ABN·AMRO Clearing

ABN AMRO Clearing Bank N.V. Annual Report 2016

Notes to the reader

This is the Annual Report for the year 2016 of ABN AMRO Clearing Bank N.V. The Annual Report consists of the Managing Board report, Supervisory Board report, the Annual Financial Statements and other information.

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

This Annual Report is presented in euros (EUR).

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

In the Income Statement intergroup rebilled costs are re-allocated to the different cost categories in the Income Statement. For comparison purposes, the 2015 numbers are adjusted in this Financial Statement in the same way.

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

Table of contents

4
Introduction
ABN AMRO Clearing at a glance 5
Message from the Managing Board 6

8
Governance
Supervisory Board 9
Managing Board 13
Corporate Governance 15

19
Business section
Regulatory environment 19
Corporate social responsibility 22
Human resources 23
Compliance and conduct 25
Business description 27
Regional overview 29

30
Risk management

40
Annual Financial Statements

102
Other information

From left to right:

Kaling Wu, Marina Bakker, Charlotte Hülsenbeck - Amsterdam office.

ABN AMRO Clearing at a glance

Governance

ABN AMRO Group N.V.

100%

ABN AMRO Bank N.V. → Supervisory Board

100%

ABN AMRO Clearing Bank N.V. estalished 1982 → Managing Board

Banking License

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

Established

1982

Number of FTEs

841

Worldwide

11 Offices

24-hours 5-day global services

90+ exchanges

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

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

The value chain

Execution: Client → Exchange ← Client

T

Clearing: Transaction — GCM ← CCP → GCM

S

Settlement: Settlement — Custodian ← CSD → Custodian

ABN AMRO Clearing

- Trading member
- General clearing member
- Global custodian

Net profit
Underlying net profit (x EUR 1.000)
2016
67.668
2015
63.926

Costs versus income
2016
73%
2015
73%

Client satisfaction on a scale from 1 to 7
5,67

NPS on a scale from -100 to +100
28

Employee Engagement
81%

Introduction
Governance
Business section
Risk management
Annual Financial Statements
Other information

Message from the Managing Board

2016 was a challenging but profitable year for ABN AMRO Clearing Bank N.V. (AACB), marked by macroeconomic uncertainty, geopolitical tensions and ongoing regulatory changes for financial institutions. The outcome of the United States presidential election and the United Kingdom's vote to leave the EU brought additional market volatility and raised concerns about possible protectionism and budgetary discipline, and consequently, their impact on domestic economies and regulatory frameworks.

Against this backdrop, AACB revenues once again rose in 2016, showing strong growth in fee income and improved treasury efficiencies. Along with our ongoing cost focus, this delivered an increase in net profit of EUR 4 million to EUR 68 million for the year despite a higher liquidity buffer and regulatory costs.

We also continued to focus on improving service to our clients. Stable and secure processing of client trades is the cornerstone of our business and in 2016, we managed high-volume days around Brexit and the United States presidential election without any service disruptions, which allowed our clients to remain focused on their own core processes. We made further improvements to our client-reporting capabilities, investing in real-time and bespoke solutions as well as enhanced tools via our client portal.

Our client promise is to continue investing in new products and services for greater trading, investing or hedging opportunities. As such, AACB launched a clearing offering on the Warshaw Stock Exchange and on the Dubai Gold & Commodities Exchange. Client appreciation for these and other developments is reflected in, among other things, a significantly higher net promoter score across all our regions and segments compared to 2015.

As we did not experience any significant client loss, we have maintained strong global market share and grew in some markets, such as the US and Japan, having onboarded new clients. We invested in diversifying our client base over the last few years, which started paying off in 2016, with significant growth in both the corporate-hedger and prime client segments.

In late 2016, AACB announced a proposed change to the IT environment and its implications for staff. Negotiations to outsource part of the AACB IT infrastructure as well as worldwide end-user services were initiated with an external service provider, which will lead to accelerated global standardisation, consolidation, cloud readiness, improved services, and increased cost efficiency. Affected AACB IT colleagues have been informed about the potential employment consequences of the proposed change, and AACB 2016 financial statements include a restructuring provision.

2016 also saw changes within AACB Executive Board. In mid-2016, Marcel Jongmans stepped down as CEO to pursue a career outside the bank. We thank Marcel for his longtime cooperation, commitment and contributions to AACB. In anticipation of the appointment of a new CEO, Marcel's responsibilities were assumed on ad-interim basis by AACB Vice Chairman Jan Bart de Boer.

