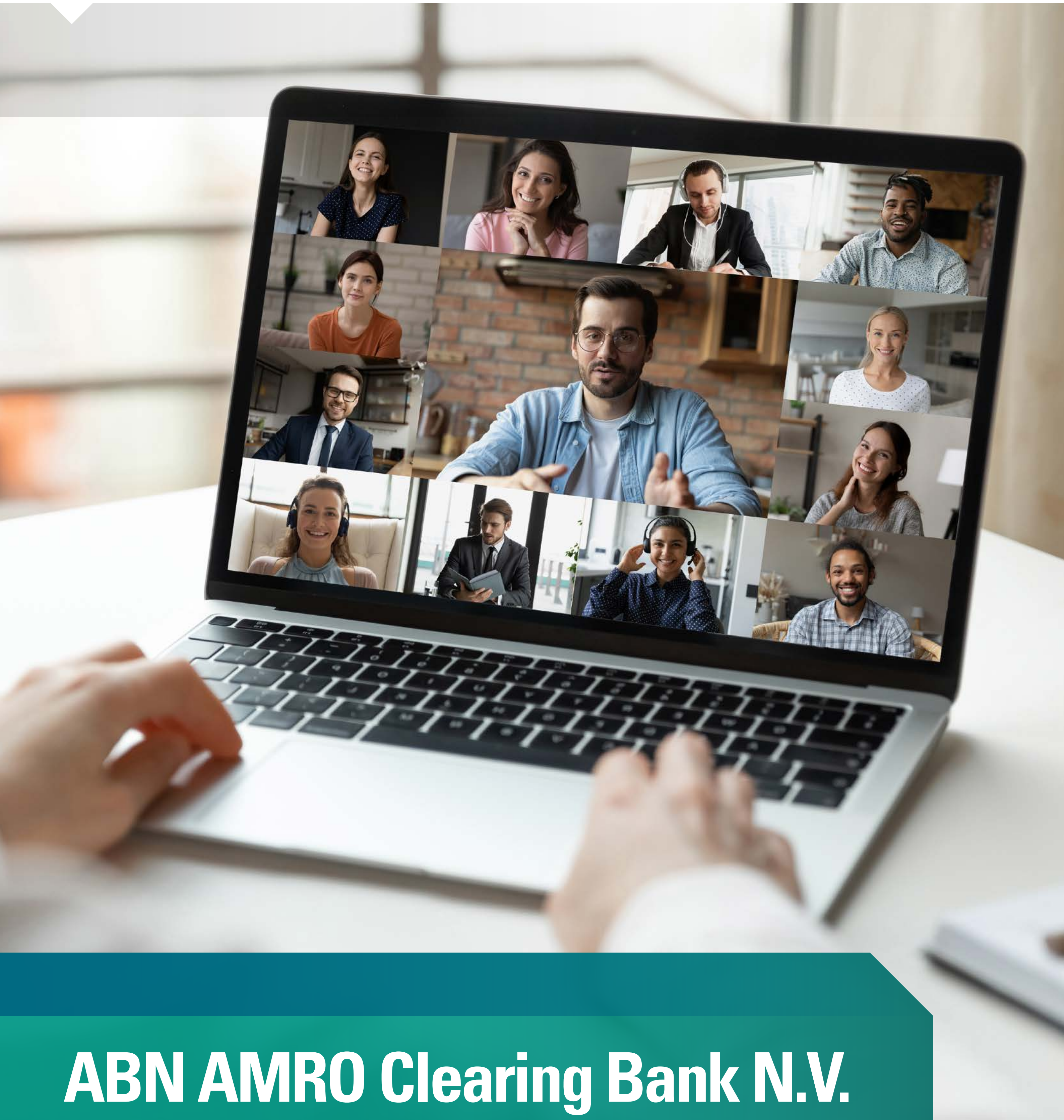
ABN·AMRO Clearing



ABN AMRO Clearing Bank N.V. Annual Report 2020

Notes to the reader

This is the Annual Report for the year 2020 of ABN AMRO Clearing Bank N.V. The Annual Report consists of the Management Board report, Supervisory Board report, the Annual Financial Statements and other information.

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

This Annual Report is presented in euros (EUR), which is ABN AMRO Clearing Bank N.V.'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.

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

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ABN AMRO Clearing at a glance

"Leading the Way to Safe and Transparent Markets"

Established
1982

Transactions processed
5.3 billion
(vs 3.5 billion in 2019)

Liquidity Centres
>150

Total FTEs
837*

Banking Licence

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

Client Segments

- Professional Trading Groups
- Corporate Hedgers
- Prime

The Value Chain

Execution
Trading member
Client → Exchange ← Client

Clearing
General clearing member
GCM ← CCP → GCM

Settlement
Global custodian
Custodian ← CSD → Custodian

Governance

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

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

Net profit (Underlying net profit, x EUR million)		Cost/Income ratio		Client satisfaction (on a scale from 1 to 7)	NPS (on a scale from -100 to +100)	Employee engagement
2020	2019	2020	2019			
14	112	60%	67%	5.67	34	85%

*This is excluding approximately 150 external employees.

Message from the **CEO**

There is no doubt that 2020 was an unprecedented year. In introducing the 2020 ABN AMRO Clearing Bank N.V. (AACB) Annual Report, I can share that I have mixed feelings when looking back on it.

"We have continued to use our purpose as our compass, leading the way to safe and transparent markets by doing business better and more sustainably."

Covid-19 emerged in Europe in February 2020, and forced AACB to make some very quick changes – namely the fact that we asked staff to work from home, depending on where they were located. I am proud of how our employees coped with the significant impact on their personal lives while maintaining operational momentum. As a result, and despite the circumstances, AACB processed 5.3 billion trades in 2020, versus 3.5 billion the year before, achieving a new peak volume of approximately 50 million transactions in a single day (28 February) and with no material operational issues. This exceeded an earlier peak of approximately 30 million trades, on both the day of the Brexit referendum and that of Donald Trump's election as the 45th President of the United States.

Financially, however, 2020 was not the year we had hoped it would be. The turmoil during the first quarter saw some clients experience difficulties and one client default, which resulted in a considerable loss for our bank: USD 200 million. Our track record up to that point had been a cumulative EUR 27 million in credit losses over the previous 14 years. AACB immediately began a self-assessment, which culminated in an extensive risk enhancement programme to incorporate this new data point in our risk metrics, early-warning indicators, and risk processes. We adjusted our financial focus and goal under Project Go for Zero to break-even.

We felt it was our responsibility to do our utmost for our shareholder and stakeholders. As this report indicates, AACB was able to end the year with a small, positive net operating result of EUR 14 million. Given scale of the loss, this is quite an achievement.

From a management and leadership perspective, everyone rose to the occasion, ensuring that we had appropriate communication plans in place for our staff, clients, partners and shareholder, so that they all understood the scope of the event and its impact. It has been encouraging to see that feedback scores in both the Client Survey and Employee Engagement Survey (EES) were higher than the year before: our Net Promoter Score was 35 (up from 26 in 2019) and our overall EES score was 85% (80% in 2019).

In August 2020, we were informed of the decision-making on the strategy for the Corporate & Institutional Banking (C&IB) division of our shareholder ABN AMRO. Their decision to withdraw from both the Asia-Pacific (APAC) region and the Americas (both USA and Brazil) and specific client segments has an impact on our business and organisation as we share some resources, especially in the field of Treasury-services, office space, Compliance, Legal and HR. As a result of this decision we initiated a project to investigate all relevant links and arrange for an organised disentanglement to allow us to stand alone well ahead of the finalisation of C&IB's wind-down in the respective locations.

We have continued to use our purpose as our compass, leading the way to safe and transparent markets by doing business better and more sustainably. For example, AACB is working with Frontclear to help emerging countries develop their local markets. We continue to participate in industry panels on environmental, social and governance (ESG) considerations. We connected our platform to more power markets to support the energy transition and we remain focused on minimising our own ESG footprint when selecting data centres and power suppliers. We continued our tree-planting programme to compensate for our carbon footprint, with a target of becoming CO_2 neutral by 2030. And last but not least, AACB's efforts in various central-counterparty risk credit committees, Futures Industry Association boards and many other bodies to advocate and influence better banking for future generations.

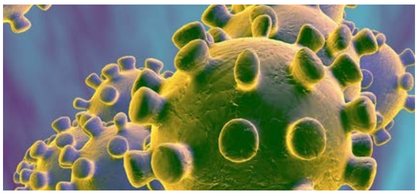
To conclude, I think that with all we have accomplished last year, AACB is now better positioned for success going forward. The support of our clients, partners and staff during this difficult year has been reassuring and we are grateful for it. Looking ahead, we will continue our efforts to deliver positive results.

Amsterdam, 19 May 2021

Rutger Schellens
Chief Executive Officer

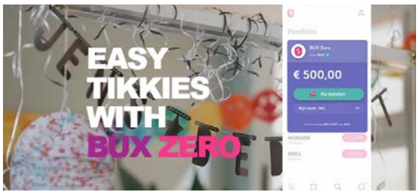
February

- On 5 February, ABN AMRO Clearing hosted the 9th edition of the Amsterdam Investor Forum bringing together alternative investors and managers.
- ABN AMRO Clearing received Best Prime Broker Awards during Hedgeweek European Awards 2020.
- ABN AMRO Clearing staff in the Asia-Pacific offices work from home due to Covid-19 pandemic.
- 28 February all time record number of trades (approximately 50 million).



March

- ABN AMRO Clearing incurred an incidental net loss of USD 200 million as a result of the closing of the Cboe floor due to the pandemic and the unprecedented volumes and volatility in financial markets.
- Governments in EU and US announce working from home is the standard in light of the Covid-19 pandemic.



April

- ABN AMRO's Tikkie and ABN AMRO Clearing's Banking as a Service team up to service Fintechs.

the SMALL exchange

June

- ABN AMRO Clearing Chicago joins Small Exchange as a general clearing member.

July

- Access to China: ABN AMRO Clearing completes first commodities futures trade.
- Banking as a Service was granted with ISAE 3402 Type II assurance.

August

- ABN AMRO Clearing Chicago joins Nodal Exchange as a general clearing member.
- ABN AMRO Clearing started clearing Japanese power futures.

September

- Banking as a Service reached a new milestone: 100,000 clients.
- Group of 20 graduates started their Clearing journey in the Global Clearing (IT) Talent Programme.
- ABN AMRO Clearing hosted its first Global Sustainability week.
- ABN AMRO Clearing Chicago joins MIAX Pearl as a general clearing member.

MEMX Members Exchange

October

- ABN AMRO Clearing Chicago joins The Members Exchange (MEMX) as a general clearing member.

GLOBAL INVESTOR ISF FOW ISF Survey 2020

December

- On our way to becoming a data-driven organisation, ABN AMRO Clearing held its first Global Data Drive week focusing on data governance, data quality and data analytics.

Supervisory Board

This section highlights the main activities of AACB's Supervisory Board for the year 2020, its organisation, and its permanent educational activities, which continue to be of utmost importance in the oversight of AACB.

Supervisory Board composition is based on ABN AMRO Bank N.V. (ABN AMRO)'s guiding principle that diversity of thought, expertise, background, competences and interpersonal styles – including but not limited to gender diversity – is a prerequisite for effective supervision and by extension, for long-term value creation. In line with its diversity policy, AACB is striving to meet the gender target of 30% for the Supervisory Board.

On 17 December 2020, Ms Bartje Schotman-Kruiten was appointed to the Supervisory Board. As at 19 May 2021, the Supervisory Board consists of one female member and three male members. The Supervisory Board will give due consideration to any applicable gender requirements in the search for suitable new members who meet the requirements stipulated in the Dutch Financial Supervision Act.

Supervisory Board members have collective expertise in clearing, risk management, P&L line management, strategy formulation and execution, capital and liquidity management, IT, digitalisation, economics, sustainability and corporate social responsibility, legal and compliance matters, and the development of products and services.

Self-assessment

Every three years, the Supervisory Board reviews its performance by involving a third party in accordance with the Dutch Banking Code. An external company will conduct and facilitate the self-assessment for 2020 in the second half of 2021. The assessment and evaluations will be used to identify areas for improvement.

Supervisory Board meetings

The Supervisory Board held five regular meetings according to the pre-set schedule and ten extraordinary meetings in 2020, for which the Supervisory Board Chair and the Company Secretary prepared the agendas. Standard meeting topics include AACB financial performance, strategy, compliance, market and regulatory developments, audit findings and IT security. The meetings also reviewed and approved AACB's risk appetite statement and the internal capital and liquidity adequacy-assessment process. The Management Board regularly provides financial data to the Supervisory Board in order to indicate (periodic) results and risks, as well as capital and liquidity positions.

On top of the standard topics, the focus in 2020 was on the market turmoil, the client default in March 2020 and the following risk enhancement programme. In addition, the appointment of new Supervisory Board members was also on the agenda several times.

Prior to each meeting, the Supervisory Board took ample time to discuss topics, exclusive of Management Board attendance. All scheduled plenary meetings were held with the Management Board and the Company Secretary in attendance. Senior management and subject-matter experts were regularly invited to present topics related to the clearing business.

The Supervisory Board is satisfied with AACB's 2020 financial performance and with the way AACB recovered from the loss in March 2020. AACB's auditors perform an audit of its financial information. AACB's independent external auditor, EY, presented its audit plan to the

Supervisory Board's Audit, Risk and Compliance Committee (ARCC) on 25 November 2020. The 2020 Financial Statements and 2020 Annual Report were audited and discussed by the Supervisory Board, Management Board and EY in May 2021. The Supervisory Board noted the independent auditor's report on the 2020 Financial Statements issued by EY.

Throughout the year, the Supervisory Board monitored strategy implementation and supported the Management Board in its efforts to maintain a moderate risk profile and give priority to client interests as part of the bank's long-term strategy. AACB's Risk Management Report, which is regularly provided in the ARCC meetings, served as the basis for effective discussions about key risks confronting AACB. The Management Board regularly informed and briefed the Supervisory Board on intended organisational changes, strategic initiatives, and (operational) incidents.

The Supervisory Board is satisfied with the results of AACB's 2020 Client Survey and Employee Engagement Survey.

Audit, Risk & Compliance Committee

The Supervisory Board established the ARCC to assist the Supervisory Board in performing duties related to internal risk control, capital management and regulatory compliance in order to provide adequate advice.
As at 19 May 2021, the ARCC comprises the following members: Ms Bartje Schotman-Kruiten, who succeeded Mr Rintse Zijlstra as Chair as of 9 April 2021, and Mr Frank Graaf. In addition, the Management Board, Finance, Compliance, Legal, Risk, Audit (internal) and the external auditor are invited to the ARCC.

In 2020, the ARCC held five plenary meetings to discuss audit, legal, risk and compliance topics as well as the bank's capital and liquidity positions.

Permanent education

Supervisory Board members continuously improve their knowledge of clearing topics by participating in sessions for permanent-education purposes and 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 considers current clearing-industry developments. Sessions included regulatory changes, AACB's correlation haircut model and an external view on AACB.

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

Amsterdam, 19 May 2021

Supervisory Board

Frans van der Horst
Rintse Zijlstra
Frank Graaf
Bartje Schotman-Kruiten

Frans van der Horst (Dutch, male, 1959)
Supervisory Board member

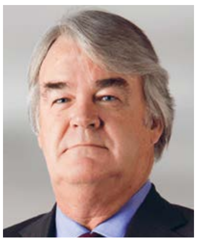
Frans van der Horst was appointed to the Supervisory Board of ABN AMRO Clearing Bank N.V. on 15 September 2014 and was subsequently appointed Vice-Chair with effect from 2 February 2016. In February 2017, Frans was appointed CEO Retail ABN AMRO Bank N.V. and Executive Committee member of ABN AMRO. In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

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.

Frank Graaf (Dutch, male, 1958)
Supervisory Board member

Frank Graaf was appointed to the Supervisory Board of ABN AMRO Clearing Bank N.V. on 22 June 2020. Frank is Of Counsel at Clifford Chance, a global law firm where he has been a partner leading Clifford Chance's Capital Markets, Financial Regulation and Derivatives Group in Amsterdam for more than 27 years.



Bartje Schotman-Kruiten (Dutch, female, 1971)
Supervisory Board member

Bartje Schotman-Kruiten was appointed to the Supervisory Board of ABN AMRO Clearing Bank N.V. on 17 December 2020. In the past, Bartje has held various positions within ING and ABN AMRO. In December 2019 Bartje returned to ABN AMRO to head the Information & Operational Risk Management team. On 9 April 2021, Bartje was appointed Chair of the Audit, Risk and Compliance Committee of ABN AMRO Clearing Bank N.V.

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Financial review 2020

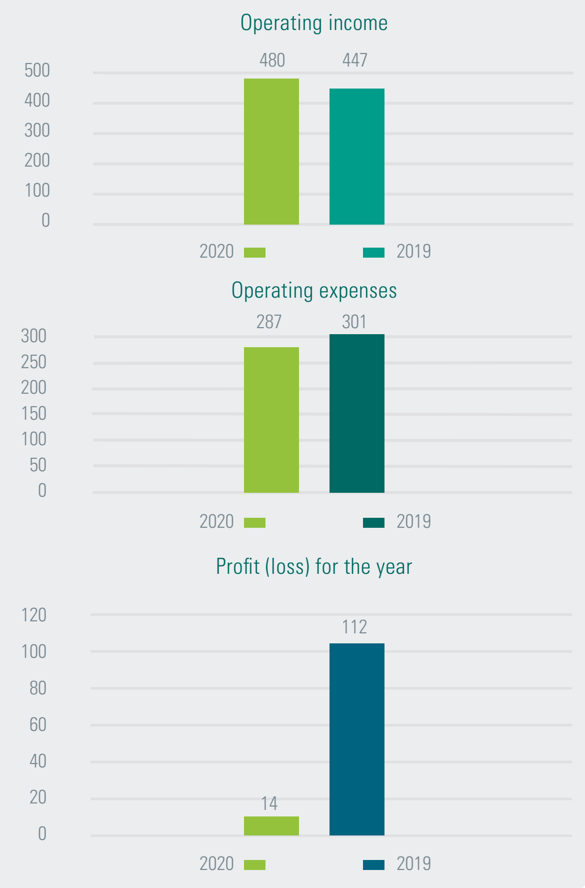
As the Covid-19 pandemic dominated our communities, economies and social lives, it also significantly impacted AACB financial statements over 2020, with net profit for the year amounting to EUR 14 million. Compared to full year 2019, this represented a decrease of EUR 97 million.

An enormous increase in trading activity and market volatility on financial markets was seen as of late February continuing well into March 2020, leading to a record number of cleared volumes and fee income. However, due to the strong sell-off of single stocks, global indices and commodities during this period, one AACB client defaulted in meeting its margin requirements, which caused us to report a pre-tax loss of more than EUR 200 million related to this event. Following the event, a risk enhancement programme was set up. Please refer to the Risk Management chapter for more information on this initiative.

Escalating fears of the economic impact of the coronavirus spurred the United States (US) Federal Reserve's March 2020 decision to support the US economy by strongly reducing its benchmark rates to near zero and launching a massive quantitative-easing programme. This unfavourably influenced AACB's US interest results over 2020.

In the last quarter of 2020, stock markets continued to rebound from the disruptions seen in the first half of the year, despite the reinstatement of pandemic containment measures, particularly in Western Europe. Progress on the successful deployment of vaccines by the pharmaceutical industry, the US elections, the Brexit Trade and Cooperation Agreement between the European Union and the United Kingdom all contributed to high market activity and consequently further improved AACB fee performance over 2020.

Summary (x EUR million)



Due to the reported client default in March 2020, AACB launched a series of initiatives to recover the loss and limit the impact on our capital base. The aim was to end the 2020 reporting year by at least breaking even, which was achieved with a net profit for 2020 of EUR 14 million.

Operating income increased by EUR 33 million to a record level of EUR 480 million, the highest in AACB history. Obviously, the unprecedented market circumstances throughout 2020, especially February and March, boosted AACB income from net fees and commissions.

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Whereas in 2019, we recorded EUR 239 million in net fees and commissions, in 2020, these amounted to EUR 294 million - an increase of 23%.

Contrary to the above, net interest income ended at EUR 181 million – a decrease of EUR 9 million year over year despite the increase in balance sheet. Higher client-financing and margin-financing needs, in combination with increased securities borrowing and lending activities, were offset by a decrease in earned spreads, mostly due to the lower US interest rate environment.

Aside from our net-interest-income performance, other operating income also decreased to a level of EUR 4 million, a decline of EUR 13 million compared to 2019. This can mostly be attributed to revaluation results of held shareholdings in central clearing houses and exchanges, lower returns in US money-market funds as US Fed rates dropped sharply, and a reduction in received dividends. The latter is in line with European Central Bank recommendations for financial institutions to act extremely prudently on dividend payouts and share buy-backs, given the uncertainty about the economic impact of the coronavirus, and to safeguard capital positions and lending abilities to support economies.

Operating expenses amounted to EUR 287 million in 2020. Against EUR 301 million in 2019, this revealed a decline of EUR 14 million. Due to the incurred client loss in March 2020, various cost-saving initiatives were implemented to meet AACB's Go for Zero-target.

In particular, reductions were realised in personnel expenses due to lower discretionary variable remuneration costs and a decrease in pension-plan contributions. These are partly countered by wage inflation, an increased number of full-time employees on the AACB payroll, and restructuring effects.

Additionally, the level of travel, training and marketing expenses declined year over year due to Covid-19 restrictions and containment measures. The costs charged by ABN AMRO group for overhead services and (second-line) support also compares favourably against last year.

However, an increase of EUR 3 million can be attributed to regulatory contributions towards the Single Resolution Fund and Dutch Banking Tax. IT expenses also ended higher, largely due to increases in external data-communication expenses.

Impairment charges were EUR 206 million, almost fully related to the US-client default of March 2020. This specific event impacted AACB impairment charges by EUR 207 million. During 2020, AACB received various recoveries from Nasdaq OMX, amounting to EUR 2 million in relation to the 2018 clearing-member default event.

Income-tax expense totalled a positive EUR 27 million versus a debit of EUR 35 million in 2019. The US-client default significantly influenced AACB income tax as, based on the US CARES Act, the loss is taxed with a carryback capacity until 2015, which still included the high pre-Trump-administration federal tax rates of 35% versus a current applicable rate of 21%.

Outlook 2021

AACB is looking with confidence to the future. After the incurred US client loss in March 2020, additional investments in AACB's risk framework and furthermore, the de-risking and targeted repricing in the client portfolio, led to an improved foundation for the years to come.

Following our client's ambitions, AACB expands its product offering and global presence on international trading venues triggering opportunities for growth. Exchange-traded volumes continue to rise in every major activity centre and we feel well equipped to support our client's participation in this growth.

Upcoming and ongoing regulatory challenges and more specific, the introduction of the Standardised Approach for Counterparty Credit Risk (SA-CCR) and the Net Stable Funding Ratio (NSFR) as per June 2021 and its impact on AACB's regulatory requirements, has full attention and will influence the (strategic) choices to be made. In addition, the ABN AMRO C&IB wind-down in non-core geographical areas and consequently, the disentanglement of AACB will require management attention during 2021 as well.

Management Board

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

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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 Management 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 Management 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 Management 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 Management Board Member of ABN AMRO Clearing Bank N.V.

Responsibility Statement

Pursuant to section 5:25c sub 2 part c of the Dutch Financial Supervision Act, the members of the Management Board state that to the best of their knowledge:

- the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of ABN AMRO Clearing Bank N.V. and the companies included in the consolidation;
- the Management Board report gives a true and fair view of the state of affairs on the balance sheet date and the course of business during the 2020 financial year of ABN AMRO Clearing Bank N.V. and its affiliated companies, of which data is included in its Annual Financial Statements.
- the Management Board report describes the material risks with which ABN AMRO Clearing Bank N.V. is faced.

Amsterdam, 19 May 2021

Management Board

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

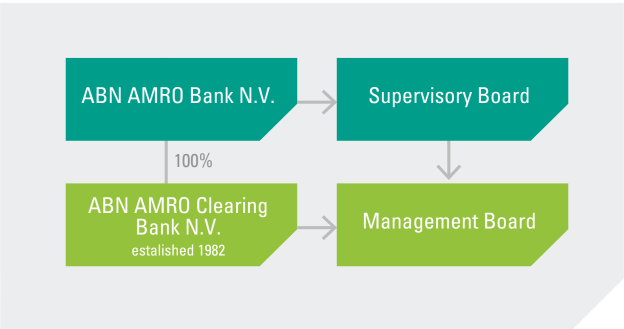
Corporate Governance

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

Corporate structure

ABN AMRO issued a 403 Statement with respect to AACB. Under Dutch law, a 403 Statement is a statement of a parent company in which it assumes joint and several liability for all liabilities arising legal acts of the subsidiary to which the statement applies, in this case AACB. 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 Management Board and a Supervisory Board. The responsibilities and activities of the Management Board and the Supervisory Board are governed by Dutch corporate law and the AACB Articles of Association as well as other regulatory requirements. Furthermore, AACB has adopted rules of procedure for the Management Board, Supervisory Board and their respective subcommittees regarding their duties, powers and responsibilities.



