7.520	10.536
Total operating lease agreements	**19.460**	**21.066**

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 the depositary bank might, in specific circumstances, be held secondarily liable in respect of tax (re)payable.

An analysis of changes in the carrying amount in relation to guarantees and irrevocable creditlines is as follows:

(x EUR 1.000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 january 2018	404.814			404.814
Change in carrying amount due to origination, repayment and other movements	-34.566			-34.566
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments				
At 31 December 2018	**370.248**			**370.248**

32. Pledged and encumbered 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 fulfillment 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 CCPs. Such contracts contain the rules and regulations in relation to cash provided as collateral. These rules and regulations for a clearing member can be found on the relevant CCP's websites.

(x EUR 1.000)	31 December 2018	31 December 2017
Assets pledged:		
Securities financing assets	5.519.156	3.356.631
Financial assets held for trading	34.429	221.987
Loans and advances banks	274.066	138.194
Other loans and advances customers	5.563.534	5.726.306
Total assets pledged as security	**11.391.185**	**9.443.118**

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.

33. 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 2018 was EUR 52.76 million (2017: EUR 50.86 million). 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 2018			
Assets	344.629	1.406.295	116.482
Liabilities	56.555	8.099.519	134.080
Irrevocable facilities	68.823	-	-
Collateral received	195.569	419.823	73.199
2018			
Income received	2.509	18.559	10.629
Expenses paid	6.554	298.790	2.773

	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

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 2017 or 2018.

Remuneration of the Managing Board

The remuneration of the Managing board members, which consists of 4 FTE's (2017: 4 FTE's) is stated in the table below. The remuneration of the Supervisory Board members in 2018 was nil (2017: nil).

(x EUR 1.000)

	Base salary	Total pension related contributions	Total
Total in 2018	1.270	352	1.622
Total in 2017	1.041	275	1.316

34. 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 2018	31 December 2017
Cash and balances at central banks	50.595	380.063
Loans and advances banks*	1.127.415	1.394.974
Total cash and cash equivalents	**1.178.011**	**1.774.916**

* These are nostro accounts, with credit balance, that AACB holds with other credit institutions.

35. 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. (AACB) and its subsidiaries were involved in a court procedure. In August 2007, Sentinel Management Group, Inc. (Sentinel), a futures commission merchant that managed certain customer segregated funds for AACB, 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 be distributed to certain Sentinel customers. AACB received its pro rata share, which totalled $52,755,815. On or about 15 September 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 AACB. The Complaint also includes a claim for money AACB received shortly before Sentinel filed for bankruptcy in the amount of $4,000,399 and a claim for pre-judgment interest which could range from $750,000 to $1,760,000. After years of litigation, during which time AACB subsequently filed a counterclaim for its pro rata share of a pool of reserve funds, a positive decision for the defendants was rendered at the appellate level. After the trustee's petition for writ of certiorari at the Supreme Court was denied, the parties settled all claims in May 2018 and AACB received $10,314,576 from the reserve funds, bringing an end to the litigation.

In February 2019, ABN AMRO Clearing Bank N.V. and its subsidiaries were served with a complaint (the "Proshares Complaint") filed in the U.S. District Court for the Southern District of New York in which Plaintiffs sued Proshares Trust II and its related parties (the "Trust"), along with approximately 21 other financial institutions, including AACB, that acted as authorized participants for the creation and redemption of shares in various exchange traded funds issued by the Trust. With respect to the authorized participants, Plaintiffs alleged that the authorized participants, including AACB, violated §11 of the Securities Act of 1933, because Plaintiffs believe that the registration statement filed by the Trust was false and misleading and omitted various material facts. Plaintiffs further alleged that the authorized participants, including AACB, were responsible for the content and dissemination of the registration statement filed by the Trust, and that none of the authorized participants made a reasonable investigation into the statements contained in the registration statement. Plaintiffs are seeking unspecified damages. Given the new nature of this claim, we cannot express an opinion as to the ultimate outcome of this proceeding. AACB believes that the Plaintiffs' claims are without merit and AACB intends to defend itself vigorously against the Proshares Complaint. Accordingly, no provision has been made in the statement of financial position for any loss that may result from this matter.