From left to right:

Managing Board: Boudewijn Duinstra, Lieve Vanbockrijck, Jan Bart de Boer

Andrej Bolkovic (Global Head of Products & Services and Chief Operations Officer) took on a new challenge within our organisation. He moved to Chicago to become the regional CEO of our US operations. As a result of that he had to step down from the AACB Managing Board but he will remain a member of our global management team.

As of 1 March 2017, the composition of the Supervisory Board changed. The AACB shareholder proposed to appoint Mr. Rutger Schellens as the new CEO and Managing Director of AACB, subject to regulatory approval.

AACB remains abreast of new technologies and innovations, for example, by experimenting with blockchain technology and fintech to increase awareness and assess potential impact. Furthermore, like ABN AMRO Bank N.V. (ABN AMRO), AACB is also in the process of implementing an agile way of working.

Regulatory challenges and a playing field that is potentially not level can occasionally impact business opportunities. AACB has reflected upon these developments, their meaning for our bank, and the approach to sustainably building a business that performs well and is relevant for market infrastructure. We ultimately achieved strong results in 2016, which could have only been possible with the talent, dedication and efforts of our employees and the loyalty of our clients, for which we are grateful.

Amsterdam, 10 May 2017

Managing Board

Jan Bart de Boer, Chief Commercial Officer
Boudewijn Duinstra, Chief Risk Officer
Lieve Vanbockrijck, Chief Financial Officer

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

Frans van der Horst
Supervisory Board member

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

Toon Peek
Supervisory Board member

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

Alexander Rahusen
Supervisory Board member

Alexander Rahusen was appointed to the Supervisory Board of ABN AMRO Clearing Bank N.V. on 15 September 2014. As of January 2017, Alexander Rahusen was appointed CFO a.i. of ABN AMRO.

Rintse Zijlstra
Supervisory Board member

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

Supervisory Board

Composition

In 2016, the Supervisory Board was comprised of five members who hold senior-management positions within ABN AMRO. The shareholder, ABN AMRO, appoints members of the Supervisory Board based on a collective suitability profile. The Supervisory Board conducted a self-assessment of its own and its members' performance over the year 2015. This was completed in the second quarter of 2016 and the results were evaluated and discussed in the third quarter of 2016. Topics covered in the assessment were: the Supervisory Board's role with respect to strategy, risk management and internal control, culture and behaviour within the organisation, Supervisory Board composition and expertise, dynamics between members, and overall member and Audit Risk & Compliance Committee (ARCC) performance.

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

As of 1 March 2017, the composition of the Supervisory Board changed. The AACB shareholder proposed to appoint Mr. Rutger Schellens as the new CEO and Managing Director of AACB, subject to regulatory approval. Mr. Frans van der Horst will be Chair of the AACB Supervisory Board.

Supervisory Board meetings

The Supervisory Board held six plenary meetings and two extraordinary meetings in 2016. Focus areas included its permanent education programme, changes to the AACB Managing Board, the impact of laws and regulations on the organisation and contacts with regulators.

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

Aside from during Supervisory Board meetings, its members are in regular contact with the Managing Board. The Chair of the Supervisory Board and the Company Secretary prepared agendas for Supervisory Board meetings in 2016. Recurring agenda items included financial performance, risk management, compliance, audit findings, market and regulatory developments and strategy. A more-detailed description of the matters discussed is provided below.

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

The new independent external auditor, EY, presented its audit plan to the Supervisory Board in December 2016. The 2016 Financial Statements and 2016 Annual Report were audited and discussed by the Supervisory Board, Managing Board, ABN AMRO Group Audit and EY. The Supervisory Board noted the independent auditor's report on the Financial Statements 2016 issued by EY.

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

The Managing Board regularly informed and briefed the Supervisory Board on intended organisational changes, strategic initiatives and incidents. The Supervisory Board believes that AACB is well-positioned for 2017.

Audit Risk & Compliance Committee (ARCC)

Established in November 2015, the ARCC comprises the following members: Toon Peek (Chair), Frans van der Horst and Alexander Rahusen. Moreover, the ARCC includes compliance, legal, risk and audit. In 2016, the ARCC held four plenary meetings to discuss audit, legal, risk and compliance-related topics as well as the bank's capital and liquidity positions. On one occasion, ARCC members held a separate meeting with the external auditor without the Managing Board to discuss AACB financial statements. ARCC responsibilities are to assist the Supervisory Board in performing its duties as well as in reviewing and assessing relevant topics related to internal risk controls, capital management and regulatory-compliance matters in order to render adequate advice. Decisions made in the ARCC are endorsed in the Supervisory Board.