Management Board

Responsibilities

The Management Board manages AACB, and its members are collectively responsible for the general course of AACB business and its group companies as well as for ensuring compliance with laws and regulations. In doing so, the Management Board is responsible for, among other things, setting AACB's and its group's mission, vision, culture, strategy, risk appetite, risk management, corporate standards and values, risk framework, main policies, budgets and (financial and non-financial) targets and for the realisation thereof, with due observance of ABN AMRO's strategy and ABN AMRO group-wide policies. In performing its duties, the Management Board develops a view on long-term value creation for AACB and its group's business and takes relevant stakeholder interests into account.

The Management Board is supported in fulfilling its duties by the Global Management Team (GMT), which comprises the Management Board members, Chief Information Officer, Chief Operations Officer, and the regional Chief Executive Officers (for Asia-Pacific, Europe and the US).

The Management Board is accountable to the Supervisory Board and to the General Meeting of Shareholders (General Meeting) for member performance. The Management Board provides the Supervisory Board with all information required to exercise its powers, including AACB operational and financial objectives, budget, annual accounts and risk, strategy and related parameters.

Appointment, suspension and dismissal

Management Board members are appointed by the General Meeting. In principle, appointments are for a period of four years. Reappointments are possible at all times. The Supervisory Board and the General Meeting may suspend a member of the Management Board at any time. Management Board members can only be dismissed by the General Meeting.

An overview of the current composition of the Management Board is provided in the Management Board section.

Remuneration

As a financial institution, AACB is subject to many guidelines and restrictions with respect to remuneration. Since 2015, limitations with respect to remuneration and particularly variable remuneration have applied to all employees in the Dutch financial sector, with even more restrictions applying to financial institutions supported by the Dutch State by way of shareholdings. As long as the Dutch State holds an interest in ABN AMRO, AACB will apply a prohibition on bonuses and individual salary increases for a specific group of senior employees. These restrictions also apply to AACB Management Board members.

ABN AMRO's Global Reward Policy provides a framework for managing reward and performance effectively and applies within ABN AMRO globally, 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 also includes the Management Board members. The remuneration packages for Identified Staff have been structured in accordance with financial-sector regulations and typically consist of the following components:

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

Supervisory Board members who are employed by ABN AMRO and do not receive separate compensation for AACB Supervisory Board membership. External members of the Supervisory Board do receive a compensation. In 2020, Mr Alexander Rahusen and

Jose Rolando - Assendelft NL

Mr Graaf received a compensation as external members of the AACB Supervisory Board.

Supervisory Board

Responsibilities

The Supervisory Board supervises the Management Board as well as the general course of AACB events and related business. In addition, the Supervisory Board assists the Management Board by providing advice.

In performing their duties, Supervisory Board members are guided by the interests and continuity of AACB and its group business, taking into consideration the legitimate interests of all AACB stakeholders. Several powers are vested in the Supervisory Board, including approval of certain resolutions proposed by the Management Board.

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

Appointment, suspension and dismissal

Supervisory Board members are appointed and may be suspended or dismissed by the General Meeting. An overview of the current composition of the Supervisory Board is provided in the Supervisory Board section.

Changes in 2020 and 2021

On 22 June 2020, Mr Frank Graaf was appointed as AACB's first independent external member of the Supervisory Board.

Maaike van der Vlist - Amersfoort NL.

On 17 December 2020, Ms Bartje Schotman-Kruiten (employed by ABN AMRO) was appointed as successor of Mr Toon Peek, who stepped down as member of the Supervisory Board as of 1 August 2020.

Mr Alexander Rahusen has stepped down as member of the Supervisory Board as of 1 May 2021 and Mr Rintse Zijlstra has also announced to step down in 2021 as of 30 June 2021. The search for new Supervisory Board members, including another independent Supervisory Board member, is in progress.

Diversity

The Management Board and the Supervisory Board consist exclusively of natural persons. At the end of 2020, the Management Board and Supervisory Board consisted of 25% and 20% female members respectively. In the event of vacancies, AACB will give due consideration to any applicable diversity requirements in the search to find suitable new members who meet the requirements of the Dutch Financial Supervision Act.

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 licenced bank under the Dutch Financial Supervision Act. 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 best-practice provisions as well as compliance with internal and external rules.

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 available on abnamro.com

General Meeting

The General Meeting is entitled to adopt the annual accounts and take important decisions regarding the identity or character of AACB. At least one General Meeting is held annually within six months from the end of the financial year. The agenda must include a minimum of following items: discussion of the Annual Report, adoption of the annual accounts, and granting of discharge to members of the Management Board and Supervisory Board. The General Meeting was held on 25 May 2021. The General Meeting adopted the 2020 annual accounts and granted discharge to members of the Management Board and Supervisory Board.

Legal structure

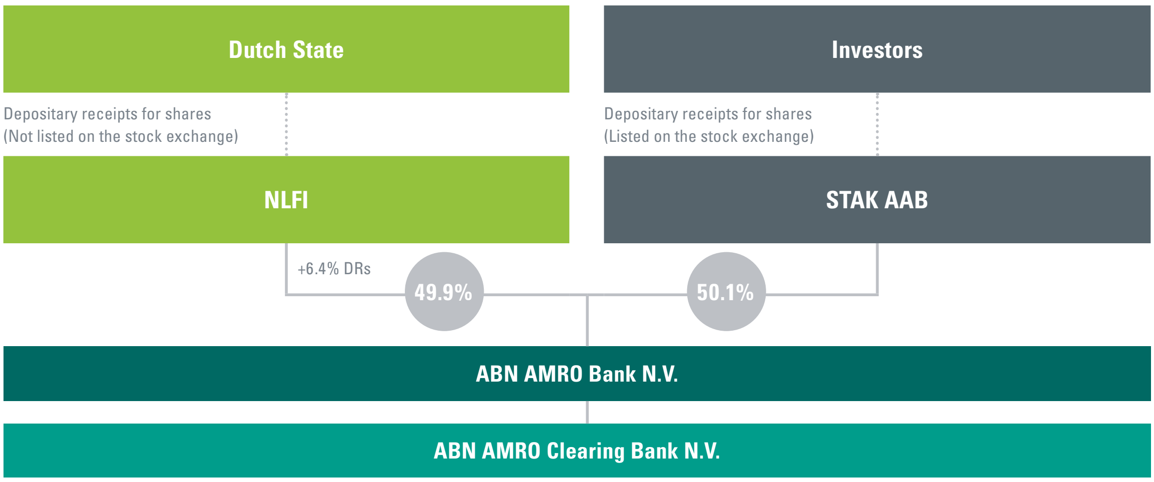
AACB is a wholly owned subsidiary of ABN AMRO. AACB has been a fully licenced bank since 30 September 2003. Under the Single Supervisory Mechanism implemented in November 2014, AACB is subject to joint prudential supervision by the European Central Bank (ECB) and the Dutch Central Bank (DNB).

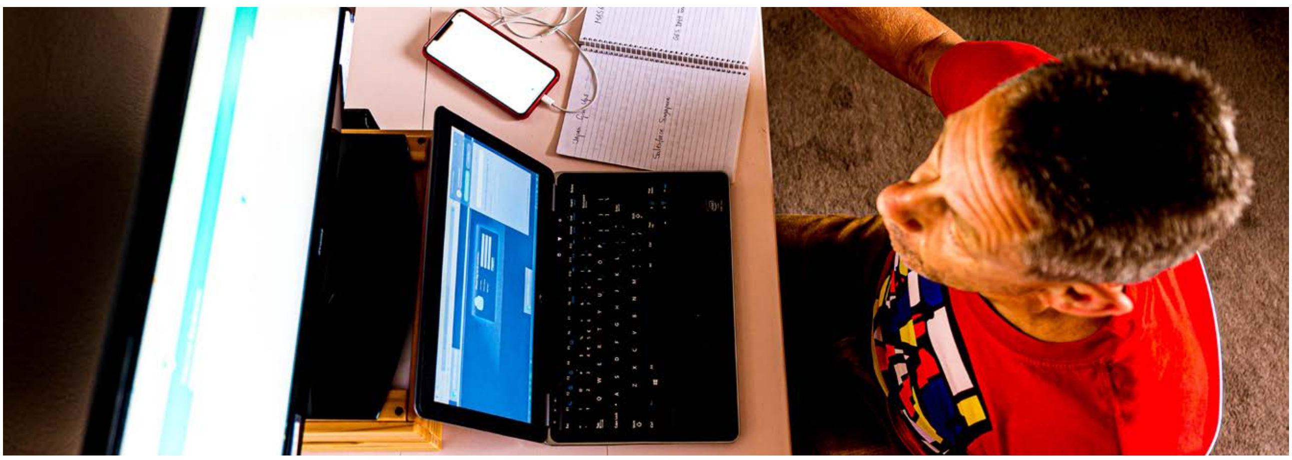
All shares in the capital of ABN AMRO were are held by two foundations: Stichting Administratiekantoor beheer financiële instellingen (NLFI) and Stichting Administratie kantoor Continuïteit ABN AMRO Bank (STAK AAB). On that date, NLFI held 56.3% in ABN AMRO, of which 49.9% was directly held via ordinary shares and 6.4% was indirectly held via depositary receipts (DRs) for shares in ABN AMRO. On that date, STAK AAB held 50.1% of the shares in the issued capital of ABN AMRO. Only STAK AAB DRs have been issued with the cooperation of ABN AMRO and are traded on Euronext Amsterdam.

AACB provides clearing and related services in Europe from its head office in Amsterdam, as well as through the AACB London Branch and wholly owned subsidiary ABN AMRO Clearing London. AACB provides services beyond 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, as well as ABN AMRO Clearing Investments. AACB also has offices in São Paulo, Frankfurt and New York.

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

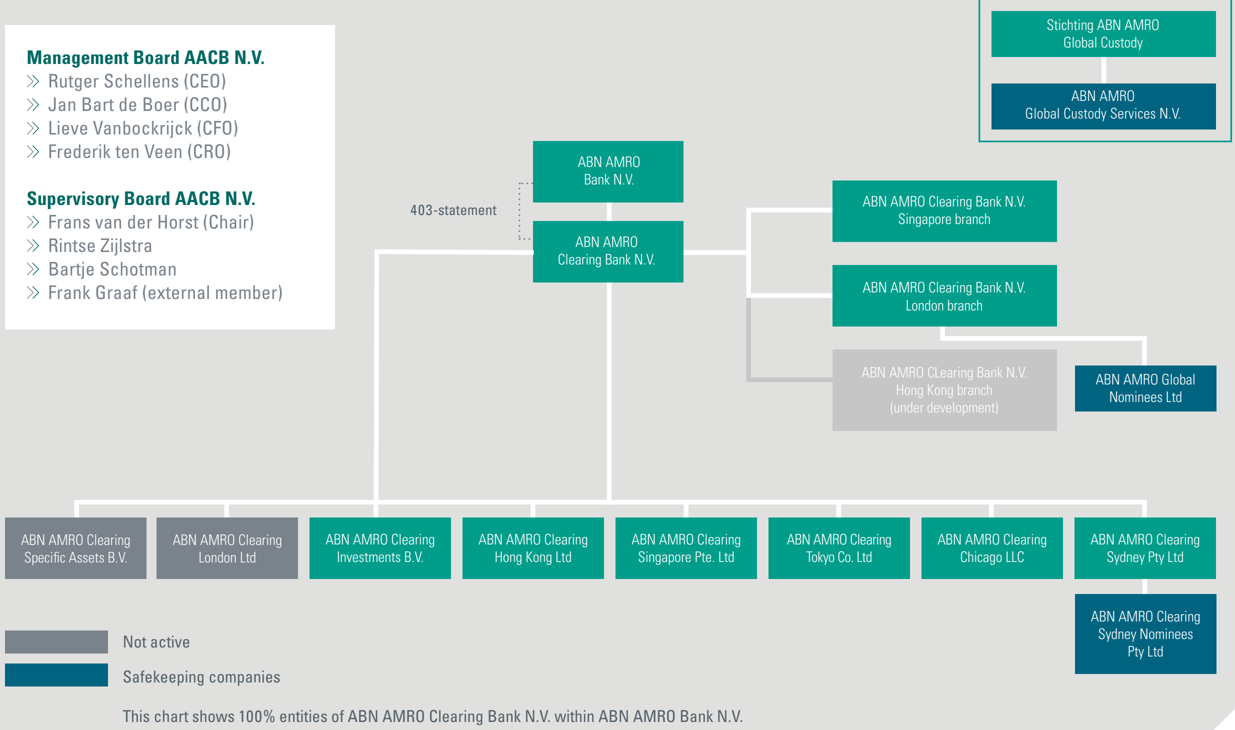
Shareholder structure





Luuk Godefrooij, Lane Cove, AU.

ABN AMRO Clearing Bank N.V. Group structure



Juventud Mubelay - Amstelveen NL

Our **Business**

AACB is a globally active and prominent general clearing member (GCM), providing best execution, clearing, settlement, custody and financing services for listed derivatives, cash securities, over-the-counter (OTC) products, exchange-traded funds (ETFs), commodities, and foreign exchange transactions. As a prime broker, our single global service model for clients connects businesses in the three regions: Europe, Asia-Pacific and the United States. We cover all major exchanges and execution venues, combined with central-counterparty (CCP) coverage in those regions as well as Brazil.

Clients

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 facilitate fair pricing 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 provider for Principal Trading Groups across the globe.

AACB offers multi-market and multi-product services to leading global principal trading firms. We recognise that most of our larger clients started small. Therefore, we are committed to continue helping wellstructured niche players and start-ups.

Corporate Hedgers

AACB has a long and strong track record in listed commodity derivatives. Our recognised global execution and clearing expertise includes acknowledged abilities in physical delivery. Our clients use derivatives to hedge the price risk of underlying commodity inventories and flows of agricultural, base and precious metals, oil and energy-related products.

Prime

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

1. European financial institutions use our global custody services, and we offer futures and OTC-derivative clearing services. Regional banks, insurance companies and pension funds increasingly seek a combination of interest rate swap clearing and asset services (including collateral management) due to liquidity needs arising from CCP margin calls.
2. Retail brokers across Europe use our global execution, clearing, settlement and custody services. When necessary, our offering is enhanced with stock loan and financing services. We propose a “one-stop-shop” solution, allowing retail brokers to focus on their core competences and clients.
3. Alternative investment funds and hedge funds use our clearing and financing services as well as our Prime broker services, including synthetics. These focus on funds that create exposures to listed markets and deploy strategies where our correlation-risk model can generate capital efficiencies.

Business highlights in 2020

We foster a fit-for-future organisation, with highly engaged staff, a lean corporate structure, robust IT infrastructure and a sound capital structure. As a sustainable bank, AACB maintains an organisational structure to remain compliant and to realise our strategy. Sustainability also means that we communicate with our clients about minimum Environmental, Social and Governance (ESG) standards for financial instruments. Our culture and structure enable us to be a smart follower of technology developments and a business innovator, while always taking risk management into account. As such, we are continually expanding our data-analytics capabilities, including developing machine learning techniques for risk management. In terms of the human touch, we continue to close the skill gap by attracting and retaining the right talent and offering continuous learning and development opportunities.

Due to our continuous focus on servicing the right clients, our risk enhancement programme and ESG concerns, our client base decreased from 720 to 630 clients at the end of 2020. Despite the challenges presented by the Covid-19 pandemic in 2020, AACB remained focused on a number of business priorities, structured around our three pillar strategy. We set out the three pillars and the progress and achievements in each of the pillars in the paragraphs below:

BUILDING A FUTURE PROOF BANK

Building a future proof bank means we will work together more efficiently, use our data more effectively, and give our people the room to grow and the freedom to experiment.

In 2020 as part of a future proof bank, we implemented the following initiatives:

Future proof our IT landscape

AACB aims to deliver stable, reliable and resilient IT services that add value for our clients. In 2020, we focused on laying the foundation for our future digitisation by enhancing our end-user services and creating a global IT infrastructure. Apart from large integration projects, we also worked on further evolving our IT security position, for example, by implementing new technology solutions and user awareness training.

In addition, we increased our level of IT automation to improve quality and keep pace with the increased market volumes we are processing. Looking ahead, we began designing and developing our future application landscape. Our future IT environment will be platform based, comprising: the Cloud, micro services, open landscape (internal and external APIs), a modular set-up, automation where possible, and data centricity.

Data management

As a data-driven company, AACB continued to improve its level of automation and the quality of data governance and control. We delivered data-driven insights for critical business decision-making, through fact-based choices and by using data to provide financial opportunity and value. This includes: improving customer experience; improving operational excellence; future-proofing current business models, and generating new ones.

REINVENTING THE CUSTOMER EXPERIENCE

We care for our clients. We help them pursue their ambitions and move forward responsibly. To do so, we constantly aim to innovate our products and services.

Our clients expect professionalism and high-quality interfaces in their day to day interactions with our organisation. We continuously evolve the interface layer and at key moments, they want access to our premium advisory services and first class solutions. To reinvent the customer experience, AACB engages in the following initiatives:

We worked on improving customer satisfaction and innovating client interaction, facilitating increased and easier contact moments. We developed a global clearing

Introduction
Governance
Our Business
Risk Management
Financial Statements
Other Information

portal for all communication with clients an expanded our API infrastructure and computer-to-computer communication. We also improved the level of our automation, including our non-core clearing processes by providing dashboards and management information, and sharing service-level agreements and performance figures.

A new business segment: Platform bank for retail aggregators

We further established our position as a platform bank. Focusing on licenced retail brokers handling client deposits without a banking licence, our blockchain-powered, retail cash account administration synchronises with our clients' core systems. In 2020, AACB opened well over 100,000 bank accounts, with a total of 140,000 clients onboarded at the end of 2020. Banking as a Service (BaaS) went live in both France and Belgium, and we were granted the ISAE 3402 type II Assurance. Additionally, ABN AMRO's payment app functionality, Tikkie, was activated, allowing users in the Netherlands to fund their accounts in a matter of seconds.

Our retail one stop shop (ROSS) provides a seamless chain of services, from execution to safekeeping of assets, via straight-through processing. This includes best execution, corporate-action processing and tax services. In 2020, our ROSS product gained access to all major European countries and the United States. We also increased our equity liquidity coverage for retail brokers by connecting to Equiduct APEX and selected electronic-liquidity-providers. Systematic internalisers provide liquidity at or better than the European Best Bid Offer price (EBBO), while reduced clearing and settlement costs lower the overall cost of trading for end investors.

Continuously evolve the interface layer

AACB is shifting from a data push to data pull strategy. This means that clients will pull their data from us, instead of us pushing it to them. We want to offer such self-service and customised reporting capabilities for our clients by maintaining and offering a single client portal and API platform instead of multiple ones. Ultimately, this will result in: enhanced automation of all client instructions; an omni-channel capability to communicate with our internal functionality, such as portals, online reporting, archives, and our online casemanagement system; and the elimination of manual and error-prone processes. In doing so, we will leverage a single access-management and development platform, allowing us to reduce cost and risk, and reinvent the customer experience in terms of reporting, instructing and contact moments. In tandem, we will track and measure all activity online and on our interfaces to gauge success.

SUPPORTING OUR CLIENTS' TRANSITION TO SUSTAINABILITY

We believe that all our clients will be affected by the transition to sustainability in one way or another in the years ahead.

By making sustainability an integral part of our business, we are maximizing our impact on society. Our global scale puts us in a position to sense what is happening in the financial markets and what the impact is on society, our clients and ourselves. In 2021 we have made strides in the following intiatives:

Climate Impact Programme

AACB has set a target to be carbon neutral by 2030, switching to renewable energy - when possible, reducing our energy usage by upgrading our infrastructure and offsetting our carbon emissions. In 2020, 41% of our data centres ran on renewable energy sources. Our Climate Impact Programme was launched in 2019 to offset our carbon emissions as well as contribute to large-scale reforestation projects in Spain and Australia.

Commitment to transparency

We are looking at how the renewable-energy-certificate space can become more efficient, paving the way for transparent pricing and larger market accessibility.

We also developed our Power Clearing Bank proposition in 2020, which provides access to global energy markets to create price transparency in the power and gas markets, facilitating the energy transition and participation in carbon-allowances markets. AACB encourages staff to share knowledge and give advice on setting up safe and transparent markets in Mongolia, Nigeria, Ghana and Ethiopia, where financial systems are being developed with Frontclear. In 2020, AACB contributed 50 days of volunteering on the Frontclear projects.

Our **Regions**

United States

Covid-19 had a material impact on ABN AMRO Clearing Chicago (AACC) in 2020. Uncertainty created by the pandemic caused immediate and fluid changes to the traditional workplace model. The majority of employees in the US region transitioned from working in the office to working from home in a very short period of time, all the while demonstrating high resilience, commitment and engagement. Despite the associated challenges, we were able to continue operating in a business-as-usual mode and without significant service-level disruption. We continued to focus on our clients to enhance their experience and grow our offerings for them in terms of new products and exchanges, in alignment with the risk profile of the bank.

2020 in perspective

Risk and revenue in the new reality

March 2020 brought unprecedented, extreme market volatility and market dislocation that resulted in the largest AACC client loss in our history, accounting for a EUR 200 million pre-tax impairment for the year. Risk was subsequently reviewed globally, with the US Risk team supporting the review of all US clients. The global Risk team made adjustments to maintain a moderate risk profile for AACC. Some financial and risk requirements for certain clients were increased following this review.

The pandemic also prompted the US Treasury to lower the Federal Funds Target Rate to 25 basis points. The extreme shift in the interest rate environment to essentially zero had a materially negative impact on interest revenues for AACC.

Employees and IT: impact of the pandemic

For staff in the US region, 2020 was a challenging year, characterised by extreme volumes and full-time remote work. The volatility required extra effort by employees, which occurred just as the transition to working from home began. AACC was able to rely on tools such as videoconferencing to help employees stay connected and tools to eliminate the need for some physical signatures. The Management Team increased communications and implemented a weekly all employee videoconference update.

IT began working in the Cloud in 2020, allowing our development team to become more agile. A primary IT focus in 2020 was the migration of data centres and the further rollout of end-user-computing services to all staff. The shift to working from home presented many challenges for the rollout.

In 2020, our IT team also succesfully built a few new solutions in the Cloud. This is a focus within our industry and allows the team to be more efficient and have more scalability.

Despite the pandemic, AACC has maintained focus on employee training to support staff in adapting to rapid changes in our operations and the industry as a whole, while IT has and continues to ensure the automation of processes for our teams. All of this ultimately enables AACC to continue to offer new markets to clients, serving them as seamlessly as possible and providing them with the opportunity to grow while we expand our footprint in the US clearing space.

2020 highlights

- New markets were delivered for clients, including Canadian equities, Nodal, MIAX Pearl, The Small Exchange and the Members Exchange.
- AACC cleared a record amount of trades in the first quarter, without any major disruptions. In 2020, a total of 3.4 billion trades were cleared versus 2.2 billion trades in 2019.
- Further enhancing the security of our IT network.
- Although employees were tested throughout 2020 in previously unseen ways, the US region earned an Employee Engagement Survey score of 87%, up from 84% in 2019. The determined efforts of management and team to support staff during the pandemic is reflected in this significant improvement.
- Commercial personnel participated in virtual Summer School to boost sales skills.
- Focus on enhancements for client data, portal and instructions on derivatives.
- Relationship managers stayed connected to clients through videoconference and outdoor meetings.
- AACC participated in the first virtual Global Sustainability Week.
- Project Go for Zero was a success.

Number of FTEs

Total	**199** FTE
Chicago	**192** FTE
New York	**7** FTE

Client satisfaction
on a scale from 1 to 7

6.16

NPS

58

Employee
engagement (%)

87

Mike Nowak
Regional CEO US a.i.

Europe

Given the unforeseen circumstances of 2020, three key areas would best describe AACB Europe region’s focus last year: strengthen the foundation; catering to client needs; and supporting sustainability. During 2020 we implemented all required measures for Brexit. Another successful edition of the Amsterdam Investor Forum was held in February 2020. By early March, a quick shift was needed when volatility reached unprecedented record levels. During this turbulent period, the Europe region continued servicing clients and growing our product offering, safeguarding AACB and supporting staff in their transition to a new way of working.

2020 in perspective

Strengthening the foundation for a secure future

Throughout the year, we continued to address Brexit consequences and supported our clients by onboarding several new entities in Europe. We also maintained a close dialogue with European authorities to promote the relevance of regulatory equivalence for UK CCPs, which resulted in an extension of the UK CCP equivalence until June 2022. Several new platforms launched in Europe following Brexit and we connected where required following client demand.

A project was launched to repatriate outsourced operations services from India to the Netherlands. The aim is to simplify our set-up in relation to corporate actions, settlements, data management and reconciliations. Additional synergies were achieved via the relocation of IT activities from Germany to the Netherlands.

To become even more sensitive to our clients’ needs, we restructured our Account Management team into a more-focused Client Services Management team. We were also proud to welcome many new joiners across our departments as well as another global class of graduates. Nearly all new joiners experienced a unique fully digital onboarding process.