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

Company Financial Statements

Company income statement

(x EUR 1.000)	Note	2018	2017
Income			
Interest income from financial instruments measured at amortised costs and fair value through other comprehensive income		379.822	282.165
Interest expense		275.663	182.596
Net interest income	1	**104.159**	**99.569**
Fee and commission income		201.986	185.758
Fee and commission expense		88.160	77.451
Net fee and commission income	2	**113.826**	**108.307**
Net trading income	3	-302	-13
Share of result in equity accounted investments	4	99.051	65.859
Other operating income	5	8.432	2.072
Operating income		**325.166**	**275.794**
Expenses			
Personnel expenses	6	70.434	76.485
General and administrative expenses	7	126.585	114.961
Depreciation and amortisation of (in)tangible assets	8	1.781	2.552
Operating expenses		**198.800**	**193.998**
Impairment charges on financial instruments	9	4.428	-
Total expenses		**203.228**	**193.998**
Operating profit / (loss) before taxation		**121.938**	**81.796**
Income tax expense	10	3.008	2.524
Profit (loss) for the year		**118.930**	**79.272**
Attributable to:			
Owner of the company		118.930	79.272

Company statement of financial position

(x EUR 1.000)	Note	31 December 2018	31 December 2017
Assets			
Cash and balances at Central banks	11	50.596	380.063
Financial assets held for trading	12	34.429	221.987
Financial investments	13	67.280	60.905
Securities financing	14	2.715.592	2.095.800
Loans and advances banks	15	1.491.211	1.058.079
Corporate loans at amortised cost	16	9.084.220	12.002.113
Other loans and advances	16	3.835.704	4.113.814
Participating interest in group companies	17	903.741	748.087
Property and equipment	18	1.170	1.650
Intangible assets	19	90	225
Tax assets	20	9.770	12.365
Other assets	21	28.351	20.357
Total assets		**18.222.154**	**20.715.445**
Liabilities			
Financial liabilities held for trading	12	18.702	174.897
Securities financing	14	341.737	428.182
Due to banks	22	8.550.374	11.294.552
Due to customers	23	7.909.129	7.623.008
Issued debt	24	60	60
Provisions	25	2.555	5.898
Tax liabilities	20	6.915	8.844
Other liabilities	26	153.470	94.446
Total liabilities		**16.982.942**	**19.629.887**
Equity			
Share capital		15.000	15.000
Share premium		55.363	55.363
Other reserves (incl. retained earnings/profit for the period)		1.128.704	998.472
Accumulated other comprehensive income		40.145	16.723
Total Equity	27	**1.239.212**	**1.085.558**
Total Liabilities and Equity		**18.222.154**	**20.715.445**
Committed credit facilities	28	334.911	385.332
Net guarantees and other commitments	28	265.810	254.269

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	Fair value reserve	Equity associates reserve	Currency translation reserve	Net investment hedging reserve	Total
Balance as at 31 December 2017 (IAS 39)	**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 (IAS 39)	**15.000**	**55.363**	**919.201**	**79.272**	**6.695**	**3.593**	**54.507**	**-48.073**	**1.085.558**
Impact of adopting IFRS 9			10.538	-158	-6.722	-3.608	-208		-158
Balance at 1 January 2018	**15.000**	**55.363**	**929.739**	**79.114**	**-27**	**-15**	**54.299**	**-48.073**	**1.085.400**
Total comprehensive income				118.929	-11	-5	35.893	-1.917	152.889
Transfer			79.114	-79.114					-
Increase capital									-
Other			922						922
Balance as at 31 December 2018	**15.000**	**55.363**	**1.009.775**	**118.929**	**-38**	**-20**	**90.192**	**-49.990**	**1.239.212**