Corporate governance

AACB corporate governance was further strengthened in 2016. The AACB Articles of Association and Rules of Procedure for the Managing Board, Supervisory Board and ARCC have been revised.

Supervisory Board members improved their knowledge of clearing topics by participating in sessions for permanent education purposes. These included inviting subject-matter experts to Supervisory Board meetings, visiting the AACB London Branch office in June 2016, for which an extensive programme was organised and hosted by Robbert Booij (Managing Director AACB London Branch), and attending a corporate governance workshop programme.

From left to right:

Alexander Rahusen, Frans van der Horst, Rutger Schellens, Robbert Booij, Toon Peek, Rintse Zijlstra.

Permanent education for the Supervisory Board is designed to keep member expertise current and to broaden and deepen knowledge, particularly of clearing topics. Appropriate actions have been taken to organise, execute and monitor this accordingly.

As all members of the Supervisory Board are members of ABN AMRO Management Group, they are invited to participate in ABN AMRO's lifelong learning programmes. In addition, AACB regularly organises educational sessions for Supervisory Board members on specific clearing topics. These ensure a balanced programme that covers relevant aspects of AACB performance and take current clearing industry developments into account.

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

Amsterdam, 10 May 2017

Supervisory Board

Frans van der Horst
Toon Peek
Alexander Rahusen
Rintse Zijlstra

Jan Bart de Boer
Chief Commercial Officer

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

Lieve Vanbockrijck
Chief Financial Officer

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

Boudewijn Duinstra
Chief Risk Officer

Boudewijn Duinstra was appointed as CRO and as member to the Managing Board of ABN AMRO Clearing Bank N.V. on 11 August 2014.

Managing Board

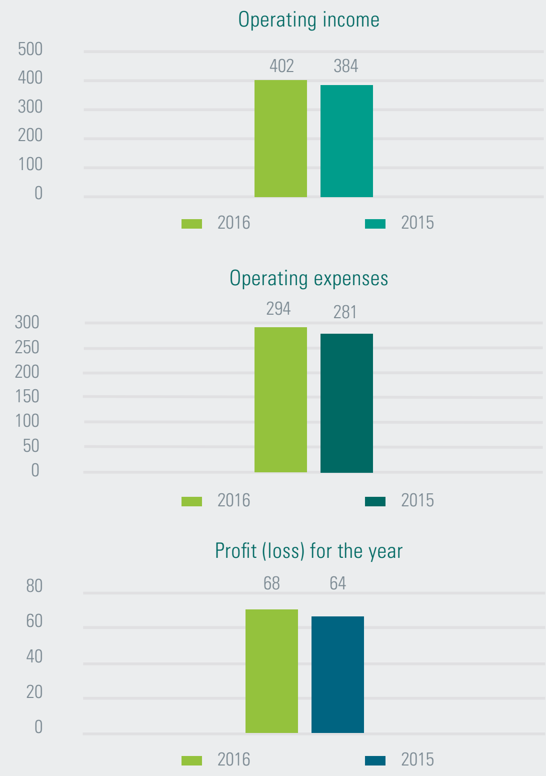
Financial review 2016

While 2016 ended with AACB achieving net profit of EUR 68 million – an increase of EUR 4 million compared to 2015 – the year began tumultuously. Fears of a hard landing for the Chinese economy, concerns about the global economic outlook, and plunging oil prices all led to high volatility and cleared volumes. Financial markets subsequently eased in the second quarter in anticipation of the United Kingdom's Brexit referendum.

Although the outcome led to a short-lived sell-off, markets recovered rapidly thanks to ongoing fiscal stimulus, economic growth and increased consumer and producer confidence. Ultimately, Donald Trump's victory in the United States presidential election and the ensuing rally on global stock exchanges – a result of optimism fuelled by the promise of tax cuts, deregulation and increased government spending in the US – created the conditions for a successful close to 2016 for AACB. This with a year-on-year increase in net fee and commission income of EUR 18 million to EUR 261 million.