Catering to client needs, creating opportunities

Remaining closely connected to our clients was key to navigating 2020. Our annual client survey for Europe rated us 5.61 on a scale of 7 – the highest score in two years.

To support our clients, we introduced trading capabilities for Canadian equities, Cboe Netherlands and Equiduct via AACB membership. We also helped many clients connect to the B3 (Brasil, Bolsa, Balcão) stock exchange in Brazil, which continues to develop as a significant growth market.

The development of our synthetics products was completed and a go-live is anticipated in the first half of 2021. In addition, the Europe region introduced enhancements to our IRS product offering following increased client interest. We also improved our reporting environment and rolled out a new portal to further match and exceed client needs.

Supporting sustainability

Employees in the Europe region worked from home for the majority of 2020. This resulted in significantly less travel to offices as well as to our clients and other locations. We nevertheless progressed our tree-planting initiatives in partnership with LandLife. Likewise, a Global Sustainability Week was held, offering various educational and practical events to emphasise the topic and support the sustainability transition in close cooperation with our clients. Through various panels and expert articles, we also continued to advocate the many ways in which our industry can contribute to this process.

2020 highlights

- In line with other regions, AACB Europe achieved record transactions, with over 1.1 billion trades processed over the course of the year versus 750 million trades in 2019.
- Despite a low-interest rate environment, the Europe region saw a strong net-interest-income result without any credit losses. The high volatility contributed to the outperformance of our region against budget, while costs remained within budget.
- Considering the difficult circumstances of 2020, we are extremely proud of the fact that our (virtual) Global Vitality Week was able to take place and strengthen digital bonding through various activities such as sports challenges, mental-health and well-being classes. The event encouraged us to share responsibility for one another as employer and employees.
- Employees were supported in the transition to working from home as our new end-user services allowed full remote access to all computer services. In addition, our digital collaboration tools allowed staff to stay connected with their teams and clients. Where required, we supported the supply of home-office equipment such as desks, chairs and additional monitors.
- Our annual Employee Engagement Survey overall score of 85%, up from 80% in 2019, showed that our staff is highly engaged. In general, engagement scores were higher for all categories. We are especially pleased with the 91 score on 'inclusive environment'.

Number of FTEs

Total	488 FTE
Amsterdam	367 FTE
Paris	1 FTE
Frankfurt	19 FTE
London	92 FTE
São Paulo	9 FTE

Client satisfaction

on a scale from 1 to 7

5.61

NPS

34

Employee

engagement (%)

85

Robbert Booij
Regional CEO Europe

Asia-Pacific

For the Asia-Pacific (APAC) region, 2020 was a successful year, characterised by record turnover in terms of trades and revenue. This was especially positive considering 2020's difficult economic circumstances and highly volatile markets. It was also truly a year of client centricity. Despite the distance created by the Covid-19 pandemic, never before have we been so close to our clients and their trading activities, whether in terms of: understanding client trading-portfolio risk; ensuring that clients manage their activities in line with our AACB risk appetite and operational capacities; or the opening of new markets and products to facilitate future trading opportunities.

2020 in perspective

A new way of working

Due to Covid-19's impact on the APAC region ahead of the rest of the world, we experienced an early transition to working from home. Our engaged and committed staff showed their experience, adaptability and flexibility in embracing this altered work environment, ensuring that it did not materially impact workflow execution or client services.

This new work environment presented staff and management with opportunities and challenges, requiring that challenges be acknowledged early and addressed quickly for a smooth transition. Measures introduced included new work practices and training to safeguard the well-being and support of staff during the year, so that our workforce remained safe and connected to one another and the organisation. We also continued to train and develop staff remotely, enabling them to update their existing skills as well as increase their opportunities for career development.

This new reality exponentially increased the reliance on our IT and digital capacity in 2020, from adopting the latest technical equipment facilitating improved internal and external communication to providing sufficient IT capacity and stability for daily processing of trades for our client base.

Mitigating risks

Significant work was undertaken during 2020 to gain a better understanding of our clients, their trading activities and consequently, their risk profiles. This was largely achieved through increased use of available data for analysis by specialist staff to ensure that our client base remained within the mandated risk parameters. Throughout the year, our Risk department proactively responded to the need for heightened client-position examination through greater use of data analysis to highlight areas of possible concern.

Market events and associated changes in the trading environment required the APAC region to moderate our risk profile with certain operationally high-risk products during the year, to ensure that our business remained in control and within our operational capacity while allowing our clients to continue to trade. Although this moderated risk profile was sometimes challenging for our client base, and ourselves it indeed maintained control and alignment with the bank's risk expectations.

Covid-19 and the associated shift of staff to work from home, along with the market volatilities and in some cases disruptions, as in March 2020, required AACB APAC, as an established and significant market participant, to engage in increased dialogue with the relevant regulators throughout the year.

Client focus

A substantially different customer experience also emerged in 2020. For the first time, our client relationships became largely online interactions, with meetings held virtually and often spontaneously. These online discussions were particularly positive because of our ability to easily share findings and concerns with our clients.

The level of client contact increased significantly during the periods of high volatility and market uncertainty. Our clients also adapted quickly to increased scrutiny relating to their portfolios and their inherent risks, resulting in AACB gaining a better understanding of client positions and clients having a stronger understanding of our expectations and limits.

We continued to expand products and markets for our current and prospective clients, opening up access to the INE and DCE Commodities futures markets in China. We expect to provide direct access to the TFX in Japan in 2021, along with new exchanges in China as regulations allow for greater offshore access. This will keep us relevant to our clients by offering them greater potential for returns, ultimately helping us to become a future-proof bank.

2020 highlights

- Our regional Employee Engagement score improved to 84%, up from 78% in 2019. Within the survey, the highest-rated section was for the "My Team" category, indicating the strength of bonds and trust among those we work most closely with.
- The region saw record transactions, with approximately 795 million trades processed over the course of the year versus 592 million trades in 2019.
- Strong net-interest-income result in a low-interest rate environment.

- Working from home, along with continued automation of our processes and procedures into a largely paper free environment, allowed us to both reduce our cost base and improve our organisation's sustainability.
- The region recorded a historical high income in 2020, resulting from increased volatility and turnover in the markets, which in turn presented our client base with favourable trading conditions.

Number of FTEs

Total	150 FTE
Hong Kong	22 FTE
Singapore	51 FTE
Sydney	59 FTE
Tokyo	18 FTE

Client satisfaction
on a scale from 1 to 7

5.33

NPS

7

Employee
engagement (%)

84

Barry Parker
Regional CEO Asia Pacific

Regulatory Environment and Compliance

Although European and Dutch legislation are at the core of AACB, we are affected by many regulations globally. Due to the Covid-19 pandemic, a number of relief measures – some described below – were taken to protect financial markets from regulatory burden and ensure orderly functioning of financial markets. That aside, 2020 was quite a busy year in terms of financial-market regulations, in part due to new regulatory proposals and the review of existing regulations, but also because political agreement was found on key regulatory topics.

Europe

The new provisions of the European Market Infrastructure Regulation (EMIR) contain the requirements applicable to clearing-service providers, members and clients for clearing services under commercial terms considered fair, reasonable, non-discriminatory and transparent (principles known as FRANDT). The final report on commercial requirements for clearing-service providers was published in June 2020 and will have an impact on, among others, AACB's onboarding process and the disclosure of client-related documents.

Following the EMIR 2.2 Level 2 legislation outlining the detailed requirements for deference to third-country supervisors, the European Commission adopted an extension of the equivalence for the United Kingdom's (UK) central counterparties (CCPs) in 2020. This allows AACB to maintain access to UK CCPs without a capital hit, which, without the granted equivalence, would have been significant. The extension of the equivalence is time-limited (until June 2022). AACB will remain engaged with European and UK stakeholders, with the aim of promoting open and fair markets.

After a three-month delay related to the Covid-19 pandemic, the reporting obligation of the Securities Financing Transaction Regulation came into effect for AACB on 13 July 2020.

The CCP recovery and resolution (CCP R&R) establishes a recovery and resolution framework for CCPs. AACB actively engaged in the discussions leading to political agreement reached between European Parliament, the European Commission and the Council on this matter in 2020. The new regulation will further enhance the stability of the European financial markets.

The European Banking Authority drafted Level 2 legislation for the Investment Firm Regulation (IFR), which will come in to effect with Level 1 legislation in June 2021. IFR will provide the prudential framework for quite a few of our clients, indirectly effecting AACB. As we closely support our clients on regulatory matters, we have been actively engaged in the related discussions with both client and regulators on the most-suitable implementation of the IFR regime.

As per 3 September 2020, the following requirements of the Shareholder Rights Directive II apply to AACB as an intermediary as and well as part of a chain of intermediaries: identification of shareholders; transmission of information; and facilitation of the exercise of shareholder rights.

The common-cash-penalty framework and buy-in regime under the Central Securities Depositories Regulation (CSDR), also known as the settlement discipline, was to take effect in September 2020, but was postponed until

1 February 2022. It is currently under review by the relevant European authorities.

The Digital Operational Resilience Act (DORA) was introduced by the European Council in 2020 to harmonise and strengthen IT governance and stress-testing frameworks for the financial-services industry. It also includes rules for third-party service providers (such as Cloud services). The European Parliament and the Council are still negotiating DORA.

New Sustainable Finance regulations were published throughout 2020 and existing regulations are in the process of being amended to reflect sustainable-finance goals. Examples of regulations that potentially impact AACB are: the European Union taxonomy regulation, Markets in Financial Instruments (MiFID) II, and the European Central Bank guidelines on climate and environmental risks, among others.

United States

The Covid-19 pandemic had a big impact on US markets and clearing in 2020. The volatility triggered by the pandemic in March 2020, coupled with the November 2020 US presidential election led to several regulatory inquiries related to readiness and capital, among other topics, including disruptive trading/spoofing activities.

The cited spring volatility led to several regulatory inquiries related to readiness and capital, among other topics. These inquiries provided AACC opportunities for transparency and information sharing that might not have occurred under "normal" circumstances.

The closing of physical trading floors of US exchanges because of the Covid-19 pandemic presented significant challenges because the existing US market structure did not adequately address all contingencies associated with this type of scenario. All AACC disaster recovery/business continuity plans were put to the test and operational resilience became a regulatory focus. Furthermore, regulators granted relief for participants that worked remotely, including those related to exemptions from order-ticket timestamps, phone recordings, and the physical presence of branch office managers. Finally, an executive order designed to ban transactions in certain

Chinese securities for US persons affected – and continues to affect – AAC clients and trading around the globe.

The US Commodities Futures Trading Commission, as well as non-US exchanges such as ICE Futures Europe, placed increased scrutiny on alleged, disruptive participant trading/spoofing activities. Although AACC has a strong monitoring programme in place that is reviewed on a periodic basis, there is limited guidance from regulators on the appropriate setting of surveillance parameters for futures-commission merchants, as regulators instead appear inclined to interpret rules and regulations through enforcement.

Asia-Pacific

Australia

The Australian Securities and Investments Commission has implemented a modified licensing regime for foreign financial-service providers conducting business in Australia and further stated that limited connection relief will be repealed. This will necessitate other AACB entities transacting with Australian entities or in Australia to make use of other licensing exemptions.

On or before 30 June 2021, ABN AMRO Clearing Sydney (AACS) will be required to lodge its initial modern slavery statement. This statement explains what measures AACS is taking to assess and address modern slavery risks in its global operations and supply chain with regard to seven mandatory criteria.

The Banking Executive Accountability Regime will be replaced by the Financial Accountability Regime (FAR), and has been delayed due to Covid-19. Following implementation of the FAR for prudentially regulated entities, the government will consult on extending it to financial service licencees, including AACS.

Covid-19-related legislative changes include relief to allow electronic witnessing and execution of documents with ongoing consultations to make this permanent, and insolvency protections. A new restructuring and liquidation process for small businesses has been in place since 1 January 2021.

Hong Kong

External electronic data storage: the Securities and Futures Commission (SFC) issued a circular to licenced corporations on the use of external electronic data storage providers (EDSPs), setting out requirements regulatory records kept exclusively with an EDSP without a duplicate set of records at the premises of the licenced corporation, including the need to seek approval from the SFC. This also conveys SFC expectations for the mitigation of cyber and operational risks when electronic data storage is outsourced to an EDSP, regardless of whether regulatory records are exclusively kept with it. AAC Hong Kong has taken the necessary steps to ensure it is compliant with the new requirements for electronic data storage.

SFC consultation on proposals to introduce investor identification for the securities market: under the proposed investor-identification regime, licenced corporations and registered institutions would submit client names and identity-document information to a data repository. This will allow the SFC to identify investors who place securities orders. The proposed requirements would apply at the trading level to on-exchange orders for securities listed or traded on the Stock Exchange of Hong Kong (SEHK) as well as reportable off-exchange trades of these securities. A separate securities-transactions-reporting regime has been proposed for over-the-counter (OTC) securities transactions in ordinary shares and real-estate investment trusts listed on SEHK.

Data standards for order life cycles: the SFC circular prescribes the minimum content and presentation format of trading-related data (Data Standards) to be submitted by licenced securities brokers to the SFC upon request. Initially, only equities listed on SEHK will be considered as in-scope products for the purpose of complying with the Data Standards. In addition, only brokers whose trading turnover in SEHK-listed equities in a calendar year reaches or exceeds 2% of that year's total market trading volume will be considered in-scope brokers. In-scope brokers are expected to implement system changes and make other arrangements needed for compliance with the Data Standards within 15 months. Licenced securities brokers with trading turnover which reached or exceeded the 2% mark for the calendar year 2018 were expected to comply with the Data Standards by the end of October 2020. Based on 2020 trading data, AAC Hong Kong does not expect to be classified as an in-scope broker in the immediate future.

Singapore

Amendments to the Singapore Banking Act were passed by the Singapore parliament in early 2020 to update and enhance the Monetary Authority of Singapore (MAS) banking regulatory framework. The MAS consequently conducted industry consultations on supporting amendments to the relevant banking regulations, notices and guidelines. The consultations covered, among others, the extension of MAS composition powers in relation to the privacy of client information and proposed requirements for bank outsourcing arrangements. MAS also issued guidelines on individual accountability and conduct to strengthen the accountability of senior managers in key functions within financial institutions and reinforce conduct standards among all employees.

Compliance

Compliance has a number of supervisory, advisory and coordinating roles to play within AACB. Primary among them is securing the bank's licence to operate in day-to-day activities, ensuring that we adhere to applicable rules and regulations. As part of Risk, Compliance aims to align with other disciplines within the Risk organisation as closely as possible for the optimisation of services. As such, Compliance reviews and advises on AACB's client base, so that the client portfolio remains within the moderate risk appetite of the bank.

Coordination

From a global perspective, in addition to serving as a bridge to ABN AMRO, the central Compliance function coordinates licences, cross-border banking requirements and regulatory developments with all our regional Compliance departments in support of the single way of working that is being implemented throughout AACB. This includes review of compliance-related policies that are centrally adjusted as well as delivering required training to staff. Compliance also assists the First Line of Defence with connecting to ABN AMRO's Detecting Financial Crime unit. From an organisational perspective, Compliance also seeks to align with and assist strategic and functional AACB initiatives, through dedicated teams such as the Compliance Sustainability Circle.

Oversight

The Code of Conduct and Bankers Oath are industry requirements and Compliance oversees adherence to these. This includes monitoring compliance with internal rules and housekeeping processes, policies and practices related to the ABN AMRO compliance tool, mandatory training, gifts, personal account dealing, and insider status. AACB-specific procedures are regularly reviewed by Compliance for validity and relevance, which includes gap analysis. Compliance is also involved in market surveillance, providing advice and collaborating with the Market Surveillance team on substantiating alert calibrations, conducting the annual alert review and responding in a timely manner to alert escalations.

Advice

Compliance acts as an advisor on new products and reviews existing products. Advice is also offered on anti-money laundering risks as these relate to prospective AACB clients as well as existing clients. In terms of regulatory reporting, Compliance participates in AACB's agile environment with quick yet thorough advice on interpretation and is also involved in addressing implementation issues arising from new regulations, disparate interpretations of trading scenarios, or implementation errors, among others.

Data matters

An important area in which all three roles come into play is data. Advice and training are offered on the importance of compliance in the data life cycle, including data ownership and security. Data is also analysed to provide management with new insights on compliance topics, including trend analysis and global comparisons, both in relation to traditional compliance metrics and conduct. Assistance and recommendations on the proper handling of data are provided to the business through new initiatives related to enhanced reporting capabilities, innovation and data security.

2020 highlights

- Participation in the MiFID II Reboost project, a challenging and ongoing project, which aims to remediate open MiFID II topics. During 2020, AACB reported 82 million MiFID transactions. For EMIR AACB reported 1,027 million transactions, of which 262 million transactions were related to EMIR reporting on behalf of clients.
- Participation and assistance in initiatives to strengthen the role of Compliance in client lifecycle processes, implementing the Fifth Money Laundering Directive and the illegal-wildlife-trading task force.
- Support for staff on questions about compliance-related topics while working from home in the context of Covid-19, for example: security, privacy, conflicts of interest, and the Code of Conduct.
- Implementation of digital-asset developments, for example, Markets in Crypto-Assets regulation, Blockchain Tribe and Crypto Risk Platform.
- Participation in AACB Data Week to create awareness about privacy-related issues and General Data Protection Regulation legislation.

Corporate **Social Responsibility**

The prosperity and resilience of our societies, economies and businesses rely on our natural resources and the critical services provided by healthy ecosystems. Business as usual is no longer an option if we wish to avoid further biodiversity loss and social unrest. Consequently, AACB takes CSR (corporate social responsibility) seriously, recognising the power of financial markets in the sustainability transition – and of our own impact on safe, transparent and sustainable markets.

The case for CSR

It is clear that ignoring CSR comes at a cost, sustainability risk being an inherent business risk. Our organisation, our clients and the entire financial system can be negatively impacted by direct and indirect risk factors. In extreme cases, complete collapse of industries due to sudden disasters can lead to unrest on markets, unexpected or un-modelled risk factors, disrupted economies, and social unrest.

From operational and organisational perspectives, the costs of business rise when sustainability issues are ignored. Some examples include: increased mobility costs due to rising fossil-fuel prices, higher recruitment costs due to greater difficulty retaining staff and recruiting talent as a result of tarnished brand reputation; and fines due to non-compliance with regulations.

AACB and CSR

Our overview of the industry and the global regulatory space allows us to spot emerging sustainability trends and requirements. Through conversations, consultation and analysis, we engage and support the scaling of sustainability in financial markets, thereby supporting their resilience.

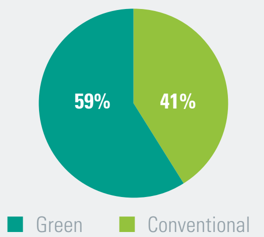
AACB assesses and reviews clients and suppliers on sustainability values. We engage with our clients on how best to address their sustainability impact, while reviewing our service offerings and setting our own internal targets.

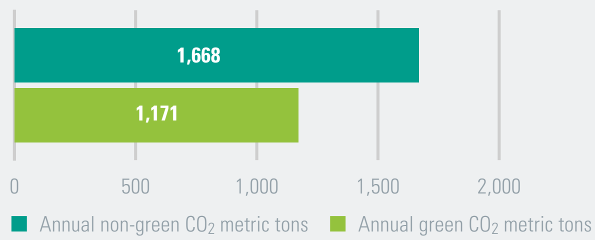
In addition to our carbon-neutral strategy, we have clear diversity and inclusion goals and strong employee sustainability engagement that includes a participatory reforestation programme and informational and knowledge-sharing initiatives, among others. We also encourage staff to participate in charitable causes.

Climate Impact Programme

AACB has set a target to be carbon neutral by 2030, switching to renewable energy – when possible, reducing our energy usage by upgrading our infrastructure and offsetting our carbon emissions. In 2020, 41% of our data centres ran on renewable energy sources.

Green vs conventional Data centre power 2020





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Our Climate Impact Programme was launched in 2019 to offset our carbon emissions as well as contribute to large-scale reforestation projects in Spain and Australia. We directly engage staff working in Amsterdam, Chicago, Sydney and London via local planting events. Due to Covid-19, we increased our reforestation-planting investment as we were not able to physically convene to plant trees ourselves. To date, this covers approximately 8% of AACB's current annual CO_2 emissions.

Through increased renewable energy sources, reduced CO_2 emissions and continued tree planting, AACB even has the potential to become carbon negative, removing more CO_2 annually than we emit.

Impact numbers 2019 and 2020 (rounded)

Supporting our clients' transition to sustainability

Our global scale in the financial infrastructure space puts us in a position to sense what is happening in our industry worldwide and the impact on organisation and clients. We aim to increase the effectiveness of our influence through our various sector and industry memberships and affiliations. Currently, we are collaborating with the United Nations Sustainable Stock Exchange initiative on the development of ESG guidelines for derivative exchanges, so that they support sustainable global markets. We are also contributing to consultations within the industry and regulators on approaches to carbon voluntary markets.

In tandem, we provide information that enables our clients to pinpoint opportunities. Transparency and data are key to making informed decisions. Therefore, upon onboarding clients and throughout our relationship with them, we assess their sustainability values as defined in our Sustainability Risk Policy. To engage with clients about how to scale their sustainability transition, we are piloting a client dashboard with a recognised sustainability-data provider that illustrates the ESG ranking of their own transactions.

Our clearing experts design market-entry strategies to provide clients access to global power markets. Through our digital client portal, we can provide access to reporting, transaction overviews, market access overviews and sustainability rankings. We actively join clients in panels and publications to support their internal sustainability conversations, as well as participate in knowledge-sharing events.

Transformative innovation can start in disparate industries. In 2020, we pioneered a project in the energy-storage and supply fields by piloting micro-grid platforms with the Port of Rotterdam. We are now looking at how the renewable-energy-certificate space can become more efficient, paving the way for transparent pricing and larger market accessibility.

We also developed our Power Clearing Bank proposition in 2020, which provides access to global energy markets to create price transparency in the power and gas markets, facilitating the energy transition and participation in carbon-allowances markets.

Frontclear

AACB encourages staff to share knowledge and give advice on setting up safe and transparent markets in Mongolia, Nigeria, Ghana and Ethiopia, where financial systems are being developed with Frontclear. In 2020, AACB contributed 50 days of volunteering on the Frontclear projects.

"Despite travel bans and volatile markets, Frontclear and AACB continued to add value in Ghana, Ethiopia and Nigeria in 2020. Detailed recommendations to reduce the risks in Ghana's settlement system are in process. These activities are at the heart of our partnership to improve the safety and transparency of clearing and settlement in developing markets."

Ingrid Hagen,
Vice President Strategic Projects, Frontclear

Regulatory outlook

Regulatory and political institutions are introducing sustainability definitions and disclosure requirements that may affect the clearing business or our clients' business in the future. We follow developments closely and engage with policy makers in constructive and informative discussions.

Sustainability and staff

AACB staff engagement around sustainability remains strong, even under the recent circumstances. In addition to the employee initiatives referenced earlier in the chapter – many of which took place online in 2020 – our HR policies, including our diversity and inclusion targets, continue to support ESG principles.

In September 2020, an online Global Sustainability Week was held, during which clients and industry partners were invited to present their CSR initiatives to AACB employees. Presentations on the energy transition and AACB's role in supporting clients in their sustainability journeys were also offered. Staff participated in quizzes and shared stories on how they practice sustainability in their personal lives.

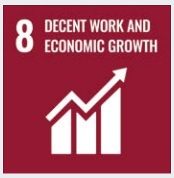
AACB affiliations

- World Federation of Exchanges, Long-Term Partner
- United Nations Sustainability Stock Exchange initiatives, Advisory Member
- Futures Industry Association, Board members
- Sustainable Finance Committee of the Futures Industry Association, Member

ESG explained

The United Nations Sustainable Development goals are a call to action to promote prosperity while protecting the planet, and are based on three layers:

AACB has committed to actively contribute to the following goals:



Decent work and economic growth
Goal 8 calls for more jobs that not only provide decent pay but stimulate the economy and provide equal opportunities for both men and women, while protecting the environment.

Industry, innovation and infrastructure
Goal 9 states that for a society to grow, it should encourage industries that bring opportunities to everyone, while protecting the environment. These industries must be supported by resilient infrastructure, supported by technological innovation.

Responsible consumption and production
Goal 12 aims to make us think twice about the things we use, the waste we create, and how that impacts our planet. Changing behaviours towards more-sustainable actions makes a difference: reduce, reuse and recycle.

Climate action
Goal 13 calls for finding solutions like renewable energy and clean technologies to fix climate change. This requires governments, private sector and civil society to make an impact.

Partnerships for the goals
Goal 17 calls for joining forces and partnering to work towards achieving the goals. To make goals a reality will require participation from everyone.

Our **People**

The year 2020 brought a new reality for AACB staff, with many challenges and opportunities, as well as an understanding of the importance of personal contact despite working separately at a distance. Yet even under the circumstances of Covid-19, we were able to keep large groups connected globally and our employee engagement was the highest in years, highlighting the power and potential of our people.