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 offices are 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

1. Net interest income and interest expense

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

(x EUR 1.000)	2018	2017
Interest Income		
Of the interest income items the following amounts were related to:		
Interest income from ABN AMRO Group companies	117.372	70.187
Interest income from third party customers/banks	262.450	211.978
Total interest income	**379.822**	**282.165**

The interest income of 2018 includes an amount of EUR 948 thousand (2017: EUR 560 thousand) concerning financial investments that are at fair value through other comprehensive income. The remaining EUR 378.874 thousand (2017: EUR 281.605 thousand) relates to financial investments carried at amortised cost. No interest income amounts relate to financial instruments measured at fair value through profit or loss.

	2018	2017
Interest Expense		
Of the interest expense items the following amounts were related to:		
Interest expense paid to ABN AMRO Group companies	182.308	107.052
Interest expense paid to associates	3.193	1.704
Interest expense paid to third party customers/banks	90.162	73.840
Total interest expense	**275.663**	**182.596**
All interest expense amounts in 2018 and 2017, relate to financial investments carried at amortised cost. No interest expense amounts relate to financial instruments measured at fair value through profit or loss.		
Net interest income	**104.159**	**99.569**

2. Net fee and commission income

(x EUR 1.000)	2018	2017
The components of net fee and commission income are:		
Net fees and commissions for payment services	-2.614	-2.169
Net fees and commissions for securities and derivatives	114.509	108.627
Other net fees and commissions	1.931	1.849
Total net fee and commission income	**113.826**	**108.307**
Of the net fees and commissions amount, the following amounts were with:		
Net fees and commissions with ABN AMRO Group companies	-2.326	-1.377
Net fees and commissions with associates	824	754
Net fees and commissions with third party customers/banks	115.328	108.930
Total net fee and commission income	**113.826**	**108.307**

All fee and commission amounts in 2018 and 2017 relate to financial instruments carried at amortised cost and fair value through profit or loss.

Introduction
Governance
Business section
Risk management
Financial Statements
Other information

3. Net trading income

(x EUR 1.000)	2018	2017
Foreign exchange transaction results	**-302**	**-13**

The net trading income of AACB solely consists of gains and losses on foreign currency balances of monetary items that are translated into euros at the period-end exchange rates.

4. Share of result in equity accounted investments

(x EUR 1.000)	2018	2017
Total realised result on equity accounted investments	**99.051**	**65.859**

See note 17 for more information.

5. Other operating income

(x EUR 1.000)	2018	2017
Dividend	2.093	1.564
Other*	6.339	508
Total other operating income	**8.432**	**2.072**

* Other consists of income related to activities that are not considered core activities of AACB, like charges to clients for direct market access.

6. Personnel expenses

(x EUR 1.000)	2018	2017
Personnel expenses are specified as follows:		
Salaries and wages	50.801	52.060
Social security charges	6.841	6.287
Pension expenses	9.559	10.057
Other	3.233	8.081
Total personnel expenses	**70.434**	**76.485**

7. General and administrative expenses

(x EUR 1.000)	2018	2017
General and administrative expenses can be broken down as follows:		
Agency staff, contractors and consultancy costs	36.010	36.296
Financial statement audit fees	383	380
Audit related fees	62	99
Staff related costs	3.328	2.589
Information technology costs	31.049	21.797
Housing	-267	651
Post, telephone and transport	258	191
Marketing and public relations costs	664	726
Recharges from ABN AMRO Group companies	36.797	37.955
Dutch banking tax	10.770	9.020
Other	7.531	5.257
Total general and administrative expenses	**126.585**	**114.961**