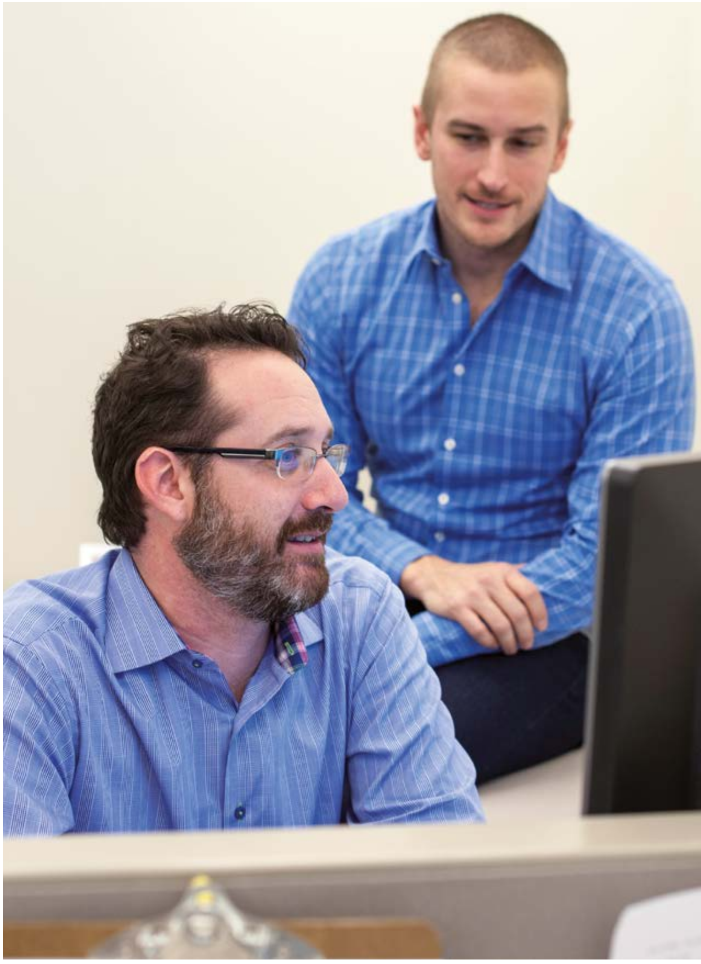
In addition to strong fee income, net interest income also improved by EUR 12 million to EUR 142 million despite an increasingly higher liquidity buffer and capital charges from the ABN AMRO Group (see page 41). Part of the recorded rise in net interest income is related to the transfer of securities-financing activities from the Group to AACB in the second half of 2016. This enabled AACB to better and more competitively serve clients in securities borrowing and lending transactions and create more flexibility and efficiency in treasury possibilities. Nevertheless, AACB also indicated impairments on financial assets due to revaluation results on minority interests of EUR 8 million (see page 54 Note 5).

Summary (x EUR 1.000)



AACB continued its focus on cost efficiency in 2016. However, increases were seen in regulatory costs, recharges from the Group, restructuring provisions related to the proposed IT-infrastructure outsourcing initiative, and personnel expenses (due to more FTEs and wage drift). Income-tax expenses were negatively impacted by US deferred tax liability amounting to EUR 6 million.

Despite of our increased regulatory costs the income ratio for 2016 equals 2015 and remains at 73% which is better than expected. We will continue to pursue further improvements in our cost/income ratio in the coming period and for the foreseeable future.



From left to right:

Allyn Okun, Gerald Walker - Chicago office.

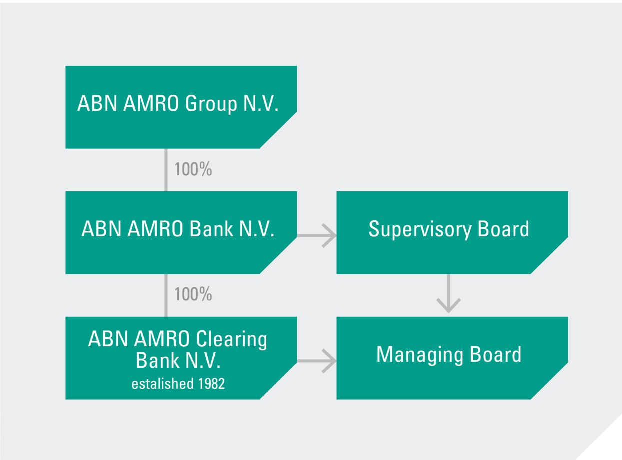
Corporate Governance

Corporate structure

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

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

AACB has a two-tier board structure, consisting of a Managing Board and a Supervisory Board.



The responsibilities and activities of the Managing Board and the Supervisory Board are governed by Dutch corporate law and the AACB Articles of Association. Furthermore, AACB has established procedural rules for the Managing Board and Supervisory Board regarding their duties, powers and responsibilities.