Working from home

There is no question that Covid-19 drastically changed how we work and interact with one another, with clients and with other stakeholders. In the face of rapidly unfolding global restrictions, we were able to adapt very quickly to the new reality, working mostly from home and online. This required not only a major global technical and logistical effort to ensure employees were equipped with the appropriate means to work from home effectively, but also a significant emphasis on the skills and support to successfully work virtually.

In the process, we gained a new appreciation for direct contact with colleagues, achieving a closer virtual connection than ever before, with teams interacting online locally, regionally, and globally. This made it easier to organise activities for larger groups. For example, the first (virtual) Global Vitality Week took place online to motivate, challenge and support one another in becoming and staying energised (through a focus on mental and physical well-being). Our Learning Week also went fully online so that employees in all locations could participate.

Angelica Verwijmeren - Utrecht NL.

In order to sufficiently support staff in adapting to this new way of working, a platform for information, tutorials and other reference material was launched. Its aim is to help employees cope with working from home, supporting them in: creating a healthy home office, staying active and engaged, combatting negative physical and psychological consequences, and sharing experiences.

All managers were also offered online training on diversity and leadership. Many other types of training and knowledge sessions, such as Data Drive Week and sessions on sustainability and strategy, were also held online. This kept employees engaged and connected.

Leadership

Leadership was also able to overcome the obstacles of mentorship and management at a distance. Face-to-face interaction was replaced with regular Leadership Team virtual communication, enabling our organisation to continue sharing strategic updates and other important matters. Managers worldwide were supported through online training for managing remotely and on diversity and inclusion under the circumstances of physical separation.

Employee engagement

AACB conducts an annual Employee Engagement Survey (EES) to gather staff feedback globally as to how engaged they feel in our organisation. Employees are asked to answer questions in eight focus areas that include topics such as talent and development, leadership, vision, and direction. Their responses help AACB improve staff engagement, which ultimately enhances the value we deliver to our clients.

Jorgen and Vivian Postma - Heemstede NL.

Managers are encouraged to discuss the results of survey with their teams and incorporate the feedback in future planning.

In 2020, 705 colleagues worldwide completed the survey, leading to a record outcome of 85% – a 5% increase over 2019. All areas of the EES scored higher than previously, which is remarkable in the work-from-home context of the coronavirus pandemic.

Diversity and inclusion

We strive to create an environment where all employees are given the space and recognition needed to develop their talents, which also fosters AACB growth and client success. We set diversity targets because we aspire to be an organisation in which employees with various profiles feel welcome and safe. The internal gender diversity targets set for 2020 were 25% women at the top and 28% women at the subtop. AACB realised approximately 21% at both the top and the subtop in 2020. The results of the 2020 EES confirmed that AACB's inclusive environment is one of our key strengths: 92% of respondents reacted positively to questions regarding this topic, versus 87% in 2019. We are very proud of the 5% increase achieved in this area. In fact, over the past four years, our employees have been increasingly positive about this aspect of our organisation.

Employee development

We strive to nurture a future-proof workforce for a future-proof bank. In addition to a mandatory curriculum, we offer elective training, knowledge bites and other online informational sessions and encourage staff to develop the skills that we believe are essential for our business and organisation. These connect people across regions and departments, and include courses on sustainability, data, leadership, innovation and change, among others.

In 2020, we continued the Global Clearing Talent Programme and Global IT Talent Programme, albeit virtually. The recruitment and assessment processes were conducted fully online for the first time. An online Global Sustainability Week was held to not only help improve AACB's sustainability as an organisation and an employer, but to support staff in helping clients to also become more sustainable. The programme included presentations by internal and external speakers as well as workshops.

In addition, the importance of Data in all our processes is recognised by AACB. An all staff global Data Drive week was organised in December with internal and external presenters. Topics of data quality, governance and data analytics were addressed.

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 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 the Clearing Enterprise Risk Committee, the AACB Management Board and the AACB Supervisory Board.

Risk governance

AACB follows the three lines of defence model, risk-decision framework, and product-approval process.

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 design and effectiveness of governance, risk management and control processes, agreeing with management on solutions and monitoring follow-up

1st Line of Defence - Business

Risk ownership resides within the business teams of AACB, whereby management is primarily responsible for the risks assumed, results, execution, compliance and effectiveness of risk management and risk control.

2nd Line of Defence - Risk-control functions

The AACB Risk Management team is responsible for setting frameworks, drafting rules, advice, monitoring, reporting on execution, and risk management and control for AACB. The second line ensures that the first line takes the appropriate amount of risk ownership.

It has approval authority for credit proposals above predefined thresholds as well as the authority to approve certain counterparties.

In 2020, AACB implemented changes in the risk governance by moving the 2nd Line of Defence from ABN AMRO to AACB. This resulted in an independent risk organisation within AACB with an oversight role from ABN AMRO. Formal responsibility for the management of AACB rests with the AACB Management Board as supervised by the Supervisory Board. Clear accountability and end responsibility for 2nd Line of Defence risk management resides with the AACB Chief Risk Officer.

At AACB Management Board level, the governance is organised by the Clearing Enterprise Risk Committee (CERC) and the ABN AMRO Clearing Credit Committee. ABN AMRO oversight is maintained through regular meetings between the Chief Risk Officer and Risk Type Owners of both ABN AMRO and AACB and via the participation of ABN AMRO delegates in the CERC. To enhance AACB's risk-management framework, the role of Risk Type Owner was introduced for Credit Risk, Market and Liquidity risk and Information Security and Operational Risk.

- **3rd Line of Defence - Audit**
  ABN AMRO Group Audit evaluates the effectiveness of AACB governance, risk management and control processes.

Managing risks

Strong risk management is a cornerstone of AACB's business model. Our Risk Management organisation spans three time zones across the globe. These regional 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 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, AACB can encounter indirect market risk as a result of clearing and financing activities.

As a third-party clearing member, AACB explicitly guarantees the fulfilment of obligations towards clearing houses and other third parties that arise from customer transactions. In the event of client default, AACB is legally obligated to settle all client positions with the relevant clearing houses, possibly at a loss. AACB provides liquidity lines to clients to leverage business opportunities and enable them to hedge their derivatives inventories with shares and bonds.

As a general clearing member to various CCPs, AACB contributes to CCP default funds. In the event of default of another clearing member, AACB contributions could be (partially) depleted in the default-management process.

Client default and risk mitigation

In the second half of March 2020 – the height of the pandemic – there were extreme price movements leading to severe stress and dislocations in the global markets. AACB was confronted with record-breaking high trade volumes, severe increased CCP margin requirements and liquidity needs. Additionally, working from home created operational challenges for clients and AACB staff. This and the closing of Cboe floor led to several clients experiencing distress and several clients defaulting at multiple sites. One of these defaulting clients caused a significant loss for our Chicago subsidiary.

A detailed risk review of the full client portfolio was conducted immediately following this event. As a result, measures were put in place to minimise the risks that other losses of such magnitude could occur again.

Next to our self-assessment, we used the services of a risk consultancy firm to validate our findings. This led to a comprehensive improvement plan across our risk framework. This framework covered topics related to governance, early-warning metrics, client monitoring, client-risk models and default handling. Throughout 2020, all improvement items were implemented within agreed deadlines and the limited number of open items for 2021 are expected to be addressed in the same manner.

Toby Masters - Sydney office.

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Audited Relevant risk types

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

(x EUR billion)	2020	2019
Total outstanding client credit facilities	33.28	39.47
Total utilisation	12.54	15.39
Of which: total debit cash utilisation	4.46	6.57
Of which: total short stock utilisation	8.08	8.82

In 2020, we closed out four clients during the height of the pandemic (2019: none). Therefore, the default rate is 0.6% on overall outstanding credit lines of EUR 33.28 billion (2019: 39.47 billion). Included in the total unused client credit facilities are revocable credit lines amounting to EUR 20.2 billion (2019: EUR 24.1 billion) and irrevocable credit facilities amounting to EUR 0.6 billion (2019: EUR 0.2 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.

With the exception of the defaulted client, no AACB client assets were past due as per 31 December 2020.

Clients

In order to manage credit risk exposure, AACB requires clients to deposit collateral. Collateral or margin requirements are based on realised changes in the value of a client portfolio as well as the potential changes derived from conservative scenario analysis and stress tests. Assets deposited as collateral include client deposit funds and liquid marketable securities. AACB monitors the value of collateral on a daily and intraday basis.

AACB set limits to manage client credit risk exposure. These risk parameters relate to the client portfolio and financial characteristics. In the event of a breach in any of the relevant risk parameters, AACB asks clients to deposit additional collateral and/or reduce risk in their portfolios. AACB also has the contractual right to immediately seize and liquidate portfolios if clients fail to meet collateral requirements.

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 for monitoring the various counterparties. If necessary, AACB can enact

exposure limits to protect our our clients and organisation against counterparty risk.
AACB Risk Management ensures that AACB stays within these approved counterparty limits by means of daily monitoring and by steering actions when needed. In accordance with procedures, counterparty exposure is effectively monitored and managed.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported on the statement of financial position. Offsetting occurs when 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

Enforceable master netting agreements are concluded between the bank and clients, and take into account provisions that make netting and offsetting exercisable in the event of default. Furthermore, AACB may enter into master netting arrangements upon client request, such as derivative-clearing agreements, global master repurchase agreements and global master securities-lending agreements, which also take into account provisions that make it possible to exercise netting and offsetting in the event of client 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 (recovering) party in a timely manner. The ability to do so depends on the size of the activities and specific market characteristics. This includes local laws and legislation as well as 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 to cover potential future exposure that a CCP runs on the positions of its clearing members. In addition to the paid-up margins, 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 and exceeding the pre-funded own contribution of the CCP – the default contributions of other clearing members will be used to cover the losses. If these are depleted, there are one or multiple mandatory refinancing calls 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.

The following table presents the gross 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. Standard supervisory methods are used for measurement of the exposure value of AACB's client portfolio. This exposure value is used for regulatory and internal risk-calculation purposes.

In 2020, the approach AACB used for risk weights was the Standardised Approach (SA) for credit risk with regard to our client portfolio.

As a result, most of the exposures of AACB's client portfolio are reported as investment grade, uniform counterparty rating 1 (UCR 1), as no individual client UCRs are available.

Internal rating scale mapped to external ratings

	UCR (internal rating)	Low PD%	High PD%	Standard & 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	0.05	A+	A1	AA
	UCR 2	0.05	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	0.78	BB+	Ba1	BB+
	UCR 4	0.78	1.29	BB	Ba2	BB
	UCR 4-	1.29	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

Marc Onselaere - Alphen a/d Rijn NL.

Credit quality by internal rating scale mapped to stages

(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	486,182			486,182
		0.0346 - < 0.1265	2	224,746			224,746
		0.1265 - < 0.4648	3	10			10
	Sub-investment grade	0.4648 - < 2.2249	4	10,993			10,993
		2.2249 - < 19.9706	5				
		19.9706 - < 100	6+				
	Default	100	6-8				
Total Loans and advances banks				**721,932**			**721,932**
Corporate loans							
	Investment grade	0.0000 - < 0.0346	1	5,144,644	239,992		5,384,635
		0.0346 - < 0.1265	2	18,456			18,456
		0.1265 - < 0.4648	3				
	Sub-investment grade	0.4648 - < 2.2249	4				
		2.2249 - < 19.9706	5				
		19.9706 - < 100	6+				
	Default	100	6-8				
Total Corporate loans				**5,163,100**	**239,992**		**5,403,092**
Other loans and advances							
	Investment grade	0.0000 - < 0.0346	1	6,660,183			6,660,183
		0.0346 - < 0.1265	2				
		0.1265 - < 0.4648	3				
	Sub-investment grade	0.4648 - < 2.2249	4				
		2.2249 - < 19.9706	5				
		19.9706 - < 100	6+				
	Default	100	6-8				
Total Other loans and advances				**6,660,183**			**6,660,183**
Loan commitments and financial guarantee contracts							
	Investment grade	0.0000 - < 0.0346	1	566,799	3,336		570,135
		0.0346 - < 0.1265	2				
		0,1265 - < 0.4648	3				
	Sub-investment grade	0.4648 - < 2.2249	4				
		2.2249 - < 19.9706	5				
		19.9706 - < 100	6+				
	Default	100	6-8				
Total Loan commitments and financial guarantee contracts				**566,799**	**3,336**		**570,135**
Total							
	Investment grade	0.0000 - < 0.0346	1	12,857,808	243,328		13,101,136
		0.0346 - < 0.1265	2	243,203			243,203
		0.1265 - < 0.4648	3	10			10
	Sub-investment grade	0.4648 - < 2.2249	4	10,993			10,993
		2.2249 - < 19.9706	5				
		19.9706 - < 100	6+				
	Default	100	6-8				
Total				**13,112,015**	**243,328**		**13,355,342**

Audited

Offsetting, netting, collateral and guarantees

(x EUR 1,000) **31 December 2020**

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	1,051,540		1,051,540						1,051,540
Financial assets held for trading	22		22						22
Financial investments	432,063		432,063						432,063
Securities financing	8,008,080		8,008,080	2,383	6,679,004	6,681,387	112,617		1,439,310
Loans and advances banks	721,932		721,932	131,538	87,084	218,622	79,035		582,345*
Corporate loans at amortised cost	5,403,092		5,403,092	1,219,831	12,684,979	13,904,810	8,527,630		25,912
Other loans and advances	6,660,183		6,660,183						6,660,183*
Other	136,624		136,624						136,624
Total assets	**22,413,536**		**22,413,536**	**1,353,752**	**19,451,068**	**20,804,820**	**8,719,283**		**10,327,999**
Financial guarantees given	32,805								32,805
Committed credit facilities	507,135								570,135
Total assets	**23,016,476**								**10,930,939**

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									-
Securities financing	778,359		778,359	799					777,560
Due to banks	11,016,675		11,016,675	131,538					10,885,137
Due to customers	9,000,566		9,000,566	1,221,415					7,779,151
Other	346,189		346,189						346,189
Total liabilities	**21,141,789**		**21,141,789**	**1,353,752**					**19,738,037**

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 2019**

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	5,110		5,110						5,110
Financial assets held for trading	5,733		5,733						5,733
Financial investments	516,488		516,488						516,488
Securities financing	7,190,273		7,190,273	6,286	6,701,700	6,707,985	818,137		1,300,425
Loans and advances banks	825,544		825,544	151,153	323,389	474,542	323,389		674,391*
Corporate loans at amortised cost	6,831,804		6,831,804	1,278,746	15,623,802	16,902,548	10,087,412		16,668
Other loans and advances	4,924,110		4,924,110						4,924,110*
Other	115,983		115,983						115,983
Total assets	**20,415,045**		**20,415,045**	**1,436,184**	**22,648,891**	**24,085,075**	**11,228,939**		**7,558,908**
Financial guarantees given	11,420								11,420
Committed credit facilities	169,358								169,358
Total assets	**20,595,823**								**7,739,686**

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	251		251						251
Securities financing	1,039,190		1,039,190	3,625	596,032	596,032			439,533
Due to banks	9,673,374		9,673,374	151,153					9,522,221
Due to customers	8,072,981		8,072,981	1,281,406					6,791,575
Other	261,354		261,354						261,354
Total liabilities	**19,047,150**		**19,047,150**	**1,436,184**	**596,032**	**596,032**			**17,014,934**

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

AACB applies stress testing and scenario analysis for various purposes, including:

- Capital planning: stress testing is used to gain insight into the resilience of our capital position under adverse changes in the economic environment and regulatory landscape, as well as AACB-specific circumstances.
- Liquidity stress testing: various stress tests are performed on a regular basis (daily and quarterly) to determine the impact of market circumstances and client behaviour on AACB's liquidity position. Stress testing is also an integral part of the regular internal capital and liquidity adequacy-assessment process (ICLAAP).
- Internal risk analysis and monitoring: the outcome of stress testing is used for setting and monitoring risk appetite limits and checkpoints as well as for daily risk analysis purposes.

Credit risk capital

AACB's regulatory capital model ensures that client credit exposures are covered by sufficient capital. In relation to capital-requirement calculations, also known as risk weighted assets (RWAs), AACB has reverted to the SA for the counter party credit risk part in the client side as described in the Regulation (EU) No 575/2013 (CRR). In 2021, AACB will continue to report credit exposures accordingly.

Liquidity risk

Underpinned by the nature of client activities, liquidity risk is one of the most material and acute risks for AACB. Depending on market conditions, it is typically fast developing and short-term due to the nature of AACB financial assets: short-term client loans. Client liquidity facilities are primarily uncommitted, therefore, AACB can reduce or even terminate these on short notice since AACB guarantees payment of client margins to CCPs. The liquidity-funding risk due to potential margin calls is time-critical as well as currency and location specific.

AACB funding and liquidity risks arise from several factors, many of which are mostly or entirely beyond our control, such as volatility and disruptions in the financial markets (including repo and SBL markets), client trading strategies or changes in ABN AMRO's funding capabilities. If not managed quickly, a severe liquidity crisis could prevent AACB from meeting obligations regarding client financing and timely posting of margins to CCPs, as well as a breach of regulatory liquidity standards. Failure to meet timelines for CCP margin payments can have severe consequences, including fines and even a (technical) default.

Liquidity risk management

In general, liquidity risk management seeks to ensure that AACB can continue business activities under normal and adverse (market) conditions.

Within AACB, liquidity risk management is an integral part of our business activities. Treasury, which is a central function within AACB (as part of Finance), is responsible for cash and funding management. AACB Treasury has several liquidity sources to manage AACB's funding needs. These include:

1. Committed and uncommitted funding lines from ABN AMRO and other banks
2. Client deposits
3. Client collateral and SBL market

Liquidity risk management framework

AACB maintains a comprehensive liquidity risk-management framework (LRMF) for withstanding severe liquidity stress and maintaining robust service provision (financing and settlement) to clients, counterparties and CCPs, which is critical to the functioning of global financial markets. The LRMF comprises:

1. Policies and governance
2. Risk appetite statements (RAS)
3. Liquidity risk early-warning indicators (EWI)
4. Liquidity stress tests and scenarios
5. Day-to-day liquidity management (procedures)
6. ILAAP and contingency-funding plan
7. Liquidity buffers

This framework is designed to measure and monitor identified liquidity risks at the required frequency (intraday). It is implemented across AACB internationally.

In order for our LRFM to remain up to date, AACB Finance (1st line) and AACB Market & Asset and Liability Management/Treasury (ALM/T) Risk (2nd line) analyse and stress test material contingency-liquidity situations AACB experiences so as to be aware of changes in AACB's liquidity risks. This is imperative for ensuring that the insights necessary for efficient decision-making are available. Moreover, it allows AACB to meet internal and external (regulatory) requirements at all times.

ILAAP

AACB's ILAAP is an integral part of LRMF. As part of the ILAAP, AACB regularly performs a comprehensive review of all framework constituents. The process is continuous but starts with a detailed review and inventory of AACB liquidity risks. All identified risks and material changes in the risk profile are incorporated in AACB's liquidity stress testing and scenario analysis, as well as in EWIs and trigger levels.

AACB uses stress testing to evaluate the robustness of AACB business plans, identify risks in client portfolios, and test our ability to meet regulatory requirements. It is an important methodology, used to evaluate our risk tolerance for the risk appetite setting as well as for assessing liquidity impact for AACB as a whole.

The ILAAP process is also used to assess the efficiency of our risk-detection, measurement and monitoring practices for liquidity risks as well as to determine adequate levels of various liquidity sources and liquidity buffers. It supports the objective of maintaining AACB's robust funding strategy and efficient liquidity risk management in alignment with our business model.

Monitoring liquidity risk

AACB's Treasury monitors actual and expected cash movements on an (intra)daily basis – an important part of cash management and funding liquidity management. AACB's Market & ALM/T Risk independently monitors liquidity risks on a daily basis. This includes:

- EWIs
- Use of various limits and checkpoints (set out in the RAS)
- Use of approved client credit/funding lines
- Concentrated risk exposures
- Development of liquidity coverage ratio and exposure measure
- Market and liquidity risk stress testing (part of liquidity forecasting)
- Market volatility, including tightness in the SBL market
- Forthcoming material events (such as political changes and large corporate actions) that could have an impact on market volatility or trigger changes in client strategies
- Regulatory changes

Developments in AACB's funding position and liquidity risk profile are discussed in the CERC and Clearing Asset and Liability Committee meetings. This ensures that senior management is actively involved in managing liquidity risks, potential issues are quickly identified, and corrective decisions are taken if deemed 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 statement of financial position.

Gary John-Baptiste - Sydney office.

Audited

Liquidity-sensitivity gap statement

(x EUR 1,000) — 31 December 2020

	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	1,051,540						1,051,540
Financial assets held for trading	22						22
Financial investments	367,436		64,626				432,063
Securities financing assets	8,008,080						8,008,080
Loans and advances banks	721,932						721,932
Corporate loans	4,846,827	550,157	527	5,581			5,403,092
Other loans and advances	5,559,648		1,100,535				6,660,183
Other assets	134,226	507	1,891				136,624
Total assets	**20,689,712**	**550,664**	**1,167,579**	**5,581**			**22,413,536**
Financial liabilities held for trading							
Securities financing liabilities	778,359						778,359
Due to banks	1,112,702	3,961,589	2,475,993	1,980,795	1,485,596		11,016,675
Due to customers	8,142,265	838,308	82	19,910			9,000,566
Issued debt			40,693				40,693
Other liabilities	303,197	381	1,919				305,496
Total liabilities	**10,336,522**	**4,800,278**	**2,518,688**	**2,000,704**	**1,485,596**		**21,141,789**
Net liquidity surplus/gap	**10,353,190**	**-4,249,615**	**-1,351,109**	**-1,995,123**	**-1,485,596**		**1,271,747**

(x EUR 1,000) | 31 December 2019

	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	5,110						5,110
Financial assets held for trading	5,733						5,733
Financial investments	476,879	7,930	31,678				516,488
Securities financing assets	7,190,273						7,190,273
Loans and advances banks	825,544						825,544
Corporate loans	5,353,621	1,466,864	9,949	1,369			6,831,804
Other loans and advances	3,966,809		957,301				4,924,110
Other assets	112,933	1,045	2,006				115,983
Total assets	**17,936,903**	**1,475,839**	**1,000,934**	**1,369**			**20,415,045**
Financial liabilities held for trading	251						251
Securities financing liabilities	1,039,190						1,039,190
Due to banks	1,383,232	3,316,057	2,072,536	1,658,028	1,243,521		9,673,374
Due to customers	7,594,394	448,778	929	28,881			8,072,981
Issued debt					60		60*
Other liabilities	245,636	4,584	11,074				261,294
Total liabilities	**10,262,703**	**3,769,419**	**2,084,539**	**1,686,909**	**1,243,581**		**19,047,150**
Net liquidity surplus/gap	**7,674,200**	**-2,293,580**	**-1,083,605**	**-1,685,540**	**-1,243,581**		**1,367,895**

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

Market risk in banking book

Foreign exchange risk

AACB activities in London, Singapore, Japan, Hong Kong, Sydney and Chicago can result in foreign exchange (FX) risk for the working capital and/or 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 AACB finances assets in matching currencies, the resulting FX risk is minimal. Furthermore, FX risk borne as a result of day-to-day operating activities is mitigated by entering into FX transactions with other ABN AMRO companies. As a result, AACB's overall net open 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.

Overall, the FX risk of ABN AMRO is managed at the enterprise level by ABN AMRO ALM/T.

Interest rate risk

Interest rate risk is managed according to ABN AMRO's 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 interest rate risk are performed by ABN AMRO's ALM/T department. AACB is not exposed to significant interest rate mismatch risk.

Capital risk management

AACB is subject to the European capital regulation (CRD IV and CRR) and, therefore, is required to hold capital to cover financial risks. On a sub-consolidated basis, AACB must meet the minimum regulatory capital requirements expressed as a percentage of RWA.

For a more detailed breakdown of EU regulatory capital requirements, please refer to the ABN AMRO Bank Financial Statements.

AACB foreign subsidiaries are also subject to local regulatory solvency requirements. The most material AACB entities from the capital consumption perspective are ABN AMRO Clearing Chicago and ABN AMRO Clearing Hong Kong.

The primary objective of the capital management strategy is to ensure that capital adequacy requirements are met at all times and that sufficient capital is available to support AACB's strategy. Capital is a necessary resource for doing business and defines commercial possibilities. AACB manages the balance between available and required capital centrally for optimal use. The basis of AACB's capital management strategy comprises AACB's risk appetite, AACB's business plans, and local capital requirements for AACB's foreign subsidiaries. Other important factors include external stakeholder (e.g. regulators and counterparties) expectations, market developments, riskiness of AACB's clients, and contingent capital needs.

The main risks to capital are derived from:
- Potential credit losses (direct capital impact)
- RWA fluctuations (impact on the CET1 ratio)
- Specific local issues (e.g. sudden increase of capital deductions due to client positioning)
- Low profitability (business model sustainability)

Capital risk monitoring

AACB has developed and implemented a capital risk management framework that includes:
- Risk governance
- RAS on the CET1 and LR ratios
- Limits on the capital excess in material subsidiaries
- EWIs at global and local levels
- ICAAP
- Capital stress testing and scenario analysis
- Trapped capital analysis
- Contingency Funding & Capital plan (CF&CP)

AACB maintains comfortable buffers in foreign subsidiaries to meet capital requirements from regulatory and internal perspectives. In addition, stress testing indicates that sufficient buffers are in place.