8. Depreciation and amortisation of (in)tangible assets

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

(x EUR 1.000)	2018	2017
Leasehold improvements – depreciation	28	32
Equipment – depreciation	13	20
IT equipment – depreciation	976	1.724
Purchased software – amortisation	153	318
Depreciation and amortisation expenses	1.170	2.094
Equipment – depreciation rebilled by ABN AMRO Group	15	21
IT equipment – depreciation rebilled by ABN AMRO Group	172	124
Purchased software – amortisation rebilled by ABN AMRO Group	424	314
Total depreciation and amortisation expenses	**1.781**	**2.552**

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)	2018	2017
Stage 1 - twelve month expected credit loss	4	-
Stage 2 - lifetime expected credit loss	-	-
Stage 3 - lifetime expected credit loss	4.424 *	-
Total impairment charges/releases on loans and other receivables	4.428	-

* The impairment charges in Stage 3 are related to the top up of the Default Fund contribution of AACB at Nasdaq Clearing AB.

Introduction
Governance
Business section
Risk management
Financial Statements
Other information

10. Income tax expenses

(x EUR 1.000)	2018	2017
The details of the current and deferred income tax expense are presented below:		
Current tax	5.968	4.977
Deferred tax	-2.960	-2.453
Total income tax expenses	**3.008**	**2.524**

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.

	2018	2017
Profit before taxation	121.938	81.796
Weighted applicable tax rate	22,96%	27,82%
Expected income tax expense	**27.997**	**22.754**
Change in taxes resulting from:		
Tax exemptions	-19.809	-18.346
Adjustments for current tax of prior periods	-2.727	-85
Change in tax rate	-89	-2.519
Other	-2.364	720
Actual income tax expenses	**3.008**	**2.524**
Effective tax rate	2,47%	3,09%

Notes to the company statement of financial position

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 2018	31 December 2017
Total cash and balances at central banks	**50.596**	**380.063**

12. Financial assets and liabilities held for trading

Financial assets held for trading

The following table shows the composition of assets held for trading.

(x EUR 1.000)	31 December 2018	31 December 2017
The trading assets consists of the following financial instruments:		
Contract for differences (CFDs)	16.119	111.337
Equity instruments held for trading *	18.309	110.650
Total financial assets held for trading	**34.429**	**221.987**

* These shares are used for hedging the contract for differences (CFDs).

Financial liabilities held for trading

The following table shows the composition of liabilities held for trading.

(x EUR 1.000)	31 December 2018	31 December 2017
The financial liabilities held for trading consist of the following:		
Contract for differences (CFDs)	14.681	110.552
Equity instruments held for trading *	4.021	64.345
Total financial liabilities held for trading	**18.702**	**174.897**

* These shares are used for hedging the contract for differences (CFDs).

13. Financial investments

(x EUR 1.000)	31 December 2018	31 December 2017
Movements in the financial investments were as follows:		
Opening balance as at 1 January	**60.905**	**70.171**
Sales to third parties	-	-6.472
Additions	6	-
Gross revaluation to equity	-11	223
Gross revaluation to income	7.261	-
Dividends received	-2.102	-
Exchange rate differences	1.221	-3.017
Closing balance as at 31 December	**67.280**	**60.905**

(x EUR 1.000)	31 December 2018	31 December 2017
Interest-earning securities in the European Union	51.089	49.686
Equity instruments	16.191	11.219
Closing balance as at December 31	**67.280**	**60.905**

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. 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 2018	31 December 2017
Assets		
Securities borrowing transactions	2.186.538	1.442.720
Transactions related to securities *	529.054	653.080
Total securities financing	**2.715.592**	**2.095.800**
Liabilities		
Transactions related to securities **	341.737	428.182
Total securities financing	**341.737**	**428.182**

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

Introduction
Governance
Business section
Risk management
Financial Statements
Other information

15. Loans and advances 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 2018, no amount has a maturity of more than three months (2017: nil).

(x EUR 1.000)	31 December 2018	31 December 2017
Loans and receivables banks consists of the following:		
Demand receivables	1.490.148	1.050.658
Mandatory reserve deposits with central banks	1.159	7.421
Less: loan impairment allowance	-96	-
Net loans and receivable banks	**1.491.211**	**1.058.079**

None of the amounts in the loans and receivables - banks items were subordinated in 2018 or 2017.