Managing Board

Responsibilities

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

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

Appointment, suspension and dismissal

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

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

Introduction
Governance
Business section
Risk management
Annual Financial Statements
Other information

Remuneration

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

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

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

ABN AMRO strives to position the level of total direct compensation for Managing Board members just below median market levels. For Identified Staff based in the Netherlands who are not Management Group members, ABN AMRO's collective labour agreement governs remuneration packages. Effective from 2015, remuneration restrictions under the Bonus Prohibition Act were extended to senior management as described in the Act on Remuneration Policies of Financial Undertakings (*Wet beloningsbeleid financiële ondernemingen* - Wbfo). Therefore, from 1 January 2015, AACB Managing Board members may not be granted any variable compensation during the period of government ownership.

Supervisory Board

Responsibilities

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

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

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

Appointment, suspension and dismissal

An overview of the current composition of the Supervisory Board is provided in the Supervisory Board chapter.

All Supervisory Board members are employed by ABN AMRO and do not receive separate compensation for AACB Supervisory Board membership. Supervisory Board members are formally appointed and may be suspended or dismissed by the General Meeting.

From left to right:

Martin Whittaker, Justin Kanon, Juss Dymond - London office.

Diversity

The Managing Board and the Supervisory Board consist of natural persons only. At the end of 2016, the Managing Board consisted of 33% female members and the Supervisory Board of 100% male members. AACB will give due consideration to any applicable gender requirements in its search to find suitable new members for vacancies who meet the fit and proper requirements under the Dutch Financial Markets Supervision Act.

From left to right:

Stefanie Kuiper, Funda Bor, Mariya Dinkova - Amsterdam office.

Dutch Banking Code

The Dutch Banking Code was introduced on 1 January 2010 and sets out principles that banks should adhere to in terms of corporate governance, risk management, audit and remuneration. The Dutch Banking Code applies to AACB as a licensed bank under the Act on Financial Supervision (*Wet op het financieel toezicht*). The principles of the Dutch Banking Code are fully applied by ABN AMRO to all relevant entities within its companies on a consolidated basis.
In accordance with ABN AMRO's management framework, all members of the Group are an integral part of the ABN AMRO organisation. This implies that the bank's policies and standards related to compliance with internal and external regulations and best practices are applicable to the full Group. As a result, they are defined at Group level for implementation within various parts of the organisation.
AACB has implemented the relevant parts of the Dutch Banking Code. A principle-by-principle overview of the manner in which ABN AMRO and its subsidiaries comply with the Dutch Banking Code is published on abnamro.com

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

General Meeting of shareholders

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

The AACB General Meeting was held on 15 June 2016. The General Meeting adopted the 2015 annual accounts and granted discharge to members of the Managing Board and Supervisory Board.