Contingency capital management

A CF&CP is in place to address any capital issues that may arise. It provides a framework to detect capital-adequacy stress by setting out various EWIs. The CF&CP also sets out a range of actions that can be undertaken, based on the level of severity and urgency of a particular issue.

Garry O'Connor - Sydney office.

Arjan Ruitenburg - Alphen a/d Rijn, NL.

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Main developments in capital position

In 2020, standard supervisory methods (for exposure at default and RWA) were used for measuring exposure value for AACB's client portfolio. The approach was implemented as per December 2019[1] following a review of the regulator and the decision that AACB was no longer allowed to apply the Advanced-IRB Approach for its client portfolio. AACB is waiting on the outcome of this review. The RWA increased EUR 0.4 billion in 2020 compared to 2019.

(x EUR 1,000)	31 December 2020	31 December 2019
Capital		
IFRS capital	1,271,754	1,367,893
Composition of regulatory capital:		
- Common Equity Tier 1 (CET1)	1,262,523	1,362,414
Total regulatory capital	**1,262,523**	**1,362,414**
Total Risk Exposure Amount (RWA)	4,941,982	4,573,655
CET 1 ratio	25.55%	29.79%
Fully loaded leverage ratio (CEM)	1.6%	1.5%
Fully loaded leverage ratio (SA-CCR)	5.3%	5.6%

(x EUR 1,000)	31 December 2020	31 December 2019
Geographic breakdown RWA		
Europe	67%	63%
US	21%	25%
APAC	12%	12%
Total	**100%**	**100%**

(x EUR 1,000)	31 December 2020	31 December 2019
RWA breakdown per counterparty		
Clients	56%	56%
Central counterparties (CCPs)	10%	11%
Other*	34%*	33%*
Third party exposures	100%	100%
ABN AMRO Bank intra-group	0%	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 2020	31 December 2019
Liquidity ratio's		
Liquidity Coverage Ratio (LCR)	>100%	>100%
Net Stable Funding Ratio (NSFR)	>100%	>100%

1 As of 31 December 2019, AACB is no longer allowed to apply the Advanced-IRB Approach as described in the Regulation (EU) No 575/2013 (CRR) for its client portfolio. As a result the portfolio is reported using the Standardised Approach.

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 UK's Financial Conduct Authority, the Securities and Exchange Commission and Commodity Futures Trading Commission in the US, and Singapore's MAS, among others. AACB also deals with numerous exchanges and central clearing houses that mandate their own rules and regulations.

Local Compliance and Legal departments ensure continual compliance with regulations and liaise with regulators to safeguard AACB from regulatory risk. Our Global Regulatory Affairs department also actively engages with principal 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 losses resulting from inadequate or failed internal processes, systems or human error, caused by internal or external events. Some examples of operational risk are: wrongful execution of an order, fraud, litigation for legal non-compliance, natural disasters, and cybercrime.

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 information- and IT security. This framework is aligned with the regulatory technical standards of the Advanced Measurement Approach (AMA) and based on best market practices. AACB does not apply AMA for capital calculation on a stand-alone 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 self-assessments, change risk assessments, and scenario analyses. All risks are measured against AACB's moderate risk profile, which is clearly stated within our 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 and following the ISO 22301 standards.

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 actively participate in business continuity-plan awareness and e-learning sessions. Disaster and recovery sessions are held regularly to test key processes and the IT infrastructure, and to support training for essential employees.

AACB IT infrastructure is also monitored to ensure availability, confidentiality, and integrity. Infrastructure availability 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.

The year 2020 was dominated by the Covid-19 pandemic. This resulted in high volatility with a record number of transactions processed on a daily basis, while working from home became the new norm. All of this was carefully management by the Business Crisis Teams in all locations. Ensuring the safety of staff and continuity of client service were AACB's top priorities.

Information security risk management

The clearing business is IT- and information intensive, requiring a strong control framework to ensure the confidentiality, integrity and availability of information. To effectively manage threats and risks, framework of control objectives is used to monitor and test the maturity of risk-mitigating capabilities. AACB continuously monitors (external) threats in terms of IT and cybersecurity. Improving the control environment is a key activity.

Sustainability Risk

Climate related risks, nature related risk and social related risks are currently being defined throughout the value chain of exchanges and CCPs. AACB participates in panel discussions with the World Federation of Exchanges and the ECB in trying to get a better understanding of the systemic risk of sustainability.

We understand the importance of clear statements on:

1. How sustainability is incorporated in our governance
2. How sustainability is incorporated in our risk assessments
3. How we can identify and report on our own materiality with regards to sustainability risk.

Ton van Dijk - Zoetermeer NL.

Annual Financial Statements

Consolidated income statement

(x EUR 1,000)	Note	2020	2019
Income			
Interest income calculated using the effective interest method		357,575	506,669
Interest expenses calculated using the effective interest method		176,329	316,630
Net interest income	1	**181,246**	**190,039**
Fee and commission income		399,808	313,189
Fee and commission expenses		105,324	73,819
Net fee and commission income	2	**294,484**	**239,370**
Share of result in equity accounted investments	3	82	-224
Other operating income	4	4,366	17,769
Operating income		**480,178**	**446,954**
Expenses			
Personnel expenses	5	109,966	119,154
General and administrative expenses	6	167,547	172,790
Depreciation and amortisation of (in)tangible assets	7	9,239	8,913
Operating expenses		**286,752**	**300,857**
Impairment charges on financial instruments	8	205,797	-120
Total expenses		**492,549**	**300,737**
Operating profit / (loss) before taxation		**-12,371**	**146,217**
Income tax expense	9	-26,656	34,627
Profit (loss) for the year		**14,285**	**111,590**
Attributable to:			
Owner of the company		14,285	111,590

Consolidated statement of comprehensive income

(x EUR 1,000)	Note	2020	2019
Profit for the period		**14,285**	**111,590**
Other comprehensive income:			
Items that will not be reclassified to the income statement			
Associates: Remeasurement gains/(losses) on defined benefit plans	30		19
Items that will not be reclassified to the income statement before taxation			**19**
Income tax relating to items that will not be reclassified to the income statement	30	1,405	512
Items that will not be reclassified to the income statement after taxation		**1,405**	**531**
Items that may be reclassified to the income statement			
(Un)realised gains/(losses) currency translation	30	-56,458	16,511
(Un)realised gains/(losses) fair value through OCI	30	34	-2
Other comprehensive income for the period before taxation		**-56,424**	**16,509**
Income tax relating to items that may be reclassified to the income statement	30	-4,292	73
Other comprehensive income for the period after taxation		**-60,716**	**16,582**
Total comprehensive income/(expense) for the period after taxation		**-45,026**	**128,703**
Total comprehensive income attributable to:			
Owner of the company		**-45,026**	**128,703**

Amy Lau - Sydney office.

Consolidated statement of financial position

Before profit appropriation

(x EUR 1,000)	Note	31 December 2020	31 December 2019
Assets			
Cash and balances at central banks	10	1,051,540	5,110
Financial assets held for trading	11	22	5,733
Financial investments	12	432,063	516,488
Securities financing	14	8,008,080	7,190,273
Loans and advances banks	15	721,932	825,544
Corporate loans at amortised cost	16	5,403,092	6,831,804
Other loans and advances	16	6,660,183	4,924,110
Equity accounted investments	19	251	281
Property and equipment	20	22,150	24,915
Intangible assets	21	1,938	865
Assets held for sale	22		8,650
Tax assets	23	65,928	20,676
Other assets	24	46,357	60,596
Total assets		**22,413,536**	**20,415,045**
Liabilities			
Financial liabilities held for trading	11		251
Securities financing	14	778,359	1,039,190
Due to banks	25	11,016,675	9,673,374
Due to customers	26	9,000,566	8,072,981
Issued debt	27	40,693	60
Provisions	28	2,245	2,096
Tax liabilities	23	31,449	23,462
Other liabilities	29	271,802	235,736
Total liabilities		**21,141,789**	**19,047,150**
Equity			
Share capital		15,000	15,000
Share premium		5,363	55,363
Other reserves (incl. retained earnings/profit for the period)		1,253,439	1,240,274
Accumulated other comprehensive income		-2,054	57,256
Equity attributable to owner of the company	30	**1,271,748**	**1,367,893**
Total equity		**1,271,748**	**1,367,893**
Total liabilities and equity		**22,413,537**	**20,415,043**
Committed credit facilities	31	570,135	169,358
Commitments and contingent liabilities	31	37,400	14,842

Consolidated statement of changes in equity

(x EUR 1,000)

			Other reserves		Accumulated other comprehensive income (note 30)				
	Share capital	Share Premium	Retained earnings	Unappropriated result of the year	Fair value reserve	Remeasurement of net DBO on post-employment plans	Currency translation reserve	Net investment hedging reserve	Total Equity
Balance at 1 January 2019	**15,000**	**55,363**	**1,009,775**	**118,929**	**-38**	**-19**	**90,192**	**-49,990**	**1,239,212**
Total comprehensive income				111,590	-2	19	16,583	512	128,703
Transfer			118,929	-118,929					
Other			-23						-23
Balance at 31 December 2019	**15,000**	**55,363**	**1,128,681**	**111,590**	**-40**	**0**	**106,775**	**-49,478**	**1,367,892**
Total comprehensive income				14,285	29		-60,745	1,405	-45,026
Transfer		-50,000	111,590	-111,590					-50,000
Other			-1,118						-1,118
Balance as at 31 December 2020	**15,000**	**5,363**	**1,239,153**	**14,285**	**-11**	**0**	**46,030**	**-48,073**	**1,271,748**

Consolidated statement of cash flows

(x EUR 1,000)	Note	2020	2019
Profit after taxation		**14,285**	**111,590**
Adjustments on non-cash items included in profit:			
Net (un)realised gains/losses		471	-6,274
Income of equity associates and partnerships	3	-82	-224
Depreciation, amortisation of (in)tangible assets	7	9,239	8,913
Provisions and impairments		206,464	-387
Income tax expenses	9	-26,656	34,627
Changes in operating assets and liabilities:			
Loans and advances banks		4,817	627,215
Corporate loans		1,080,065	477,139
Other loans and advances		-1,920,291	686,755
Financial instruments held for trading and securities transactions		-1,127,779	-358,864
Due to banks		1,349,160	948,047
Due to customers		1,158,695	-2,110,957
Net changes in all other operational assets and liabilities		195,628	-674,926
Income taxes paid		-15,117	-31,576
Cash flow from operating activities		**928,899**	**-288,921**
Investing activities:			
Purchases of financial investments	12	-9,589	
Proceeds from sales, maturities and redemptions	12	57,078	-118,458
Dividend from financial investments	12	796	5,536
Purchases of property and equipment	20	-395	-1,609
Purchases of other (in)tangible assets	21	-3,111	-764
Cash flow from investing activities		**44,779**	**-115,295**
Financing activities:			
Issuance of debt certificates		43,798	
Payment of debt certificates		-60	
Payment of lease liabilities		-3,486	-4,929
Payment of capital contribution		-50,000	
Cash flow from financing activities		**-9,748**	**-4,929**
Net increase (decrease) of cash and cash equivalents		**963,930**	**-409,145**
Cash and cash equivalents as at 1 January		**778,016**	**1,178,011**
Effect of exchange rate variance on cash and cash equivalents		-15,933	9,151
Cash and cash equivalents as at 31 December	**34**	**1,726,013**	**778,016**
Supplementary disclosures of operating cash flow information			
Interest income received		358,889	497,239
Interest expense paid		-174,427	-322.322

The cash position increased with EUR 964 milllion, including EUR 15.9 million related to foreign currency translation differences. The non-cash activities were mostly impacted by movements in the fair value reserves, depreciation and amortisation 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 the purchase of financial investments, primarily government bonds. And the financing activities changed as a result of changes related to IFRS 16 leases, the issuance and payment of debt certificates and the payment of capital contributions.

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 are incorporated in the Consolidated Financial Statements of ABN AMRO Bank N.V.

The Annual Financial Statements of ABN AMRO Clearing Bank N.V. were prepared by the Management Board and authorised for issue by the Supervisory Board and Management Board on 19 May 2021.

For the purpose of its consolidated subsidiaries, ABN AMRO has issued notices of liability. Based on this, ABN AMRO 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 a 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 impact of Covid-19 on future performance and, therefore, on the measurement of assets, mainly loans and advances, is significant and therefore requires disclosure in the financial statements, but management has determined that these events and conditions do not create a material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern. Therefore, the Annual Financial Statements continue to be prepared on the going concern basis.

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

Disclosures

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 40 to 53 are labelled as 'audited'. These disclosures are an integral part of the Consolidated Annual Financial Statements and are covered by the Audit opinion.

Changes in accounting policies

New EU-endorsed standards became effective as at 1 January 2020. The following standards were adopted:

- Interest Rate Benchmark Reform
- Amendents to IFRS 16 – Leases – Covid19 Related Rent Consessions;
- Amendents to IFRS 3 – Business Combinations;
- Amendments to IAS 1 and IAS 8 - Definition of Material;
- Amendments to References to the Conceptual Framework in IFRS Standards.

Interest Rate Benchmark Reform

In response to the IBOR reform, the IASB has issued two sets of amendments to IFRS Standards. The amendments provide practical relief for companies from certain requirements when changes are made to contractual cash flows or hedging relationships because of IBOR reforms, and provide additional disclosure requirements.

With effect from 1 January 2020, AACB applies the first set of amendments made to IFRS 9, IAS 39 and IFRS 7 that address the pre-replacement phase or phase 1 issues introduced by the IBOR reform. The phase 1 amendments allow a company to apply temporary reliefs to all hedging relationships that are directly affected by the IBOR reform. Applying the relief prevents the disruption of hedging relationships as a result of uncertainty caused by the IBOR reform. The adoption of the amendments has not resulted in any impact on profit & loss or on the statement of financial position.

In August 2020, the IASB issued the second set of amendments to address the issues caused by the replacement phase of the IBOR reform. Amendments have been made to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The phase 2 amendments took effect on 1 January 2021, with early adoption permitted. AACB elected not to early adopt the phase 2 amendments in 2020. While AACB operates in global financial markets, the majority of its financial instruments are linked to the euro area key interest rate benchmarks EONIA and EURIBOR. EONIA will be replaced by €STR and will be discontinued on 3 January 2022. Since October 2019, EONIA has been calculated as €STR plus a fixed spread of 8.5 basis points. EURIBOR has been calculated using a hybrid methodology since 2019 and will not be reformed in the short-term. The IBOR reform in the euro area has not affected the basis of contractual cash flows or hedging relationships in 2020.

Other key financial benchmarks are also being reformed, most notably the London InterBank Offered Rates (LIBOR) in the five LIBOR currencies: USD, GBP, EUR, JPY and CHF. LIBOR is expected to be phased out by the end of 2021, with the exception of USD LIBOR which is expected to be phased out by mid 2023. Following the transition roadmap set out by the ABN AMRO bank-wide IBOR reform project, changes to contractual cash flows are scheduled to be made in the course of 2021. Early adoption of the phase 2 amendments is therefore not necessary.

Pauline Engelberts - Hoofddorp NL.

IFRS 16 – Covid-19 Related Rent Concessions

The IASB issued the Covid-19-Related Rent Concessions amendment to IFRS 16 Leases. The amendment provides relieto lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. In October 2020, the EU endorsed the amendment to IFRS 16. The amendment applies to annual reporting periods beginning on or after 1 June 2020, earlier application is permitted. As a lessee, AACB has not obtained any lease concessions attributable to Covid-19. The amendments therefore do not have an impact on AACB's Financial Statements.

IFRS 3 – Business Combinations

In October 2018, the IASB issued amendments to IFRS 3 Business Combinations. These amendments, which resolve difficulties in determining whether an entity has acquired a business or a group of assets, are effective for business combinations with an acquisition date on or after 1 January 2020. In October 2020, the EU endorsed the amendment to IFRS 3 to improve the definition of a business. From 1 January 2020, AACB applies the amended definition of a business for newly acquired business combinations. These amendments do not have an impact on AACB's consolidated financial statements.

IAS 1 and IAS 8 – Definition of Material

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, which became effective on 1 January 2020, revise the definition of material and align the definition across other IFRS publications such as IFRS Standards and IFRIC Interpretations. These amendments do not have an impact on AACB consolidated financial statements.

References to the Conceptual Framework in IFRS

In March 2018, the IASB issued the revised Conceptual Framework for Financial Reporting. The Conceptual Framework provides guidance for developing consistent accounting policies and assistance in understanding the standards. The changes in the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. The revised Conceptual Framework came into effect on 1 January 2020. These amendments do not have an impact on AACB's consolidated financial statements.

New standards, amendments and interpretations not yet endorsed

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

Amendments to IAS 1 – Presentation of Financial Statements

The amendment to IAS 1 determining whether a liability should be classified as current or noncurrent has not yet been endorsed. The amendment is effective for annual reporting periods beginning on or after 1 January 2023 and is to be applied retrospectively. Earlier application is permitted. AACB is currently studying the proposed amendment and the potential impact on the financial statements.

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 8 and 16
- Income tax expense, tax assets and tax liabilities – Notes 9, 23 and 30
- Fair value of financial instruments – Notes 13 and 17
- Provisions – Note 29

Arno Hamerling - Purmerend NL.

Assessment of risk, rewards and control

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

Significant accounting principles

Basis of consolidation

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

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

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

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.

Eelko van Leeuwen - Amsterdam office.

The Consolidated Financial Statements are stated in euros, which is the presentation and functional currency of AACB. 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 AACB 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	
	2020	2019	2020	2019
1 Euro =				
Pound Sterling	0.90	0.85	0.89	0.88
Singapore Dollar	1.62	1.51	1.57	1.53
Japanese Yen	126.64	121.78	121.82	122.04
Hong Kong Dollar	9.53	8.74	8.85	8.77
Australian Dollar	1.59	1.60	1.66	1.61
US Dollar	1.23	1.12	1.14	1.12

Financial assets and liabilities

Classification and measurement of financial assets

Financial assets are classified based on the business model in which they are held with IFRS 9. 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.
- '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 are assessed. Debt instruments can be classified at amortised cost or FVOCI only when the contractual cash flows are solely payments of principal and interest (SPPI). 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 that are not separated from the host contract.

Based on the business model determined and the SPPI assessment, the following measurement categories are identified under IFRS 9:
- 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, Derivatives, Financial investments and Corporate loans.
- 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.

Reclassifications of financial assets are expected to be very infrequent and occur only when AACB changes its business model for a certain portfolio of financial assets.

Classification and measurement of financial liabilities

Financial liabilities are initially recognised at their fair value. Under IFRS 9, 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;

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- 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.

Financial liabilities are never reclassified after initial recognition.

Recognition and derecognition

Traded instruments are recognised on the trade date, defined as the date on which AACB commits to purchase or sell the underlying instrument. 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.

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.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified to the extent that, substantially, it becomes a new asset, AACB derecognises the financial asset, with the difference recognised in the income statement, to the extent that an impairment loss has not already been recorded. The newly recognised financial asset is classified as stage 1 for ECL measurement purposes. AACB assesses in both qualitative and quantitative terms whether the modifications are substantial. Generally a 10% difference in the present value of the cash flows between the initial and new contract results in derecognition. With regard to substantial modifications, e.g. due to forbearance measures, the derecognition gains or losses are recognised in net gains/(losses) on derecognition of financial assets measured at amortised cost and disclosed separately, if material.

If the modification of the financial asset does not result in derecognition, the gross carrying amount of the financial asset is recalculated, 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. Credit related modification gains or losses (i.e. due to forbearance measures) are recognised in the income statement and presented under impairment charges on financial instruments. Non-credit related modification gains or losses are recognized in the income statement and presented under interest income calculated using the effective interest method.

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.

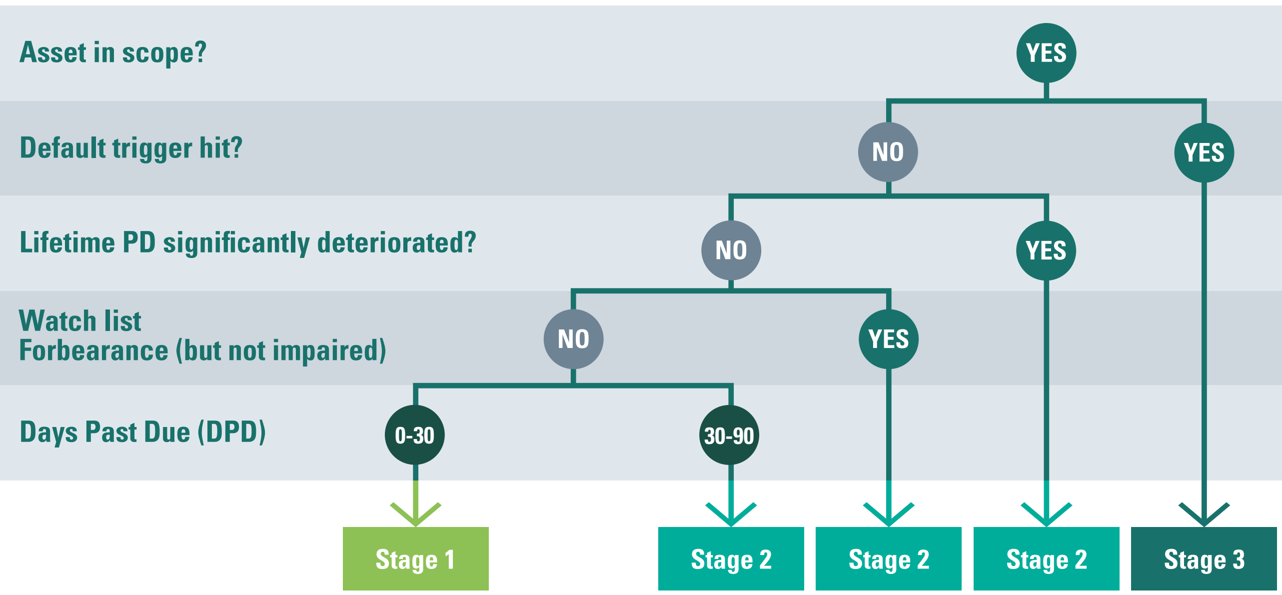
Impairments

AACB recognises loss allowances based on the Expected Credit Loss model (ECL) of IFRS 9, which is designed to be forward-looking. The IFRS 9 impairment requirements are applicable to financial assets measured at amortised cost or fair value through other comprehensive income (FVOCI), loans commitments and financial guarantee contracts. 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 the counterparty is past due by more than 90 days on any material financial credit obligation to the bank; or the bank considers the borrower to be unlikely to meet its contractual obligations. 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.
- The client has become non-performing (but is not in default);
- A delinquency-based regulatory backstop is in place, such that the credit risk of financial assets that are more than 30 days past due will be assumed to have significantly increased.



Tigor Houtasoit - Nieuw Vennep NL.

Calculation method

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 uses 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

AACB 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. For some contracts, such as overdraft facilities or credit cards, no end date is specified or amounts can be contractually withdrawn by the lender at short notice. In these cases, AACB uses behavioural maturity models that rely on historical client behaviour to determine future expected exposures.

Forward-looking information

For expected credit loss calculations, AACB uses three different scenarios of future economic developments: a baseline (or most likely) scenario, a negative scenario and a positive scenario. The three scenarios are incorporated into the expected credit loss calculation and risk stage determination in a probability-weighted. In order to incorporate the latest economic outlook (including the macroeconomic repercussions of the Covid-19 pandemic), the scenarios and their weights are reviewed each quarter and adjusted if necessary.

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 baseline scenario is based on Group Economics' regular macroeconomic and interest rate forecasts for the current and next year and is reviewed at each reporting date. The Group Economics analysts consider a range of external sources in order to develop the forecasts for the different macroeconomic variables (MEVs) required, including GDP, the unemployment rate, the housing price index, oil prices and 3-month Euribor. They check their views and assumptions against external views and assumptions. The preliminary forecasts for the different countries undergo a challenge process to ensure they are reasonable and consistent. To reduce the risk of biased forecasts, the final MEVs are again checked against external forecasts and then submitted to the Scenario and Stress-testing Committee for approval.

Both alternative scenarios reflect the lower and upper levels for the different macroeconomic variables, whereby the whole range is meant to cover roughly 85% of the possible economic future. For most MEVs, Group Economics uses its standard deviations. These are calculated on the basis of realised figures in the past few decades. The extent to which MEVs actually deviate over time from their historical means reflects the past materialisation of negative and positive risks in the economy. A probability of about 85% roughly corresponds to a standard deviation of plus and minus one and a half.

For the purpose of scenario analysis, the forecasts are extended to a five-year period. It is assumed that MEVs gradually move to their potential or equilibrium values after the second year. For each specific portfolio, a selection of variables is made for calculating the expected credit loss, based on statistical relevance and expert judgment.