(x EUR 1.000)	31 December 2018	31 December 2017
Of the loans and receivables banks item, the following amounts were due from:		
ABN AMRO Group companies	1.243.301	813.147
Third parties	247.910	244.932
Total loans and receivables banks	**1.491.211**	**1.058.079**

16. Loans and advances customers

As at 31 December 2018, EUR 7.957 thousand has a maturity of more than three months but less than one year (2017: nil).

(x EUR 1.000)	31 December 2018	31 December 2017
Loans and advances customers consists of the following:		
Corporate loans, gross	9.084.220	12.002.113
Less: loan impairment allowances - corporate loans	-	-
Corporate loans	9.084.220	12.002.113
Government and official institutions	2.563	1.738
Receivables from Central Counter Parties	3.837.566	4.112.076
Less: loan impairment allowances - other	-4.425	
Other loans and advances	3.835.704	4.113.814
Loans and advances customers	**12.919.924**	**16.115.927**

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

(x EUR 1.000)	31 December 2018	31 December 2017
Of the loans and advances customers item, the following amounts were due from:		
ABN AMRO Group companies	3.415.972	4.479.530
Third parties	9.503.952	11.636.397
Total loans and advances customers	**12.919.924**	**16.115.927**

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 2018	31 December 2017
Balance as at 1 January	**748.087**	**772.706**
Increase of capital	22.280	61.313
Unrealised gains/losses	27	2.601
Dividend paid out	-	-66.239
Exchange differences	34.297	-88.159
Result for the year	99.051	65.865
Balance as at 31 December	**903.741**	**748.087**

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

2018

	Entitlements	Currency	Shareholders' equity 2018	Net result 2018	Shareholders' equity 2018
			(x 1.000)	(x 1.000)	(x EUR 1.000)
ABN AMRO Clearing Chicago LLC, registered office in Chicago, United States	100%	USD	569.680	77.379	497.015
ABN AMRO Clearing Sydney Pte.Ltd, registered office in Sydney, Australia	100%	AUD	74.063	5.780	45.639
ABN AMRO Clearing Hong Kong Ltd, registered office in Hong Kong	100%	HKD	2.071.742	213.292	230.790
ABN AMRO Clearing Tokyo Ltd, registered office in Tokyo, Japan	100%	JPY	12.250.846	655.593	97.125
ABN AMRO Clearing Singapore Pte, registered office in Singapore	100%	SGD	4.465	57	2.861
ABN AMRO Clearing Investments BV, registered office in Amsterdam, The Netherlands	100%	EUR	30.311	2.216	30.311
					903.741

2017

	Entitlements	Currency	Shareholders' equity 2017	Net result 2017	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

18. Property and equipment

(x EUR 1.000)	31 December 2018	31 December 2017
Total property and equipment	**1.170**	**1.650**

The tables below shows the categories of property and equipment at 31 December 2018 against net book value, and the comparatives.

(x EUR 1.000) 2018	Leasehold improvements	IT equipment	Other property and equipment	Total
Acquisition costs as at 1 January 2018	**820**	**19.525**	**276**	**20.621**
Additions		531		531
Foreign exchange differences	23	-76	8	-45
Acquisition costs as at 31 December 2018	**843**	**19.980**	**284**	**21.107**
Accumulated depreciation 1 January 2018	**-793**	**-17.938**	**-240**	**-18.971**
Depreciation expense	-28	-976	-13	-1.017
Foreign exchange differences	-22	80	-7	51
Accumulated depreciation as at 31 December 2018	**-843**	**-18.834**	**-260**	**-19.937**
Property and equipment as at 31 December 2018	**-**	**1.146**	**24**	**1.170**

(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**

No impairments to property and equipment have been recorded in 2018 or 2017.