Legal structure

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

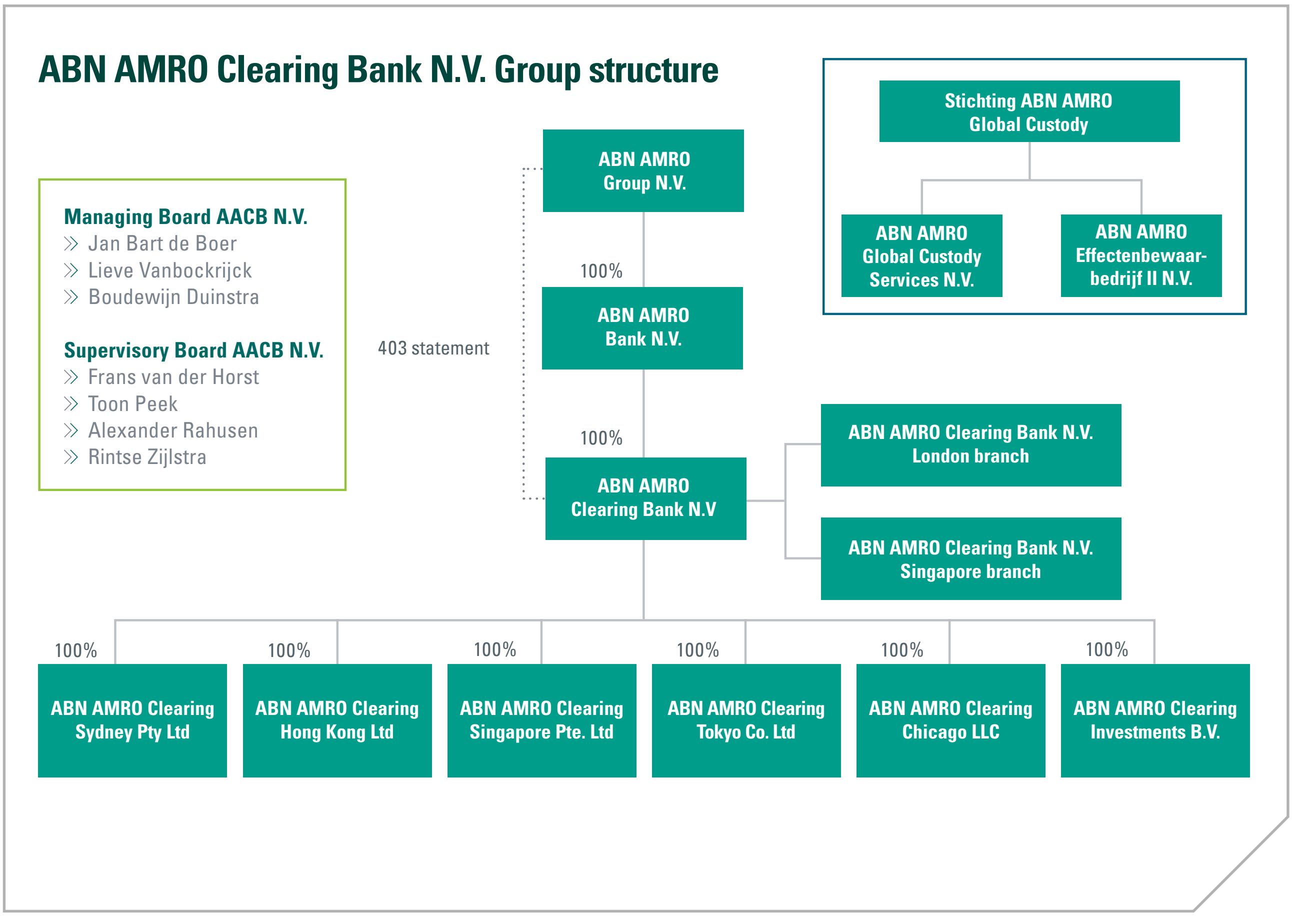
All shares in the capital of the Group are held by two foundations: Stichting administratiekantoor beheer financiële instellingen (NLFI) and Stichting administratie-kantoor continuïteit ABN AMRO Group (STAK AAG).

This government body with an independent board has been established to manage financial interests in Dutch financial institutions held by the Dutch State. NLFI issued exchangeable depositary receipts in return for shares in ABN AMRO held by the Dutch State. NLFI is responsible for managing these shares and exercising all rights associated with these shares under Dutch law, including voting rights. Material decisions require prior approval of the Dutch

Minister of Finance. NLFI currently holds 70% and STAK AAG holds 30% of the shares in the issued capital of the Group. Both foundations have issued depository receipts for shares in the Group. Following the ABN AMRO IPO on 20 November 2015 and subsequent issuance of depository receipt for shares on 16 November 2016, only STAK AAG's 30% of depository receipt are traded on Euronext Amsterdam.

AACB provides clearing and related services in Europe through AACB Amsterdam and through AACB's London Branch. As of January 2016, the AACB Frankfurt Branch was dissolved whereby certain activities were transferred to ABN AMRO Bank N.V. Frankfurt Branch for the purpose of simplifying the German organisation and governance.

AACB provides services outside Europe through its wholly owned subsidiaries ABN AMRO Clearing Chicago, ABN AMRO Clearing Sydney, ABN AMRO Clearing Tokyo, ABN AMRO Clearing Hong Kong, ABN AMRO Clearing Singapore and AACB Singapore Branch.
ABN AMRO Global Custody Services N.V. (AAGCS) is the safekeeping company of AACB and maintains AACB client securities (with the exception of derivatives). AAGCS is structured as a bankruptcy-remote vehicle.



Regulatory environment

Global political and economic developments over the course of 2016 affected financial markets as well as AACB and its clients. AACB has remained largely unaffected by the United Kingdom's vote to leave the EU. At the same time, the regulatory framework in the United States may be subject to a number of changes in the wake of the presidential and congressional elections.

Throughout 2016, global regulatory developments continued to have an impact on AACB products and services, as well as on its business and operating model. AACB remains committed to meeting all its regulatory obligations while seeking to minimise impact on its clients, products and services. AACB proactively monitors and anticipates new regulatory developments and closely aligns with local and international regulators and policymakers to ensure a proactive approach to these. AACB is in constant dialogue with and actively involved in the proceedings of many market and industry groups. These include the Futures Industry Association and the European Banking Federation.