Non-performing versus default and impaired

Definitions for default and impaired are aligned and form the basis for most credit risk reporting in this report.
For specific reporting purposes AACB also distinguishes between performing and nonperforming exposures.
The criteria for non-performing exposures are broader than those applying to default or impaired.

An exposure is qualified as non-performing if it is:
- in default; or
- the counterparty is no longer in default, but has received an additional forbearance measure, or became more than 30 days past due during the forborne probation period.

An exposure is categorised as non-performing for the entire amount, taking no account of any available collateral, and including the following revocable and irrevocable off-balance sheet items:
- Loan commitments;
- Financial guarantees at risk of being called, including the underlying guaranteed exposure that meets the criteria of non-performing;
- Any other financial commitments.

The non-performing classification typically ends when the counterparty is no longer in default. For non-performing exposures that are not in default, a cure period of at least 12 months applies from the date the exposure became non-performing. After this 12-month period, an assessment is made to establish whether the improvement of the credit quality is factual and permanent (including a requirement for no past due amounts). This is comparable to the out-of-default assessment.

Vina Chipperfield - Sydney office

Cured financial assets

When a credit impaired financial asset cures, the interest that was previously unrecognised is reported as an impairment release in the impairment charge rather than as a credit to the interest income calculated using the effective interest method.

Write-off
A loan is written off against the related loan loss allowance if the likelihood of repayment falls below a certain point or the financial asset reaches a certain stage of delinquency. 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.

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 central counterparties (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 advances 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).

Grahme Mansfield - Amsterdam NL.

Overview of financial assets and liabilities by measurement base

(x EUR 1,000)					31 December 2020
	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	1,051,540				1,051,540
Financial assets held for trading		22			22
Financial investments			204,675	227,387	432,063
Securities financing	8,008,080				8,008,080
Loans and advances banks	721,932				721,932
Corporate loans	5,403,092				5,403,092
Other loans and advances	6,660,183				6,660,183
Total financial assets	**21,844,828**	**22**	**204,675**	**227,387**	**22,276,912**
Financial Liabilities					
Financial liabilities held for trading					
Securities financing	778,359				778,359
Due to banks	11,016,675				11,016,675
Due to customers	9,000,566				9,000,566
Issued debt	40,693				40,693
Total financial liabilities	**20,836,292**				**20,836,293**

(x EUR 1,000)					31 December 2019
	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	5,110				5,110
Financial assets held for trading		5,733			5,733
Financial investments			220,857	295,631	516,488
Securities financing	7,190,273				7,190,273
Loans and advances banks	825,544				825,544
Corporate loans	6,831,804				6,831,804
Other loans and advances	4,924,110				4,924,110
Total financial assets	**19,776,841**	**5,733**	**220,857**	**295,631**	**20,299,062**
Financial Liabilities					
Financial liabilities held for trading		251			251
Securities financing	1,039,190				1,039,190
Due to banks	9,673,374				9,673,374
Due to customers	8,072,981				8,072,981
Issued debt	60				60
Total financial liabilities	**18,785,856**	**251**			**18,785,856**

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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 is 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. 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 effective interest rate is the rate that exactly discounts estimated future cash flows to the net carrying amount of the asset.

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 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)	2020	2019
Interest Income		
Of the interest income items the following amounts were related to:		
Interest income from ABN AMRO group companies	38,032	35,442
Interest income from third party customers/banks	319,543	471,227
Total interest income	**357,575**	**506,669**

The interest income of 2020 includes an amount of EUR 464 thousand (2019: EUR 1,120 thousand) concerning financial instruments that are at fair value through other comprehensive income. The remaining EUR 357,111 thousand (2019: EUR 505,549 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)	2020	2019
Interest Expense		
Of the interest expense items the following amounts were related to:		
Interest expense to ABN AMRO group companies	55,206	134,489
Interest expense to associates	3,285	3,946
Interest expense to third party customers/banks	117,838	178,195
Total interest expense	**176,329**	**316,630**

All interest expense amounts in 2020 and 2019, relate to financial instruments carried at amortised cost. No interest expense amounts relate to financial instruments measured at fair value through profit or loss.

	2020	2019
Net interest income	**181,246**	**190,039**

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)	2020	2019
The components of net fee and commission income are:		
Net fees and commissions related to payment services	-3,939	-2,611
Net fees and commissions related to securities and derivatives	298,356	242,174
Other net fees and commissions	67	-193
Total net fee and commission income	**294,484**	**239,370**
Of the net fees and commissions item, the following amounts were with:		
Net fee and commission with ABN AMRO group companies	1,441	1,902
Net fee and commission with associates	-931	-1,789
Net fee and commission with third party customers/banks	293,974	239,257
Total net fee and commission income	**294,484**	**239,370**

All fee and commission amounts in 2020 and 2019 relate to financial instruments carried at amortised cost and fair value through profit or loss.

AACB reassessed the presentation of pass-through fees relating to clearing activities in Singapore and Amsterdam. This resulted in a restatement of fee and commission income and expense of EUR 30.8 million in Singapore and 1.8 million in Amsterdam as at 31 December 2019.

3. Share of result in equity accounted investments

(x EUR 1,000)	2020	2019
Total realised result on equity accounted investments	**82**	**-224**

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

4. Other operating income

Accounting policy for other operating income

Other operating income includes all other activities such as, foreign exchange transaction result, 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)	2020	2019
Foreign exchange transaction result*	-105	147
Dividend	796	5,550
Realised gain on financial transactions **	1,429	4,903
Other ***	2,246	7,169
Total other operating income	**4,366**	**17,769**

* Foreign exchange transaction result consists of gains and losses on foreign currency balances of monetary items that are translated into euros at the period-end exchange rates. This amount is reclassified from Net trading income to Other operating income and restated in the 2019 figures.

** This 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.

5. 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)	2020	2019
Personnel expenses are specified as follows:		
Salaries and wages	80,721	89,556
Social security charges	10,309	10,663
Pension expenses	10,890	12,453
Other	8,046	6,482
Total personnel expenses	**109,966**	**119,154**

On a monthly basis the personnel expenses (including pension costs), concerning the employees of the Netherlands, are accrued and aligned with ABN AMRO. On a quarterly basis the payable amounts are settled. In 2020 this amount was EUR 51,809 thousand (2019: EUR 51,113 thousand).

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

The Dutch defined contribution plan is a Collective Defined Contribution (CDC) plan, based on an average salary plan. The normal retirement age is set at 68 years. The contribution payable by pension fund participants is 5.5% (2019: 5.5%).

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

	2020	2019
The average number of FTEs:		
Netherlands *	366	319
United Kingdom	92	90
Germany *	19	22
Belgium *	1	1
France *	1	1
Singapore	51	48
Japan	18	17
Australia	59	54
Hong Kong	22	21
United States	199	199
Brazil *	9	9
Total	**837**	**781**

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

6. 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 AAB and charged to AACB.

(x EUR 1,000)	2020	2019
General and administrative expenses can be broken down as follows:		
Agency staff, contractors and consultancy costs	45,031	45,165
Financial statement audit fees	1,340	1,306
Audit related fees	104	66
Staff related costs	1,120	3,694
Information technology costs	52,270	51,130
Housing	1,117	1,702
Post, telephone and transport	773	893
Marketing and public relations costs	283	786
Recharges from ABN AMRO group companies	42,291	46,843
Dutch banking tax	10,511	9,680
Other	12,707	11,525
Total general and administrative expenses	**167,547**	**172,790**

* Audit related fees consists of fees paid for the audit of financial statements and other assurance engagements. No non-assurance services were provided to AACB by their auditors in 2020 and 2019.

7. Depreciation and amortisation of (in)tangible assets

The accounting policy for depreciation and amortisation is described in notes 20 and 21.

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

(x EUR 1,000)	2020	2019
Leasehold improvements – depreciation	802	776
Equipment – depreciation	217	265
IT equipment – depreciation	1,460	1,373
Purchased software – amortisation	212	1,060
Internal software – amortisation	1,726	5
Right of use assets – depreciation	3,587	4,441
Depreciation and amortisation expenses	**8,005**	**7,920**
Equipment – depreciation rebilled by ABN AMRO group	12	13
IT equipment – depreciation rebilled by ABN AMRO group	355	323
Purchased software – amortisation rebilled by ABN AMRO group	677	469
Right of use assets – depreciation rebilled by ABN AMRO group	190	188
Total depreciation and amortisation expenses	**9,239**	**8,913**

8. Impairment charges on financial instruments

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)	2020	2019
Stage 1 - twelve month expected credit loss	208	1
Stage 2 - lifetime expected credit loss		
Stage 3 - lifetime expected credit loss	205,589*	-121*
Total impairment charges on financial instruments	**205,797**	**-120**

* The impairment charges in stage 3 are related to the top up of the Default Fund contribution of AACB at Nasdaq Clearing AB. The 2020 amount is a recovery of EUR 1,693 thousand of the Nasdaq Clearing AB Default Fund contribution (2019: 121).
The 2020 Stage 3 credit loss was caused by the default of a US client in March. Refer to the Risk Management chapter for more information.

9. 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 AAB 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 AAB result is a profit.

(x EUR 1,000)	2020	2019
The details of the current and deferred income tax expense are presented below:		
Current tax	-24,502	35,880
Deferred tax	-2,153	-1,253
Total income tax expenses	**-26,656**	**34,627**

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	-12,371	146,217
Weighted applicable tax rate	94.46%	23.04%
Expected income tax expense	**-11,686**	**33,695**
Change in taxes resulting from:		
Tax exemptions	1,478	1,736
Tax loss utilisation	2,454	
Adjustments for tax of prior periods	-19,015	87
Change in tax rate		-4
Other	113	-887
Actual income tax expenses	**-26,656**	**34,627**
Effective tax rate	**215.47%**	**23.68%**

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

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Country by Country reporting 2020

The following table provides an overview of total operating income, average number of FTEs 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.	236,101	366	43,861	14,157	29,703
International activities						
United Kingdom	ABN AMRO Clearing Bank London Branch	-100	92	2,766	651	2,115
United States	ABN AMRO Clearing Chicago LLC	132,422	199	-133,113	-52,759	-80,354
Singapore	ABN AMRO Clearing Bank Singapore Branch	41,539	51	29,912	4,062	25,850
Japan	ABN AMRO Clearing Tokyo Co Ltd	18,166	18	8,739	2,630	6,109
Hong Kong	ABN AMRO Clearing Hong Kong Ltd	41,881	22	32,748	4,839	27,909
Australia	ABN AMRO Clearing Sydney Pty Ltd	10,169	59	2,717	-236	2,953
Other			30			
Total		**480,178**	**837**	**-12,371**	**-26,656**	**14,285**

Country by country reporting 2019

The following table provides an overview of total operating income, average number of FTEs 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.	201,287	319	10,147	6,534	3,613
International activities						
United Kingdom	ABN AMRO Clearing Bank London Branch	2,228	90	4,787	473	4,313
United States	ABN AMRO Clearing Chicago LLC	146,017	199	76,751	21,361	55,391
Singapore	ABN AMRO Clearing Bank Singapore Branch	33,783	48	19,430	2,632	16,798
Japan	ABN AMRO Clearing Tokyo Co Ltd	13,039	17	2,580	723	1,857
Hong Kong	ABN AMRO Clearing Hong Kong Ltd	38,057	21	29,253	2,056	27,197
Australia	ABN AMRO Clearing Sydney Pty Ltd	12,543	53	3,269	848	2,421
Other			34			
Total		**446,954**	**781**	**146,217**	**34,627**	**111,590**

Notes to the consolidated statement of financial position

Assets

10. Cash and balances at central banks

Accounting policy for cash and balances at central banks
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 15, 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 2020	31 December 2019
Total cash and balances at central banks	**1,051,540**	**5,110**

Increase is mainly caused by the change from a non cash to cash liquidity buffer at the Dutch Central Bank.

11. 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 through profit or loss, with gains and losses in the changes of the fair value 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 2020	31 December 2019
The trading assets consists of the following financial instruments:		
Contract for differences (CFDs)		9
Equity instruments held for trading*	22	5,724
Total financial assets held for trading	**22**	**5,733**

* 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 2020	31 December 2019
The financial liabilities held for trading consist of the following:		
Contract for differences (CFDs)		68
Equity instruments held for trading*		183
Total financial liabilities held for trading		**251**

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

12. Financial investments

Accounting policy for financial investments

Financial investments include 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.

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 13 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)	2020	2019
Debt securities held at fair value through other comprehensive income	227,388	295,631
Held at fair value through profit or loss	204,675	220,857
Total financial investments	**432,063**	**516,488**

(x EUR 1,000)	2020	2019
Movements in the financial investments were as follows:		
Opening balance as at 1 January	**516,488**	**384,725**
Sales to third parties	-57,078	
Additions	9,589	118,458
Gross revaluation to equity	32	-1
Gross revaluation to income	2,097	10,452
Dividends received	-796	-5,536
Exchange rate differences	-38,269	8,390
Closing balance as at 31 December	**432,063**	**516,488**

(x EUR 1,000)	2020	2019
Interest-earning securities:		
United States	162,761	236,168
European Union	64,626	59,463
Non-financial institutions	162,774	178,257
Subtotal	**390,161**	**-473,888**
Equity instruments	41,902	42,600
Closing balance as at 31 December	**432,063**	**516,488**

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 2020	295,631			295,631
Change in carrying amount due to purchase and repayment (excluding write-offs)	-47,307			-47,307
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	-20,937			-20,937
At 31 December 2020	**227,388**			**227,388**

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 2019	173,063			173,063
Change in carrying amount due to purchase and repayment (excluding write-offs)	118,387			118,387
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	4,181			4,181
At 31 December 2019	**295,631**			**295,631**

13. 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.

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. For equity instruments that are not actively traded a valuation model is used and are 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.

At 31 December 2020

	Quoted prices in active market	Valuation technique observable market data	Valuation technique unobservable market data	Total
Financial assets held for trading	22			22
Financial investments	412,688		19,375	432,063
Total financial assets	**412,710**		**19,375**	**432,085**
Financial liabilities held for trading				
Total financial liabilities				

(x EUR 1,000) At 31 December 2019

	Quoted prices in active market	Valuation technique observable market data	Valuation technique unobservable market data	Total
Financial assets held for trading	5,725	9		5,733
Financial investments	497,955		18,532	516,488
Assets held for sale			8,650	8,650
Total financial assets	**503,680**	**9**	**27,182**	**530,871**
Financial liabilities held for trading	183	69		251
Total financial liabilities	**183**	**69**		**251**

Within financial investments AACB owns shares of exchanges. These shares are classified in the table above as Level 3; Valuation technique utilises unobservable market data. The valuation price is based on a valuation model containing multiple of valuation techniques.

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.

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 2019	**17,081**
Dividends	-5,450
Gains/(losses) recorded in profit and loss	6,717
Unrealised gains/(losses)	185
Other movements*	8,650
Balance at 31 December 2019	**27,182**
Purchases	805
Dividends	-720
Gains/(losses) recorded in profit and loss	1,672
Unrealised gains/(losses)	-914
Other movements*	-8,650
Balance at 31 December 2020	**19,375**

* Other movements contains the reclassification of the EuroCCP shares in 2019 from equity accounting investment to Assets held for sale. And the sale of the shares in 2020. Refer to note 22.

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14. Securities financing

Accounting policy for securities financing

Securties financing is measured at amortised cost. 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 2020	31 December 2019
Assets		
Reverse repurchase agreements	882,865	935,109
Securities borrowing transactions	5,897,792	5,113,362
Transactions related to securities *	1,227,424	1,141,802
Total securities financing	**8,008,080**	**7,190,273**
Liabilities		
Securities lending transactions	367,773	561,381
Transactions related to securities **	410,585	477,809
Total securities financing	**778,359**	**1,039,190**

* 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 2020	31 December 2019
Assets		
ABN AMRO group companies	1,431,612	1,417,439
Banks	3,136,203	1,746,397
Customers	3,440,265	4,026,437
Total securities financing	**8,008,080**	**7,190,273**
Liabilities		
Banks	364,987	574,222
Customers	413,372	464,968
Total securities financing	**778,359**	**1,039,190**

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 2020	7,190,273			7,190,273
Change in carrying amount due to origination and repayment (excluding write-offs)	1,128,645			1,128,645
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	-310,838			-310,838
At 31 December 2020	**8,008,080**			**8,008,080**

During the year, there were no transfers from Stage 1. The ECL for 2020 is nil.

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 january 2019	6,363,318			6,363,318
Change in carrying amount due to origination, repayment and other movements	733,447			733,447
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	93,508			93,508
At 31 December 2019	**7,190,293**			**7,190,293**

During the year, there were no transfers from Stage 1. The ECL for 2019 is nil.

15. 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 of 31 December 2020, no amount has a maturity of more than 12 months (2019: nil).

(x EUR 1,000)	31 December 2020	31 December 2019
Loans and advances - banks consists of the following:		
Demand receivables	718,928	823,606
Interest bearing deposits	291	951
Mandatory reserve deposits with central banks	3,079	1,147
Less: loan impairment allowance	-366	-160
Net loans and advances - banks	**721,932**	**825,544**

None of the amounts in the loans and advances - banks items were subordinated in 2020 or 2019.

(x EUR 1,000)	31 December 2020	31 December 2019
Of the loans and advances - banks item the following amounts were due from:		
ABN AMRO group companies	356,466	696,669
Third parties	365,466	128,875
Total loans and advances - banks	**721,932**	**825,544**

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 2020	825,544			825,544
Change in carrying amount due to origination and repayment (excluding write-offs)	-88,166			-88,166
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	-15,446			-15,446
At 31 December 2020	**721,932**			**721,932**

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 january 2020	-160			-160
New assets originated or purchased				
Assets derecognised or repaid (excluding write-offs)	-208			-208
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	2			2
At 31 December 2020	**-366**			**-366**

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 january 2019	1,807,218			1,807,218
Change in carrying amount due to origination and repayment (excluding write-offs)	-991,112			-991,112
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	9,439			9,439
At 31 December 2019	**825,544**			**825,544**

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 january 2019	-158			-158
New assets originated or purchased				
Assets derecognised or repaid (excluding write-offs)	-1			-1
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	-1			-1
At 31 December 2019	**-160**			**-160**

16. Loans and advances customers

The accounting policy for loans and advances is included in note 16.

As of 31 December 2020, EUR 5,581 thousand has a maturity of more than 3 months but less than one year (2019: EUR 1,369 thousand).

(x EUR 1,000)	31 December 2020	31 December 2019
Loans and advances customers consists of the following:		
Corporate loans, gross	5,403,092	6,831,804
Less: loan impairment allowances - corporate loans	-	-
Corporate loans	**5,403,092**	**6,831,804**
Government and official institutions	4,595	3,422
Receivables from central counterparties	6,658,198	4,924,991
Less: loan impairment allowances - other	-2,610	-4,303
Other loans and advances	**6,660,183**	**4,924,110**
Loans and advances customers	**12,063,275**	**11,755,914**

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

(x EUR 1,000)	31 December 2020	31 December 2019
Of the loans and advances customers item, the following amounts were due from:		
ABN AMRO group companies	94	82
Third parties	12,063,181	11,755,832
Loans and advances customers	**12,063,275**	**11,755,914**

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 2020	6,813,837	17,967		6,831,804
Change in carrying amount due to origination and repayment (excluding write-offs)	-928,251		-152,344	-1,080,595
Transfers to Stage 1	6,282	-6,282		0
Transfers to Stage 2	-247,276	247,276		0
Transfers to Stage 3	-349,135		349,135	0
Amounts written off			-196,791	-196,791
Foreign exchange adjustments	-132,356	-18,970		-151,326
At 31 December 2020	**5,163,101**	**239,991**		**5,403,092**

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2020				
New assets originated or purchased				
Assets derecognised or repaid (excluding write-offs)			-28,991	-28,991
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3			225,782	225,782
Amounts written off			-196,791	-196,791
Foreign exchange adjustments				
At 31 December 2020			**0**	**0**

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 january 2019	7,251,142	43		7,251,186
Change in carrying amount due to origination and repayment (excluding write-offs)	-486,591			-486,591
Transfers to Stage 1	75	-75		
Transfers to Stage 2	-17,948	17,948		
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	67,159	51		67,210
At 31 December 2019	**6,813,837**	**17,967**		**6,831,804**

The ECL for 2019 is nil.

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 2020	4,919,807		4,303	4,924,110
Change in carrying amount due to origination and repayment (excluding write-offs)	1,913,186			1,913,186
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off			-1,693	-1,693
Foreign exchange adjustments	-175,419			-175,419
At 31 December 2020	**6,657,573**		**2,610**	**6,660,183**

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 january 2020			-4,303	-4,303
New assets originated or purchased				
Assets derecognised or repaid (excluding write-offs)				
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off			1,693	1,693
Foreign exchange adjustments				
At 31 December 2020			**-2,610**	**-2,610**

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 january 2019	5,559,110		4,424	5,563,534
Change in carrying amount due to origination and repayment (excluding write-offs)	-686,800			-686,800
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off			-121	-121
Foreign exchange adjustments	47,496			47,496
At 31 December 2019	**4,919,807**		**4,303**	**4,924,110**

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 january 2019			-4,424	-4,424
New assets originated or purchased				
Assets derecognised or repaid (excluding write-offs)			121	121
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments				
At 31 December 2019			**-4,303**	**-4,303**

17. 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 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) **2020**

At 31 December 2020	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	1,051,540	1,051,540			1,051,540
Securities financing	8,008,080		-8,008,080		8,008,080
Loans and advances - banks	721,932		721,932		721,932
Corporate loans	5,403,092		5,397,511	5,581	5,403,092
Other loans and advances customers	6,660,183		6,660,183		6,660,183
Total financial assets	**21,844,828**	**1,051,540**	**20,787,707**	**5,581**	**21,844,828**
Securities financing	778,359		778,359		778,359
Due to banks	11,016,675		7,550,284	3,466,391	11,016,675
Due to customers	9,000,566		8,980,656	19,910	9,000,566
Issued debt	40,693	40,693			40,693
Total financial liabilities	**20,836,292**	**40,693**	**17,309,299**	**3,486,300**	**20,836,292**

(x EUR 1,000) 2019

At 31 December 2019	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	5,110	5,110			5,110
Securities financing	7,190,273		7,190,273		7,190,273
Loans and advances - banks	825,544		825,544		825,544
Corporate loans	6,831,804		6,830,435	1,369	6,831,804
Other loans and advances customers	4,924,110		4,924,110		4,924,110
Total financial assets	**19,776,841**	**5,110**	**19,770,362**	**1,369**	**19,776,841**
Securities financing	1,039,190		1,039,190		1,039,190
Due to banks	9,673,374		6,771,824	2,901,550	9,673,374
Due to customers	8,072,981		8,044,100	28,881	8,072,981
Issued debt	60		60		60
Total financial liabilities	**18,785,605**		**15,855,174**	**2,930,431**	**18,785,605**

18. 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.

There were no acquisitions or divestments during 2020 and 2019.

Accounting policy for subsidiaries

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

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

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

Accounting policy for associates and joint ventures

Associates are those entities in which AACB has significant influence, but no control or joint control, over the operating and financial policies. Significant influence is generally presumed when AACB holds between 20% and 50% of the voting rights. Potential voting rights that are currently exercisable are considered in assessing whether AACB has significant influence. 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 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 group.

19. 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 18 for more accounting policies on equity accounted investments.

(x EUR 1,000)	31 December 2020	31 December 2019
Equity accounted investments consist of the following:		
ABN AMRO Investments USA LLC	251	281
Total equity accounted investments	**251**	**281**

ABN AMRO Investments USA LLC (AAIU)

On 13 January 2016, ABN AMRO Bank N.V. (AAB) and ABN AMRO Clearing Chicago LLC (AACC), a wholly owned subsidiary of ABN AMRO Clearing Bank N.V. (AACB), each acquired 50% of the investment in 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 2020 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 2020	31 December 2019
	Joint ventures	**Joint ventures**
Financial investments	449	492
Other assets	87	95
Total assets	**536**	**587**
Accrued interest, expenses and other liabilities	35	26
Total liabilities	**35**	**26**
Total Equity	501	561
Net revenue		
Expenses	11	9
Total comprehensive income	**-11**	**-9**

(x EUR 1,000)	31 December 2020	31 December 2019
	Joint ventures	**Joint ventures**
Equity accounted investment	**251**	**281**

20. Property and equipment

Accounting policy for property and equipment and leases

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.

Accounting policy for leases
Please refer to Accounting policies, IFRS 16 Leases.

(x EUR 1,000)	31 December 2020	31 December 2019
Total property and equipment	**22,150**	**24,915**

The table below shows the categories of property and equipment at 31 December 2020 against net book value.