19. Intangible assets

(x EUR 1.000)	2018	2017
Acquisition costs as at 1 January	**5.027**	**5.231**
Additions	15	-
Foreign exchange differences	-13	-204
Acquisition costs as at 31 December	**5.029**	**5.027**
Accumulated amortisation 1 January	**-4.802**	**-4.670**
Amortisation expense	-153	-318
Foreign exchange differences	16	186
Accumulated amortisation as at 31 December	**-4.939**	**-4.802**
Total intangible assets as at 31 December	**90**	**225**

No impairments to intangible assets have been recorded in 2018 or 2017.

20. Tax assets and tax liabilities

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 2018	31 December 2017
Total current tax assets	**47**	**841**
The deferred tax assets can be categorised into:		
Net investment hedge	8.730	10.662
Other assets	44	857
Investments available for sale	-	5
Fixed assets	949	-
Total deferred tax assets	**9.723**	**11.524**

Of the deferred tax assets an amount of EUR 993 thousand is recorded through the income statement and an amount of EUR 8.730 thousand is recorded through equity.

Total tax assets	**9.770**	**12.365**

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 2018	31 December 2017
Total current tax liabilities	**4.679**	**3.841**
The deferred tax liabilities can be categorised into:		
Investment available for sale	-	1.376
Loans and receivables customers	-	3.627
Financial investments	2.211	-
Other assets	25	-
Total deferred tax liabilities	**2.236**	**5.003**
The total deferred tax liabilities is originated through equity.		
Total tax liabilities	**6.915**	**8.844**

21. Other assets

(x EUR 1.000)	31 December 2018	31 December 2017
The table below shows the components of other assets at 31 December:		
Related to securities transactions *	16.719	8.601
Accrued other income	1.699	3.350
ABN AMRO group companies	1.748	1.167
Prepayments	2.326	1.250
VAT and other tax receivable	1.543	2.655
Other	4.316	3.334
Total other assets	**28.351**	**20.357**

* These include transitory amounts related to securities transactions.

Liabilities

22. Due to banks

(x EUR 1.000)	31 December 2018	31 December 2017
The table below shows the components of due to banks:		
Demand deposits	902.255	1.114.822
Time deposits	7.648.119	10.179.729
Total due to banks	**8.550.374**	**11.294.552**
Of the due to banks item the following amounts were with:		
Demand deposits due to banks ABN AMRO Group	277.151	398.087
Time deposits due to banks ABN AMRO Group	7.644.151	10.179.729
Total ABN AMRO Group companies	7.921.302	10.577.816
Demand deposits due to third party banks	625.104	716.736
Time deposits due to third party banks	3.968	-
Total third party banks	629.072	716.736
Total due to banks	**8.550.374**	**11.294.552**

As at 31 December 2018, an amount of EUR 2.176 million has a maturity of more than three months but less than one year (2017: EUR 2.873 million).

23. Due to customers

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

(x EUR 1.000)	31 December 2018	31 December 2017
The table below shows the components of due to customers:		
Demand deposits	7.208.177	7.186.131
Time deposits	700.952	436.877
Total due to customers	**7.909.129**	**7.623.008**
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	620.827	609.184
Total ABN AMRO Group companies	**620.827**	**609.184**
Demand deposits due to customers third party	6.587.350	6.576.947
Time deposits due to customers third party	700.952	436.877
Total third party customers	**7.288.302**	**7.013.824**
Closing balance as at 31 December	**7.909.129**	**7.623.008**

In 2018, no amount has a maturity of more than three months (2017: nil).