AACB remains committed to meeting all its regulatory obligations while seeking to minimise impact on its clients, products and services.

In 2016, AACB focused on the implications of capital requirements as part of the Basel III framework implemented in the European Economic Area (EEA) as Capital Requirements Directive IV/ Regulation, most notably, on the impact of the leverage ratio for AACB and its clients. Furthermore, implementation efforts remained focused on the Markets in Financial Instrument Directive/ Regulation II (MiFID/MiFIR) framework.

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

- Market and infrastructure reform.
- Behaviour, transparency and governance.
- Capital and tax.

Market infrastructure reform

The main development affecting market infrastructure in Europe has been MiFIDII and MiFIR. The MiFIDII and MiFIR framework will completely overhaul market infrastructure and existing trading practices. It is aimed at increasing investor protection, mandatory on-exchange trading of certain over-the-counter (OTC) derivatives, and a range of new transparency requirements. MiFIDII and MiFIR are also anticipated to have cross-border implications for AACB's business model.

A significant development in the Netherlands has been the amendment of the legislative framework to provide derivatives holders with greater protection against intermediary (a bank, investment firm or clearing institution) bankruptcy. Furthermore, the European Commission (EC) reviewed the entire European MarketInfrastructure Regulation (EMIR) framework during the second half of 2015 and generated a report with recommendations in November 2016. Possible changes to the framework are anticipated from 2017 onwards, particularly in the area of transaction reporting.

From left to right:

Pieter van Tol, Justin Belt, Eelko van Leeuwen, Vicky Hands, Mike van Doorne, Patrick Blok - London office.

Building on EMIR, the EC has proposed a framework for the recovery and resolution of a central counterparty (CCP) as a result of default and non-default losses. AACB has taken note of the proposal and is actively engaging policymakers and regulators to address a number of unintended consequences.

The EC and European Securities Markets Authority are finalising equivalence determinations with third-country regimes regarding CCP governance and subsequent capital requirements. AACB and its clients remain concerned about the lack of progress in determining equivalence with the CCP governance regime under supervision of the US Securities and Exchange Commission (SEC) and have been involved in advocacy efforts to address the potential consequences of a lack of equivalence for global financial markets.

Lastly, the EC finalised the legislative framework for the Central Securities Depository Regulation (CSDR). The CSDR creates a common regulatory framework for central securities depositories in the EEA, including mandatory buy-in and penalty regimes.

Behaviour, transparency and governance requirements

Globally, AACB is confronted with enhanced prudential requirements where it is vital to ensure solid and sustainable corporate governance. Therefore, implementation and analysis of regulatory transaction reporting and transparency requirements continued to be key focus in 2016.
Furthermore, the legislative process for the Securities Financing Transaction Regulation (SFTR) – which introduces a reporting and transparency regime for securities financing transactions – continued in 2016. AACB has been closely cooperating with industry parties and the regulatory community to ensure reporting requirements are aligned with existing market practices.

In the United States, the Commodity Futures Trading Commission (CFTC) continued its efforts on a reform proposal for increased oversight capabilities and behavioural requirements related to automated trading on the US designated contract markets. This is likely to have an impact on both US and non-US participants of the CFTC-regulated markets.

Capital and tax

One of the most-significant implementations aimed at reducing systemic risk is the EU-wide implementation of Basel III, collectively known as CRDIV and CRR.
ABN AMRO continues to be heavily impacted by the leverage ratio as a result of the AACB guarantee of client performance at CCPs. Under current leverage-ratio interpretations, methodologies and guidance, the concept of netting exposures to CCPs for exchange-traded derivatives (i.e. futures and options) is inadequately recognised. Based on industry outreach, the Basel Committee on Banking Supervision (BCBS) consulted on a revised proposal that provides improved differentiation between margined and un-margined trades and more-meaningful recognition of netting benefits.

Meanwhile, the EC proposed a number of amendments to the CRD/CRR framework as part of its mandatory review. The amendments introduce a number of measures agreed within the BCBS that were not yet included in the current CRD/CRR framework.

The most-notable change is the introduction of the Standardised Approach for Counter-party Credit Risk as the main exposure measure, a binding leverage ratio, a net-stable-funding ratio and a total-loss-absorbing capacity for the largest institutions. In all, the EC has chosen a more risk-sensitive approach to capital requirements. The leverage-ratio calculation methodology is in line with measures advocated by AACB and its clients.