2020

	Leasehold improvements	IT equipment	Other property and equipment	Right of use assets	Total
Acquisition costs as at 1 January 2020	**11,447**	**44,743**	**1,718**	**20,662**	**78,570**
Additions		372	23	4,939	5,334
Disposals	-837	-14,887		-2,909	-18,634
Foreign exchange differences	-807	-2,723	-88	-1,598	-5,217
Acquisition costs as at 31 December 2020	**9,802**	**27,506**	**1,653**	**21,093**	**60,054**
Accumulated depreciation as at 1 January 2020	**-7,096**	**-41,144**	**-976**	**-4,440**	**-53,656**
Depreciation expense	-802	-1,459	217	-3,587	-6,066
Disposals	837	14,659		2,904	18,400
Foreign exchange differences	515	2,600	38	265	3,418
Accumulated depreciation as at 31 December 2020	**-6,547**	**-25,343**	**-1,155**	**-4,859**	**-37,904**
Property and equipment as at 31 December 2020	**3,256**	**2,163**	**498**	**16,234**	**22,150**

2019

	Leasehold improvements	IT equipment	Other property and equipment	Right of use assets	Total
Acquisition costs as at 1 January 2019	**10,635**	**43,050**	**1,625**		**55,310**
Impact of adopting IFRS 16				17,855	17,855
Additions	562	990	57	2,805	4,414
Disposals		-921			-921
Transfer		-35			-35
Gains on disposals		36			36
Foreign exchange differences	250	1,623	36	2	1,911
Acquisition costs as at 31 December 2019	**11,447**	**44,743**	**1,718**	**20,662**	**78,570**
Accumulated depreciation as at 1 January 2019	**-6,165**	**-39,105**	**-692**		**-45,962**
Depreciation expense	-776	-1,373	-265	-4,441	-6,855
Disposals		832			832
Foreign exchange differences	-155	-1,498	-19	1	-1,671
Accumulated depreciation as at 31 December 2019	**-7,096**	**-41,144**	**-976**	**-4,440**	**-53,656**
Property and equipment as at 31 December 2019	**4,351**	**3,599**	**742**	**16,222**	**24,915**

No impairments to property and equipment have been recorded in 2020 or 2019.

Leasing

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)	2020	2019
Where AACB is the lessee, the future minimum lease payments under IFRS 16 are as follows:		
Within 3 months	855	998
More than 3 months but within 1 year	2,009	1,716
More than 1 year but within 5 years	9,466	7,428
More than 5 years	8,587	11,641
Total operating lease agreements	**20,917**	**21,783**

21. 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)	2020	2019
Acquisition costs as at 1 January	**17,553**	**18,610**
Additions	3,111	764
Disposals	-3,972	-2,412
Transfer		35
Foreign exchange differences	-1,341	556
Acquisition costs as at 31 December	**15,351**	**17,553**
Accumulated amortisation 1 January	**-16,688**	**-17,504**
Amortisation expense	-1,939	-1,065
Disposals	3,972	2,412
Foreign exchange differences	1,242	-531
Accumulated amortisation as at 31 December	**-13,413**	**-16,688**
Total intangible assets as at 31 December	**1,938**	**865**

No impairments to intangible assets have been recorded in 2020 or 2019.

22. Assets held for sale

Accounting policy for Assets held for sale

Non-current assets and/or businesses are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction planned to occur within 12 months, rather than through continuing use. Assets held for sale (other than financial instruments) are not depreciated and are measured at the lower of their carrying amount and fair value, less costs to sell. Assets and liabilities of a business held for sale are presented separately in the consolidated statement of financial position.

(x EUR 1,000)	31 December 2020	31 December 2019
Assets		
Other Assets		8,650
Total assets held for sale		**8,650**

In Decemer 2019 , the share in EuroCCP was reclassified from equity accounted investment to assets held for sale. The fair value was determined by using the selling price minus selling costs. The shares were sold in July 2020 to Cboe Global Markets for EUR 8,800 thousand.

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 2020	31 December 2019
Total current tax assets	**47,415**	**5,347**
The deferred tax assets can be categorised into:		
Net investment hedge	10,646	9,241
Property and equipment	2,422	1,152
Financial investments	1	5
Deferred income, accrued expenses and other	1,896	3,521
Loans and advances		
Right of use assets	1,267	1,410
Carryforward benefits	2,280	
Total deferred tax assets	**18,513**	**15,329**
Of the deferred tax assets as per 2019 an amount of EUR 7,866 thousand is recorded through the income statement and an amount of EUR 10,647 thousand is recorded through equity.		
Total tax assets	**65,928**	**20,676**

(x EUR 1,000)

	As at 1 January 2020	Income statement	Equity	Other	As at 31 December 2020
Deferred tax assets					
Financial Investments	5		-4		1
Net investment hedges - forex contracts	9,241		1,405		10,646
Loans and advances	41	52			93
Deferred income, accrued expenses and other	3,480	-1,677			1,803
Property and equipment	1,152	1,270			2,422
Right of use assets	1,410	-143			1,267
Carryforward Benefits		2,280			2,280
Total deferred tax assets	**15,329**	**1,782**	**1,401**		**18,512**

(x EUR 1,000)

	As at 1 January 2019	Income statement	Equity	Other	As at 31 December 2019
Deferred tax assets					
Financial Investments	5				5
Net investment hedges - forex contracts	8,730		511		9,241
Loans and advances	41				41
Deferred income, accrued expenses and other	3,111	273		96	3,480
Property and equipment	1,150	-67		69	1,152
Right of use assets		1,410			1,410
Total deferred tax assets	**13,037**	**1,616**	**511**	**165**	**15,329**

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 2020	31 December 2019
Total current tax liabilities	**26,651**	**18,684**
The deferred tax liabilities can be categorised into:		
Property and equipment	438	858
Financial investments	4,317	3,944
Other	42	-25
Total deferred tax liabilities	**4,798**	**4,777**
Total tax liabilities	**31,449**	**23,462**

(x EUR 1,000)

	As at 1 January 2020	Income statement	Equity	Other	As at 31 December 2020
Deferred tax liabilities					
Financial investments	3,944	373			4,317
Property and equipment	858	-420			438
Other	-25	67			42
Total deferred tax liabilities	**4,777**	**20**			**4,797**

(x EUR 1,000)

	As at 1 January 2019	Income statement	Equity	Other	As at 31 December 2019
Deferred tax liabilities					
Financial investments	3,750	152		42	3,944
Property and equipment	608	179		71	858
Other		33		-58	-25
Total deferred tax liabilities	**4,358**	**364**		**55**	**4,777**

24. Other assets

(x EUR 1,000)	31 December 2020	31 December 2019
The table below shows the components of other assets at 31 December:		
Related to securities transactions*	29,734	45,826
Accrued other income	3,936	3,592
Prepayments	4,989	5,706
VAT and other tax receivable	5,942	4,438
Other	1,756	1,033
Total other assets	**46,357**	**60,596**

* These include transitory amounts related to securities transactions.

25. Due to banks

Accounting policy for due to banks and due to customers

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 2020	31 December 2019
The table below shows the components of due to banks:		
Demand deposits	782,462	1,367,606
Time deposits	10,234,213	8,305,768
Total due to banks	**11,016,675**	**9,673,374**
Of the due to banks item the following amounts were with:		
Demand deposits due to banks ABN AMRO group	151,573	631,104
Time deposits due to banks ABN AMRO group	10,216,160	8,305,762
Total ABN AMRO group companies	10,367,733	8,936,866
Demand deposits due to third party banks	630,889	736,502
Time deposits due to third party banks	18,053	6
Total third party banks	648,942	736,508
Total due to banks	**11,016,675**	**9,673,374**

As of 31 December 2020, an amount of EUR 3,466 million has a maturity of more than 3 months but less than one year (2019: EUR 2,902 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 2020	31 December 2019
The table below shows the components of due to customers:		
Demand deposits	7,323,644	6,727,394
Time deposits	1,676,921	1,345,586
Total due to customers	**9,000,566**	**8,072,981**
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	65,512	74,364
Total ABN AMRO group companies	**65,512**	**74,364**
Demand deposits due to customers third party	7,258,132	6,653,030
Time deposits due to customers third party	1,676,921	1,345,586
Total third party customers	**8,935,053**	**7,998,617**
Closing balance as at 31 December	**9,000,566**	**8,072,981**

As at 31 December 2020, an amount of EUR 19,910 thousand has a maturity of more than 3 months but less than one year (2019: 28,881 thousand).

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.

(x EUR 1,000)	31 December 2020	31 December 2019
The issued debt consists of the following:		
Bonds and notes issued	40,693	60
Total issued debt	**40,693**	**60**

A subordinated loan is issued in 2020 in the US to strengthen the local capital position after the client loss in March 2020.

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 2020	31 December 2019
Total provisions	**2,245**	**2,096**

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 2020 financial year.

(x EUR 1,000)	31 December 2020	31 December 2019
Opening balance as at 1 January	**2,096**	**2,555**
Additions	930	2,096
Used	-776	-471
Unused amounts reversed		-2,084
Currency translation result	-5	
Closing balance as at 31 December	**2,245**	**2,096**

29. Other liabilities

(x EUR 1,000)	31 December 2020	31 December 2019
The table below shows the components of other liabilities at 31 December:		
Related to securities transactions*	146,731	110,809
Accounts payable	19,495	12,664
VAT and other tax payable	418	281
Rebilling cost by ABN AMRO group	48,651	49,399
Accrued expenses	16,325	6,398
Other	19,265	34,401
Lease liabilities	20,917	21,783
Total other liabilities	**271,802**	**235,736**

* 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.

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 2020 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 2020, all shares were held by ABN AMRO.

(x EUR 1,000)	31 December 2020	31 December 2019
Share capital	15,000	15,000
Share premium	5,363 *	55,363
Other reserves (incl. retained earnings/profit for the period)	1,253,439	1,240,274
Other comprehensive income	-2,054	57,256
Equity attributable to owner of the company	**1,271,748**	**1,367,893**

* Share premium decreased by 50 mio EUR due to repayment of capital towards AAB.

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 2020	31 December 2019
Gross fair value reserve	-12	-46
Related tax	1	6
Fair value reserve	-11	-40
Gross currency translation reserve	50,124	106,582
Related tax	-4,094	192
Currency translation reserve	46,030	106,774
Gross net investment hedge reserve	-64,229	-64,229
Related tax	16,156	14,751
Net investment hedge reserve	-48,073	-49,478
Total other comprehensive income	**-2,054**	**57,256**

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 16.1 million an amount of EUR 10.6 million is related to the deferred tax asset of the NIH (see note 24). 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)	2020	2019
Unrealised gains as at 1 January	57,257	40,145
Unrealised gains during the year	34	17
Unrealised currency translation differences	-60,750	16,583
Related tax	1,405	512
Other comprehensive income as at 31 December	**-2,054**	**57,257**

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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 2020	31 December 2019
The committed credit facilities consist of the following:		
Total committed credit facilities	**570,135**	**169,358**
The guarantees and other commitments consist of the following:		
Guarantees	32,805	11,420
Irrevocable payment commitment	4,595	3,422
Total guarantees and other commitments	**37,400**	**14,842**
The guarantees have been given to third parties and are divided as follows:		
Guarantees given to exchanges	32,805	11,420
Total Guarantees	**32,805**	**11,420**

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 2020

	Less than one year	Between one and three years	Between three and five years	After five years	Total
Guarantees given to exchanges				32,805	32,805
Total Guarantees				**32,805**	**32,805**

(x EUR 1,000) — 31 December 2019

	Less than one year	Between one and three years	Between three and five years	After five years	Total
Guarantees given to exchanges				11,420	11,420
Total Guarantees				**11,420**	**11,420**

Other contingencies

In presenting the Consolidated Annual Financial Statements, management estimates the outcome of legal, regulatory and arbitration matters, and takes provisions to the income statement when losses with respect to such matters are more likely than not. Provisions are not recognised for matters for which an expected cash outflow cannot be reasonably estimated or that are not more likely than not to lead to a cash outflow. Some of these matters may be regarded as a contingency. In particular, the following matter is regarded as contingent liability:

German authorities are conducting investigations into the involvement of individuals from various banks and other parties in equity trading extending over dividend record dates in Germany, including several forms of tainted dividend arbitrage, i.e. dividend stripping (including cum/ex). AACB (and its legal predecessor) has been the depositary bank in respect of certain parties that performed these transactions. AACB frequently receives information requests from German authorities in relation to abovementioned investigations. AACB cooperates and provides the requested information to the fullest extent possible. It can, however, not be excluded that AACB will be faced with financial consequences as a result of its role as depositary bank and/or clearing bank for parties involved in dividend stripping transactions, including penalties, other measures under criminal law and civil law claims. It is currently unclear, however, how the mentioned investigations will impact AACB. It is also uncertain whether tax authorities or third parties can successfully claim amounts from AACB in (secondary) liability or other civil law proceedings.

An analysis of changes in the carrying amount in relation to Guarantees and committed credit facilities is as follows:

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 January 2020	169,358			169,358
Change in carrying amount due to origination and repayment (excluding write-offs)	387,593			387,593
Transfers to Stage 1				
Transfers to Stage 2	-3,203	3,203		
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	13,051	133		13,184
At 31 December 2020	**566,799**	3,336		**570,135**

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 January 2019	370,248			370,248
Change in carrying amount due to origination and repayment (excluding write-offs)	-220,890			-220,890
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments				
At 31 December 2020	**169,358**			**169,358**

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 fulfilment of an obligation. Predominantly, the following activities conducted by AACB are related to pledged assets:

- Cash provided as collateral to secure trading transactions;
- Cash pledged to secure lending in reverse repurchase transactions and securities borrowing transactions;
- Cash and securities pledged to secure CFD or OTC transactions.

AACB has a clearing member contract with various 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 2020	31 December 2019
Assets pledged:		
Securities financing assets	6,780,656	6,048,471
Financial assets held for trading	22	5,733
Loans and advances - banks	152,217	160,625
Other loans and advances customers	6,660,183	4,924,110
Total assets pledged as security	**13,593,078**	**11,138,939**

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 Management 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 2020 was EUR 51.81 million (2019: EUR 51.11 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 2020			
Assets		1,406,295	116,482
Liabilities		8,099,519	134,080
Irrevocable facilities			
Collateral received		419,295	
2020			
Income received	1,436	18,559	10,629
Expenses paid	5,670	298,790	2,773

	Associates	Parent	Other related parties
For the period ending 31 December 2019			
Assets	221,534	1,642,560	344,749
Liabilities	21,780	8,870,534	191,006
Irrevocable facilities	6,021		
Collateral received	12,389	541,603	123,971
2019			
Income received	2,042	30,139	7,670
Expenses paid	7,810	291,234	3,715

The transactions with associates consisted in 2019 of transactions with European Central Counterparty NV (EuroCCP). In July 2020 shares in EuroCCP were sold.

There were no transactions between AACB and the joint venture, ABN AMRO Investments USA LLC during 2019 or 2020.

Remuneration of the Management Board and Supervisory Board

The remuneration of the Management Board members, which consists of 4 FTEs (2019: 4 FTEs) is stated in the table below. The remuneration of the Supervisory Board members in 2020 was EUR 98 thousand (2019: nil).

As long as the Dutch State holds an interest in ABN AMRO, AACB will apply a prohibition on bonuses and individual salary increases for a specific group of senior employees, including the Management Board and Supervisory Board members.

(x EUR 1,000)

	Base salary	Total pension related contributions	Total
Total in 2020	1,370	348	1,718
Total in 2019	1,345	380	1,725

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 2020	31 December 2019
Cash and balances at central banks	1,051,540	5,110
Loans and advances banks*	674,473	772,906
Total cash and cash equivalents	**1,726,013**	**778,016**

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

35. Share-based payment

Accounting policy for share-based payment

AACB has a share-based payment plan consisting of a cash bonus and a non-cash bonus. Effective as of 2019, the non-cash bonus qualifies as a cash-settled share based payment plan as defined by IFRS 2 Share-based payments. A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to an including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is determined using an internally developed model based on the share price and market expectations of future dividends. Participants in the plan have the option to request depositary receipts (DR) rather than cash. This choice can be made during the quarter in which the settlement takes place and is subject to Supervisory Board approval. This equity component in the plan is valued at nil until the request is approved. Participants receive the same amount of fair value, regardless of whether they choose cash or DRs. If participants choose DRs, the value of the depositary receipt is transferred from the liability in it's entirety to an equity account. The actual delivery to the participant is expected to take place in the same quarter as the choice is made. Past practise shows that the number of participants that choose DRs rather than cash is very low. Therefore the impact on the accounting is limited. The cash bonus in this revised variable compensation plan is recorded based in IAS 19. ABN AMRO will not issue additional shares, but will buy shares in the market when needed. As the purchase of shares is expected to take place in the quarter during which the DRs are delivered, there is no impact on (diluted) earnings per share.

Identified staff as defined by CRD IV receive variable compensation. A performance award is granted for a certain performance year. This award is 50% in cash and 50% in a non-cash (depositary receipt) award. The non-cash award vests for 30% two years after the performance year. The remaining 20% vests in three equal tranches in the third, fourth and fifth year following the performance year. The vesting conditions include a retention period until the non-cash award is settled and performance conditions that apply until two years before settlement. Bad leaver conditions also apply. At the end of the vesting, participants receive the cash value of the five-day average of an ABN AMRO listed DR.

The carrying amount of the liability relating to the non-cash award at 31 December 2020 was EUR 57 thousand (2019: EUR 328 thousand).

The expense recognised for the variable compensation plan during 2020 is EUR 98 thousand (2019: EUR 293 thousand). The 2019 IFRS 2 expense includes the costs for 2016, 2017 and 2018 because the non-cash variable compensation for these years became a share-based payment plan, as defined by IFRS, when the Supervisory Board approved the variable compensation plan in the first quarter of 2019. The IAS 19 Employee benefit liability recorded to that date was released to the income statement.

(number of DRs)	2020		2019	
Outstanding at 1 January		18,189		8,792
Granted during the year		15,878		9,397
Forfeited during the year	5,273			
Bad leavers	14,503			
Less: total paid out/forfeited		-19,776		
Outstanding at end of period		**14,291**		**18,189**

The table below show the total number of granted DRs, segmented by the respective vesting period, after which the award will be paid out.

31 December 2020

(number of DRs)	Up to one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Total
Number of granted DRs by vesting period	3,099	6,151	2,259	1,670	1,112	14,291

31 December 2019

(number of DRs)	Up to one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Total
Number of granted DRs by vesting period	5,273	6,811	2,426	2,426	1,253	18,189

36. Post-balance sheet date events

On 19 April 2021, ABN AMRO has accepted a settlement offer from the Dutch Public Prosecution Service (DPPS) in connection with the previously announced investigation by the DPPS into ABN AMRO's compliance with its obligations under the Dutch Anti-Money Laundering and Counter Terrorism Financing Act (Wet ter voorkoming van witwassen en financiering van terrorisme, AML/CTF Act) between 2014 and 2020. As part of this settlement, ABN AMRO paid EUR 480 million. The settlement has no financial impact on AACB.

Legal procedures

In February 2019, ABN AMRO Clearing Bank N.V. (AACB) 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 (SDNY) 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 authorised participants for the creation and redemption of shares in various exchange traded funds issued by the Trust. Other copycat complaints subsequently were filed in the SDNY.

With respect to the authorised participants, Plaintiffs alleged that the authorised 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 authorised participants, including AACB, were responsible for the content and dissemination of the registration statement filed by the Trust, and that none of the authorised participants made a reasonable investigation into the statements contained in the registration statement. On 3 January 2020, the SDNY dismissed the complaint. However, on 31 January 2020, Plaintiffs filed a notice of appeal in the U.S. court of Appeals for the Second Circuit, accordingly, this matter will continue for the foreseeable future. Plaintiffs are seeking unspecified damages. AACB cannot express an opinion as to the ultimate outcome of this proceeding, however, AACB believes that the Plaintiffs' claims are without merit and intends to defend itself vigorously against the Proshares Complaint. No provision has been made in the financial statements for any loss that may result from this matter.

In late 2018, a complaint also was filed in the U.S. District Court for the District of Vermont by a pro se plaintiff against Proshares and SEI Investments alleging various violations of Vermont State law and the Federal Securities laws. Although the pro se plaintiff attempted to include the authorised participants in the complaint through 2019, the judge ruled that service was not properly effected and all claims against the authorised participants were dismissed without prejudice by the District Court for the District of Vermont in September 2019.

On 30 November 2020, an amended complaint for trading in United States Oil Fund, LP ("USO") was filed in the U.S. District Court for the Southern District of New York. The complaint contains allegations that are similar to those in the matters described above, however, this complaint was related to activity in USO from the end of February 2020 through the end of April 2020. The complaint was amended to include the authorised participants, a group that includes AACB. The authorised participants will proceed with the same joint defence group from the previous two matters and, as with the other matters, the authorised participants currently are being indemnified. The defence group filed its motion to dismiss at the end of January 2021.

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

Company Financial Statements

Company income statement

(x EUR 1,000)	Note	2020	2019
Income			
Interest income calculated using the effective interest method		292,114	422,658
Interest expenses calculated using the effective interest method		163,967	308,164
Net interest income	**1**	**128,147**	**114,494**
Fee and commission income		222,996	161,059
Fee and commission expense		75,222	49,070
Net fee and commission income	**2**	**147,774**	**111,989**
Share of result in equity accounted investments	3	(43,493)	88,323
Other operating income	4	2,032	8,699
Operating income		**234,460**	**323,505**
Expenses			
Personnel expenses	5	69,111	72,012
General and administrative expenses	6	129,566	128,879
Depreciation and amortisation of (in)tangible assets	7	3,956	2,173
Operating expenses		**202,633**	**203,064**
Impairment charges on financial instruments	8	-1,473	-111
Total expenses		**201,160**	**202,953**
Operating profit / (loss) before taxation		**33,300**	**120,552**
Income tax expense	9	19,017	8,959
Profit (loss) for the year		**14,283**	**111,593**
Attributable to:			
Owner of the company		14,283	111,593

Company statement of financial position

(x EUR 1,000)	Note	31 December 2020	31 December 2019
Assets			
Cash and balances at central banks	10	1,051,540	5,110
Financial assets held for trading	11	22	5,733
Financial investments	12	83,110	77,105
Securities financing	13	5,282,321	3,689,098
Loans and advances banks	14	507,069	504,164
Corporate loans at amortised cost	15	8,017,016	8,962,404
Other loans and advances	15	4,520,131	3,690,681
Participating interest in group companies	16	834,033	911,684
Property and equipment	17	2,072	2,678
Intangible assets	18	1,112	35
Tax assets	19	11,512	10,376
Other assets	20	38,965	53,300
Total assets		**20,348,903**	**17,912,368**
Liabilities			
Financial liabilities held for trading	11		251
Securities financing	13	296,996	425,494
Due to banks	21	10,981,764	9,549,687
Due to customers	22	7,634,612	6,439,520
Issued debt	23		60
Provisions	24	2,245	2,096
Tax liabilities	19	20,735	9,653
Other liabilities	25	140,803	117,714
Total liabilities		**19,077,155**	**16,544,475**
Equity			
Share capital		15,000	15,000
Share premium		5,363	55,363
Other reserves (incl. retained earnings/profit for the period)		1,253,439	1,240,274
Accumulated other comprehensive income		(2,054)	57,256
Total Equity	**26**	**1,271,748**	**1,367,893**
Total Liabilities and Equity		**20,348,903**	**17,912,368**
Committed credit facilities	27	85,728	160,178
Net guarantees and other commitments	27	388,592	345,351

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 at 31 December 2018	**15,000**	**55,363**	**1,009,775**	**118,929**	**-38**	**-20**	**90,192**	**-49,990**	**1,239,212**
Total comprehensive income				111,593	-2	20	16,583	512	128,706
Transfer			118,929	-118,929					-
Other			-23						-23
Balance at 31 December 2019	**15,000**	**55,363**	**1,128,681**	**111,593**	**-40**	**0**	**106,775**	**-49,478**	**1,367,893**
Total comprehensive income				14,283	29		-60,743	1,405	-45,026
Transfer			111,593	-111,593					-
Dividend payment		-50,000							-50,000
Other			-1,118						-1,118
Balance at 31 December 2020	**15,000**	**5,363**	**1,239,155**	**14,283**	**-11**	**0**	**46,031**	**-48,073**	**1,271,748**

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.

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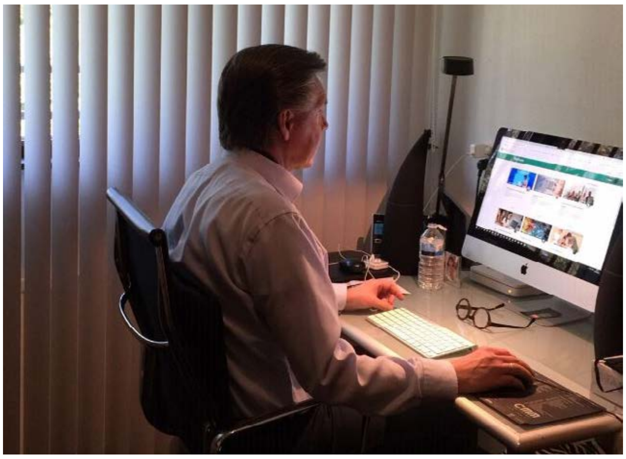

Notes
to the company income statement

1. Net interest income and interest expense

(x EUR 1,000)	2020	2019
Interest Income		
Of the interest income items the following amounts were related to:		
Interest income from ABN AMRO group companies	64,347	156,536
Interest income from third party customers/banks	227,767	266,122
Total interest income	**292,114**	**422,658**

The interest income of 2020 includes an amount of EUR 464 thousand (2019: EUR 1,119 thousand) concerning financial investments that are at fair value through other comprehensive income. The remaining EUR 291,650 thousand (2019: EUR 421,539 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.