24. 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 2018	31 December 2017
The issued debt consists of the following:		
Bonds and notes issued	60	60
Total Issued debt	**60**	**60**

25. Provisions

(x EUR 1.000)	31 December 2018	31 December 2017
Total Provisions	**2.555**	**5.898**

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 2018	31 December 2017
Opening balance as at 1 January	**5.898**	**2.283**
Additions	585	3.705
Used	-2.791	-
Unused amounts reversed	-1.137	-90
Closing balance as at 31 December	**2.555**	**5.898**

26. Other liabilities

(x EUR 1.000)	31 December 2018	31 December 2017
The table below shows the components of other liabilities at 31 December:		
Related to securities transactions *	74.136	21.687
Accounts payable	12.593	7.747
VAT and other tax payable	327	18
Rebilling cost by ABN AMRO Group	47.802	48.573
Accrued expenses	5.818	1.522
Other	12.794	14.899
Total other liabilities	**153.470**	**94.446**

* These include transitory amounts related to securities transactions.

27. Equity

	31 December 2018	31 December 2017
Total Equity	**1.239.212**	**1.085.558**

For more information, see the Notes to the Consolidated Annual Financial Statements, note 30, Equity.

28. Commitments and contingent liabilities

(x EUR 1.000)	31 December 2018	31 December 2017
The committed credit facilities consist of the following:		
Total committed credit facilities	**334.911**	**385.332**
The guarantees and other commitments consist of the following:		
Guarantees	263.247	252.531
Irrevocable payment commitment	2.563	1.738
Total guarantees and other commitments	**265.810**	**254.269**
The guarantees have been given to third parties and are divided as follows:		
Guarantees given to subsidiaries	251.852	243.445
Guarantees given to clients	-	41
Guarantees given to exchanges	11.395	9.045
Total Guarantees	**263.247**	**252.531**

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 2018	31 December 2017
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	16	25
Longer than five years.	-	-
Total operating lease agreements	**25**	**34**

Acquisitions

No acquisitions were made by ABN AMRO Clearing Bank N.V. in 2018.
Amsterdam, 24 May 2019

Managing Board

R.V.C. Schellens
J.B.M. de Boer
L.M.R. Vanbockrijck
F. 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 2019.

Other information

Building a better working world

Independent auditor's report

To: the Shareholder and Supervisory Board of ABN AMRO Clearing Bank N.V.

Report on the audit of the annual financial statements 2018 included in the Annual Report

Our opinion

We have audited the annual financial statements 2018 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 ABN AMRO Clearing Bank N.V. as at 31 December 2018, and of its result and its cash flows for 2018 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 ABN AMRO Clearing Bank N.V. as at 31 December 2018, and of its result for 2018 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 2018
- The following statements for 2018: 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 2018
- The following statements for 2018: 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	EUR 7.4 million (2017: EUR 5.6 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 EUR 374 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.

The key audit matters are in line with prior year.

Key audit matter: Complexity and diversity of the fee schedules	
	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 yearend balances which includes recognized fees. Also, we performed analytical procedures in relation to portfolio behavior and volumes, as well as prior period's income.
Our key observations	Based on our procedures performed we consider the net fee and commission income to be reasonable.
Key audit matter: IT Dependency	
	The Company relies extensively on complex IT systems for trading, collateral management, reconciliations, and financial reporting. This dependency on IT systems could lead to undetected misstatements in financial reporting. 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 analysing the impact on the IT organization. We assessed the role of IT to the extent necessary within the scope of the audit of the financial statements.
Our key observations	For the audit of the annual financial statements we found the role of IT adequate.

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 required by 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 the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The managing board is responsible for the preparation of the other information, including the Managing Board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by 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 ABN AMRO Clearing Bank N.V. 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:
- Assurance report over the segregation of assets (Vermogensscheiding) of the Company
- ISAE 3402- Assurance Report on Controls at a Service Organization related to the clearing and other services provided by the Company.

Description of responsibilities for the financial statements

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

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

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement 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 detect all material errors and fraud during our audit.

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 scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- 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 the managing board
- Concluding on the appropriateness of the managing boards' 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 the key audit matters: those matters that were of most significance in the audit of the financial statements. 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, 24 May 2019
Ernst & Young Accountants LLP
Signed by W.J. Smit

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