Interest Expense		
Of the interest expense items the following amounts were related to:		
Interest expense paid to ABN AMRO group companies	72,166	194,055
Interest expense paid to associates	3,285	3,946
Interest expense paid to third party customers/banks	88,516	110,163
Total interest expense	**163,967**	**308,164**

All interest expense amounts in 2020 and 2019, 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	**128,147**	**114,494**

2. Net fee and commission income

(x EUR 1,000)	2020	2019
The components of net fee and commission income are:		
Net fees and commissions for payment services	-3,879	-2,547
Net fees and commissions for securities and derivatives	150,512	113,220
Other net fees and commissions	1,141	1,316
Total net fee and commission income	**147,774**	**111,989**
Of the net fees and commissions amount, the following amounts were with:		
Net fees and commissions with ABN AMRO group companies	-13,672	-3,642
Net fees and commissions with associates	-931	-1,788
Net fees and commissions with third party customers/banks	162,377	117,419
Total net fee and commission income	**147,774**	**111,989**

All fee and commission amounts in 2020 and 2019 relate to financial instruments carried at amortised cost and fair value through profit or loss.

AACB reassessed the presentation of pass-through fees relating to clearing activities in Singapore and Amsterdam. This resulted in a restatement of fee and commission income and expense of EUR 30.8 million in Singapore and EUR 1.8 million in Amsterdam as at 31 December 2019.

3. Share of result in equity accounted investments

(x EUR 1,000)	2020	2019
Total realised result on equity accounted investments	**-43,493**	**88,323**

See note 16 for more information.

4. Other operating income

(x EUR 1,000)	2020	2019
Foreign exchange transaction result*	253	-75
Dividend	720	5,463
Other**	1,059	3,311
Total other operating income	**2,032**	**8,699**

* Foreign exchange transaction result consists of gains and losses on foreign currency balances of monetary items that are translated into euros at the period-end exchange rates. This amount is reclassified from Net trading income to Other operating income and restated in the 2019 figures.

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

5. Personnel expenses

(x EUR 1,000)	2020	2019
Personnel expenses are specified as follows:		
Salaries and wages	49,656	51,384
Social security charges	6,089	6,596
Pension expenses	8,633	10,378
Other	4,733	3,654
Total personnel expenses	**69,111**	**72,012**

6. General and administrative expenses

(x EUR 1,000)	2020	2019
General and administrative expenses can be broken down as follows:		
Agency staff, contractors and consultancy costs	37,410	35,713
Financial statement audit fees	182	222
Audit related fees	62	24
Staff related costs	763	2,331
Information technology costs	35,152	33,148
Housing	126	204
Post, telephone and transport	454	379
Marketing and public relations costs	267	670
Recharges from ABN AMRO group companies	34,970	38,390
Dutch banking tax	10,511	9,680
Other	9,669	8,118
Total general and administrative expenses	**129,566**	**128,879**

7. Depreciation and amortisation of (in)tangible assets

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

(x EUR 1,000)	2020	2019
Leasehold improvements – depreciation	181	125
Equipment – depreciation	11	15
IT equipment – depreciation	353	756
Purchased software – amortisation	198	67
Internal software – amortisation	1,236	5
Right of use assets – depreciation	743	213
Depreciation and amortisation expenses	**2,722**	**1,181**
Equipment – depreciation rebilled by ABN AMRO group	12	13
IT equipment – depreciation rebilled by ABN AMRO group	355	323
Purchased software – amortisation rebilled by ABN AMRO group	677	468
Right of use assets – depreciation rebilled by ABN AMRO group	190	188
Total depreciation and amortisation expenses	**3,956**	**2,173**

8. Impairment charges on financial instruments

For details on the impairments, refer to the loans and receivables from banks and customers items in the balance sheet. Please see notes 14 and 15 of the Company Statement.

(x EUR 1,000)	2020	2019
Stage 1 - twelve month expected credit loss	220	10
Stage 2 - lifetime expected credit loss		
Stage 3 - lifetime expected credit loss	-1,693*	-121*
Total impairment charges on financial instruments	**-1,473**	**-111**

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

9. Income tax expenses

(x EUR 1,000)	2020	2019
The details of the current and deferred income tax expense are presented below:		
Current tax	18,614	8,820
Deferred tax	403	139
Total income tax expenses	**19,017**	**8,959**

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	33,299	120,552
Weighted applicable tax rate	141.64%	27.96%
Expected income tax expense	**47,164**	**33,709**
Change in taxes resulting from:		
Tax exemptions	-27,750	-25,990
Adjustments for current tax of prior periods	-277	1,288
Change in tax rate		-4
Other	-120	-44
Actual income tax expenses	**19,017**	**8,959**
Effective tax rate	57.11%	7.43%

10. 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 2020	31 December 2019
Total cash and balances at central banks	**1,051,540**	**5,110**

11. 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 2020	31 December 2019
The trading assets consists of the following financial instruments:		
Contract for differences (CFDs)		9
Equity instruments held for trading*	22	5,724
Total financial assets held for trading	**22**	**5,733**

* These shares are used for hedging the CFDs.

Financial liabilities held for trading

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

(x EUR 1,000)	31 December 2020	31 December 2019
The financial liabilities held for trading consist of the following:		
Contract for differences (CFDs)		68
Equity instruments held for trading*		183
Total financial liabilities held for trading		**251**

* These shares are used for hedging the CFDs.

12. Financial investments

(x EUR 1,000)	31 December 2020	31 December 2019
Movements in the financial investments were as follows:		
Opening balance as at 1 January	**77,105**	**67,280**
Additions	9,590	6,663
Gross revaluation to equity	32	-1
Gross revaluation to income	1,671	6,717
Dividends received	-720	-5,450
Exchange rate differences	-4,568	1,896
Closing balance as at 31 December	**83,110**	**77,105**

(x EUR 1,000)	31 December 2020	31 December 2019
Interest-earning securities in the European Union	64,626	59,463
Equity instruments	18,484	17,642
Closing balance as at December 31	**83,110**	**77,105**

13. 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 2020	31 December 2019
Assets		
Securities borrowing transactions	4,379,230	3,000,498
Transactions related to securities*	903,092	688,600
Total securities financing	**5,282,321**	**3,689,098**
Liabilities		
Transactions related to securities**	296,996	341,737
Total securities financing	**296,996**	**341,737**

* 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 2020	31 December 2019
Assets		
ABN AMRO group companies	1,507,160	1,330,291
Banks	2,617,473	1,368,201
Customers	1,157,688	990,605
Total securities financing	**5,282,321**	**3,689,097**
Liabilities		
Banks	40,910	2,082
Customers	256,086	423,412
Total securities financing	**296,996**	**425,494**

14. 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 2020 no amount has a maturity of more than 3 months (2019: nil).

(x EUR 1,000)	31 December 2020	31 December 2019
Loans and receivables banks consists of the following:		
Demand receivables	504,317	503,123
Mandatory reserve deposits with central banks	3,079	1,147
Less: loan impairment allowance	-327	-107
Net loans and receivable banks	**507,069**	**504,164**

None of the amounts in the loans and receivables - banks items were subordinated in 2020 or 2019.

(x EUR 1,000)	31 December 2020	31 December 2019
Of the loans and receivables banks item, the following amounts were due from:		
ABN AMRO group companies	355,736	347,552
Third parties	151,333	156,612
Total loans and receivables banks	**507,069**	**504,164**

15. Loans and advances customers

As of 31 December 2020, EUR 5,581 thousand has a maturity of more than 3 months but less than one year (2019: EUR 1,369).

(x EUR 1,000)	31 December 2020	31 December 2019
Loans and advances customers consists of the following:		
Corporate loans, gross	8,017,016	8,962,404
Less: loan impairment allowances - corporate loans		
Corporate loans	8,017,016	8,962,404
Government and official institutions	4,595	3,422
Receivables from central counterparties	4,518,146	3,691,562
Less: loan impairment allowances - other	-2,610	-4,303
Other loans and advances	4,520,131	3,690,681
Loans and advances customers	**12,537,147**	**12,653,085**

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

(x EUR 1,000)	31 December 2020	31 December 2019
Of the loans and advances customers item, the following amounts were due from:		
ABN AMRO group companies	3,377,579	3,545,996
Third parties	9,159,568	9,107,089
Total loans and advances customers	**12,537,147**	**12,653,085**

16. 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 2020	31 December 2019
Balance as at 1 January	**911,684**	**903,741**
Increase of capital	39,616 *	730
Unrealised gains/losses		-82
Dividend paid out	-18,436	-97,469
Foreign exchange differences	-65,829	16,441
Result for the year	-33,002	88,323
Balance as at 31 December	**834,033**	**911,684**

* In March 2020 capital has been replenished in the US after the client loss event.

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

2020

	Entitlements	Currency	Shareholders' equity 2020 (x 1,000)	Net result 2020 (x 1,000)	Shareholders' equity 2020 (x EUR 1,000)
ABN AMRO Clearing Chicago LLC, registered office in Chicago, United States;	100%	USD	522,287	-84,510	425,067
ABN AMRO Clearing Sydney Pty Ltd, registered office in Sydney, Australia;	100%	AUD	71,850	4,888	45,220
ABN AMRO Clearing Hong Kong Ltd, registered office in Hong Kong;	100%	HKD	2,306,148	247,109	242,103
ABN AMRO Clearing Tokyo Ltd, registered office in Tokyo, Japan;	100%	JPY	10,971,591	744,134	86,639
ABN AMRO Clearing Singapore Pte, registered office in Singapore;	100%	SGD	4,551	29	2,803
ABN AMRO Clearing Investments BV, registered office in Amsterdam, The Netherlands;	100%	EUR	31,747	-276	31,471
ABN AMRO Clearing London Ltd., registered office in London, United Kingdom.	100%	EUR	730		730
					834,033

2019

	Entitlements	Currency	Shareholders' equity 2019 (x 1,000)	Net result 2019 (x 1,000)	Shareholders' equity 2019 (x EUR 1,000)
ABN AMRO Clearing Chicago LLC, registered office in Chicago, United States;	100%	USD	556,797	61,937	496,174
ABN AMRO Clearing Sydney Pty Ltd, registered office in Sydney, Australia;	100%	AUD	66,963	3,899	41,835
ABN AMRO Clearing Hong Kong Ltd, registered office in Hong Kong;	100%	HKD	2,059,584	238,559	235,744
ABN AMRO Clearing Tokyo Ltd, registered office in Tokyo, Japan;	100%	JPY	12,477,457	226,611	102,459
ABN AMRO Clearing Singapore Pte, registered office in Singapore;	100%	SGD	4,522	57	2,995
ABN AMRO Clearing Investments BV, registered office in Amsterdam, The Netherlands;	100%	EUR	31,747	1,205	31,747
ABN AMRO Clearing London Ltd., registered office in London, United Kingdom.	100%	EUR	730		730
					911,684

17. Property and equipment

(x EUR 1,000)	31 December 2020	31 December 2019
Total property and equipment	**2,072**	**2,678**

The tables below shows the categories of property and equipment at 31 December 2020 against net book value, and the comparatives.

(x EUR 1,000)					2020
	Leasehold improvements	IT equipment	Other property and equipment	Right of use assets	Total
Acquisition costs as at 1 January 2020	**1,438**	**21,063**	**315**	**1,947**	**24,763**
Additions		127		734	861
Disposals	-838	-14,307		-117	-15,262
Foreign exchange differences	-75	-1,056	-22	-155	-1,309
Acquisition costs as at 31 December 2020	**525**	**5,827**	**293**	**2,409**	**9,053**
Accumulated depreciation 1 January 2020	**-998**	**-20,587**	**-284**	**-215**	**-22,084**
Depreciation expense	-181	-353	-11	-743	-1,289
Disposals	837	14,307		111	15,255
Foreign exchange differences	50	1,031	20	34	1,136
Accumulated depreciation as at 31 December 2020	**-292**	**-5,602**	**-274**	**-813**	**-6,981**
Property and equipment as at 31 December 2020	**232**	**225**	**19**	**1,596**	**2,072**

(x EUR 1,000)					2019
	Leasehold improvements	IT equipment	Other property and equipment	Right of use assets	Total
Acquisition costs as at 1 January 2019	**843**	**19,980**	**284**		**21,107**
Impact of adopting IFRS 16				24	24
Additions	560	46	21	1,901	2,528
Foreign exchange differences	35	1,037	10	22	1,103
Acquisition costs as at 31 December 2019	**1,438**	**21,063**	**315**	**1,947**	**24,763**
Accumulated depreciation 1 January 2019	**-843**	**-18,834**	**-260**		**-19,937**
Depreciation expense	-125	-756	-15	-213	-1,109
Disposals					
Foreign exchange differences	-30	-997	-9	-2	-1,038
Accumulated depreciation as at 31 December 2019	**-998**	**-20,587**	**-284**	**-215**	**-22,084**
Property and equipment as at 31 December 2019	**440**	**476**	**31**	**1,732**	**2,678**

No impairments to property and equipment have been recorded in 2020 or 2019.

Leasing

AACB leases various assets, mainly office properties, cars and equipment that serve to support the bank's operations. The leases have various terms, termination and renewal options.

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)	2020	2019
Where AACB is the lessee, the future minimum lease payments under IFRS 16 are as follows:		
Within 3 months	124	69
More than 3 months but within 1 year	367	219
More than 1 year but within 5 years	1,148	1,478
Total operating lease agreements	**1,640**	**1,765**

18. Intangible assets

(x EUR 1,000)	2020	2019
Acquisition costs as at 1 January	**5,301**	**5,029**
Additions	2,533	14
Disposals	-3,972	
Foreign exchange differences	-298	258
Acquisition costs as at 31 December	**3,564**	**5,301**
Accumulated amortisation 1 January	**-5,266**	**-4,939**
Amortisation expense	-1,434	-72
Disposals	3,972	
Foreign exchange differences	276	-255
Accumulated amortisation as at 31 December	**-2,452**	**-5,266**
Total intangible assets as at 31 December	**1,112**	**35**

No impairments to intangible assets have been recorded in 2020 or 2019.

19. 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 2020	31 December 2019
Total current tax assets	**86**	**215**
The deferred tax assets can be categorised into:		
Net investment hedge	10,646	9,241
Other assets	3	45
Financial investments	1	
Fixed assets	776	875
Total deferred tax assets	**11,426**	**10,161**
Of the deferred tax assets an amount of EUR 779 thousand is recorded through the income statement and an amount of EUR 10,646 thousand is recorded through equity.		
Total tax assets	**11,512**	**10,376**

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 2020	31 December 2019
Total current tax liabilities	**18,175**	**7,393**
The deferred tax liabilities can be categorised into:		
Fixed assets	102	
Financial investments	2,477	2,260
Other assets	(19)	
Total deferred tax liabilities	**2,560**	**2,260**
Total tax liabilities	**20,735**	**9,653**

20. Other assets

(x EUR 1,000)	31 December 2020	31 December 2019
The table below shows the components of other assets at 31 December:		
Related to securities transactions*	26,805	43,645
Accrued other income	2,167	1,492
ABN AMRO group companies	2,682	1,362
Prepayments	2,645	3,403
VAT and other tax receivable	3,670	3,156
Other	996	242
Total other assets	**38,965**	**53,300**

* These include transitory amounts related to securities transactions.

21. Due to banks

(x EUR 1,000)	31 December 2020	31 December 2019
The table below shows the components of due to banks:		
Demand deposits	763,997	1,333,047
Time deposits	10,217,767	8,216,640
Total due to banks	**10,981,764**	**9,549,687**
Of the due to banks item the following amounts were with:		
Demand deposits due to banks ABN AMRO group	151,538	631,104
Time deposits due to banks ABN AMRO group	10,199,715	8,216,634
Total ABN AMRO group companies	10,351,253	8,847,738
Demand deposits due to third party banks	612,459	701,943
Time deposits due to third party banks	18,052	6
Total third party banks	630,511	701,949
Total due to banks	**10,981,763**	**9,549,687**

As of 31 December 2020, an amount of EUR 3,466 million has a maturity of more than 3 months but less than one year (2019: EUR 2,902 million).

22. Due to customers

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

(x EUR 1,000)	31 December 2020	31 December 2019
The table below shows the components of due to customers:		
Demand deposits	6,426,838	5,806,844
Time deposits	1,207,774	632,675
Total due to customers	**7,634,612**	**6,439,520**
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	606,137	749,676
Total ABN AMRO group companies	**606,137**	**749,676**
Demand deposits due to customers third party	5,820,701	5,057,168
Time deposits due to customers third party	1,207,774	632,675
Total third party customers	**7,028,475**	**5,689,844**
Closing balance as at 31 December	**7,634,612**	**6,439,520**

As of 31 December 2020, an amount of EUR 19,910 thousand has a maturity of more than 3 months but less than one year (2019: 28,881).

23. 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 2020	31 December 2019
The issued debt consists of the following:		
Bonds and notes issued		60
Total Issued debt		**60**

24. Provisions

(x EUR 1,000)	31 December 2020	31 December 2019
Total Provisions	**2,245**	**2,096**

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 2020 financial year.

(x EUR 1,000)	31 December 2020	31 December 2019
Opening balance as at 1 January	**2,096**	**2,555**
Additions	930	2,096
Used	-776	-471
Unused amounts reversed		-2,084
Currency translation result	-5	
Closing balance as at 31 December	**2,245**	**2,096**

25. Other liabilities

(x EUR 1,000)	31 December 2020	31 December 2019
The table below shows the components of other liabilities at 31 December:		
Related to securities transactions*	49,902	28,817
Accounts payable	17,983	12,417
Rebilling cost by ABN AMRO group	48,313	49,349
Accrued expenses	7,072	3,241
Lease liabilities	1,640	1,766
Other	15,893	22,124
Total other liabilities	**140,803**	**117,714**

* These include transitory amounts related to securities transactions.

26. Equity

	31 December 2020	31 December 2019
Total Equity	**1,271,748**	**1,367,893**

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

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27. Commitments and contingent liabilities

(x EUR 1,000)	31 December 2020	31 December 2019
The committed credit facilities consist of the following:		
Total committed credit facilities	**85,728**	**160,178**
The guarantees and other commitments consist of the following:		
Guarantees	383,997	341,929
Irrevocable payment commitment	4,595	3,422
Total guarantees and other commitments	**388,592**	**345,351**
The guarantees have been given to third parties and are divided as follows:		
Guarantees given to subsidiaries	351,192	330,509
Guarantees given to exchanges	32,805	11,420
Total Guarantees	**383,997**	**341,929**

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.

Acquisitions

No acquisitions were made by ABN AMRO Clearing Bank N.V. in 2020.
Amsterdam, 19 May 2021

Management Board

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

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

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

Profit appropriation

The ABN AMRO group policy is to upstream dividends from subsidiaries where appropriate. The dividend 2020 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 2021.

Other information

Building a better working world

Independent auditor's report

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

Report on the audit of the financial statements 2020 included in the annual report

Our opinion

We have audited the financial statements 2020 of ABN AMRO Clearing Bank N.V., based in Amsterdam. The financial statements comprise the consolidated and 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 2020, and of its result and its cash flows for 2020 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 2020, and of its result for 2020 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 2020.
- The following statements for 2020: 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 2020.
- The company income statement for 2020.
- 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. (the Company) in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountants-organisaties (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 beroeps-regels 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 9.7 million (2019: EUR 7.2 million).
Benchmark applied	5% of normalized operating profit before taxation.
Explanation	Based on our professional judgment, a benchmark of 5% of normalized operating profit before taxation is an appropriate quantitative indicator of materiality and it best reflects the financial performance of the Company. In determining 'normalized' operating profit before taxation, we excluded the significant impairment loss incurred in March 2020 related to a client default from operating profit before taxation.

We have also taken into account misstatements 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 486.000, 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 ABN AMRO Clearing Bank N.V.

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 had close contact with component locations in the United States and reviewed key local working papers and conclusions.

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.

In comparison with previous year, our key audit matters did not change.

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

Complexity and diversity of fee schedules	
Risk	Clients' fee schedules are customized and depend on a variety of factors including the kind of transaction, the investment type and the related exchanges. Furthermore, both fixed fees and fees dependent on volume exist. These complex and diverse fee schedules, in combination with significantly increased volumes during the market volatility of the COVID-19 pandemic, lead to an increased risk of material misstatement in relation to recognition of fee and 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 evaluated the design and implementation and tested operating effectiveness of the key controls over fee schedules origination and changes, data input and — recording in source systems, automated calculation of fees and reconciliation controls with external parties. We applied data-analytics on a fee and commission income stemming from security transactions to recalculate the fees and commissions recorded, thereby verifying their completeness and accuracy. We tested appropriate recognition of fees from the source systems in the general ledger and on clients' clearing statements. In addition, we obtained confirmations from a selection of customers confirming their year-end cash balances in clearing accounts to which fees are charged.
Key observations	Based on our procedures performed we consider the net fee and commission income to be reasonably stated.

IT reliability and continuity	
Risk	The continuity and reliability of the IT environment are crucial for ABN AMRO Clearing Bank's operations and its financial reporting process. We consider this a key audit matter as the Company relies extensively on a relatively complex IT environment for trading, collateral management, reconciliations, and financial and risk reporting. The dependency on IT systems could lead to undetected misstatements in financial reporting. Further, complex identity and access management processes increase the risk of inappropriate access to applications and data and increase the risk of inappropriate segregation of duties. A summary of technology and the IT environment is included in the operational risk section of the risk management section of the management board report.
Our audit approach	We evaluated the role of IT to the extent necessary within the scope of the audit of the financial statements. We evaluated the design and tested the operating effectiveness of IT general controls related to logical access, change management and we tested the application controls as embedded in automated data processing systems, where we relied upon for financial reporting. We performed additional procedures on access management for the infrastructure components involved and related applications. Based on our findings, we performed additional testing in collaboration with the company to be able to conclude on the reliability of the information used in the financial reporting process. We also assessed the reliability and continuity of the IT environment and the possible impact of changes during the year either from ongoing internal restructuring initiatives or to meet external reporting requirements. In addition, our audit procedures consisted of assessing developments in the IT infrastructure and analyzing the impact on the IT organization and monitoring and evaluating upon parts of IT processes that have been outsourced.
Key observations	For the purpose of our audit of the financial statements we found the IT reliability and continuity adequate and communicated areas for improvement to the management board.

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:

- The management board report, consisting of Governance (excluding Supervisory Board), Our Business and Risk Management
- The supervisory board report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code
- Notes to the reader, ABN AMRO Clearing at a glance, Message from the CEO and 2020 Highlights

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 management board is responsible for the preparation of the other information, including the management 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 ever since that financial year.

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.

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

The management 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 management board is responsible for such internal control as the management 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 management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management 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 skepticism 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 management board
- Concluding on the appropriateness of the management board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the supervisory board's audit, risk and compliance 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, 19 May 2021

Ernst & Young Accountants LLP

signed by P. Sira

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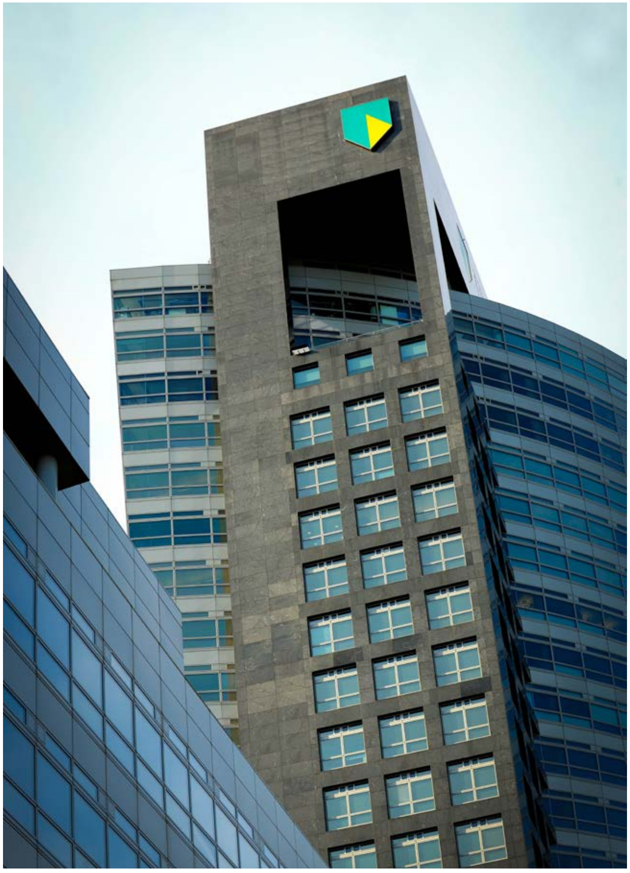

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