Implementation and analysis of regulatory transaction reporting and transparency requirements continued to be key focus in 2016.

This package does not include any measures generally referred to as Basel IV. These capture further restrictions on the use of internal models, the introduction of capital floors and higher risk weighting to committed, undrawn credit lines. BCBS is still debating Basel IV measures. More clarity on the scope of Basel IV is expected in 2017. AACB continues to closely follow developments in this area. Finally, the potential introduction of a financial transaction tax by 10 member states remains on the EU's agenda.

From left to right:

Lauren Webster, Jake Watkins, Jay Andrews, Tim Ward - London office.

Corporate social responsibility

Following the adoption of an integrated corporate social responsibility (CSR) policy in 2015, AACB continued to further integrate sustainability into its business activities throughout 2016.

New sustainability screening

In 2016, AACB introduced a screening of potential sustainability risks for new clients, fully integrating sustainability into AACB's client due-diligence and onboarding processes and procedures. The results have led to a comprehensive view of any potential sustainability risks in our portfolio. We aim to implement an integrated stakeholder approach in order to create and maintain value beyond financials.

AACB introduced a screening of potential sustainability risks for new clients.

Clients can be classified as a neutral or increased sustainability risk. A riskier client profile results in more-frequent sustainability review and more-direct client interaction regarding how to improve their rating. Only a limited number of clients have risk profiles representing increased sustainability risk. This is mainly due to shareholder rather business qualification.

Promoting sustainable capital markets

AACB believes that a clearing firm has a central role to play in promoting sustainable capital markets. This can only be achieved through close partnership and collaboration with stakeholders within the value chain. Throughout 2016, AACB maintained continuous focus on engagement with stakeholders to define actions that address potential environmental, social and corporate governance issues.

Charity initiatives

AACB's CSR policy also covers participation in charity initiatives. We want to give back to the communities in which we operate by actively supporting local and youth initiatives. Last year's initiatives included:

- Support for **Misericordia**, a home for disadvantaged persons in Chicago
- Amsterdam Investor Forum participant contribution to an **Alternatives 4 Children** project supporting underprivileged children.
- Donation to the **2016 FIA Greater Chicago Food Depository** Corporate Challenge.

AACC volunteers and sponsors support Misericordia.

Amsterdam Investor Forum helps Alternatives for Children.

AACC donated money for FIA cares during the holiday season.

Human resources

We continuously invest in our people, as they are among our key strengths. This was again visible in 2016, when AACB achieved the highest score on employee engagement to date (81%), placing us at the top of the financial services industry.

AACB has already made a significant effort to create a sense of belonging and common purpose. We are very pleased to see that our employees have rated us highly on subjects such as client focus, risk awareness, conduct, ethics and job challenge.

Our employees are our strength. Their combined capabilities are greater than the sum of their individual skills.

Changing environment

In a world that is becoming increasingly digital, agile and global, new skills are asked of employees. We believe that adaptability to change, analytical and digital skills, agility and leadership are core competencies for a leading company. Throughout 2016, we aimed to keep up with the pace of change and remain innovative for our clients with an entrepreneurial culture in which we worked as a team, trusted each other and continued exploring. Leadership in Agile and Change facilitated this way of working.

Fit for the future

AACB put significant effort into designing its vision, direction and strategy, and gained employee feedback on strategic topics over the course of 2016. In terms of employees, we continued to define initiatives for the future based on thorough analysis and metrics. We clearly understand the profiles and capabilities needed in the future. In light of this, we offer our employees a wide range of development options and look for people with future-proof profiles when recruiting, so as to ensure a sustainable and agile operating model – and so that we remain fit for the future.

A global perspective

We offer our employees a fair and rewarding package facilitating opportunities for career growth and development across businesses and with a global perspective. Together, our employee-related initiatives, our culture and our key strengths ensured that AACB remains a company servicing clients to the best of our abilities. Our growing client base, transaction volume and our increasing market share are all proof that our employees are in the lead.

As a company, we aim to operate even more globally, with global minimum standards and by sharing best practices. Employee's development continued to focus on creating self-awareness, demonstrating leadership and taking ownership throughout 2016. The right employees in the right place at the right time have been crucial for delivering continued superior client experience worldwide.

The right employees in the right place at the right time have been crucial for delivering continued superior client experience worldwide.

Photo 1: From left to right: Leona Ng, Ryan Leung - Hong Kong office

Photo 2: Janis Lazdins - Chicago office

Photo 3: Dion Temmink, Cynthia Mensingh, Ruth Tahitu - Amsterdam office.

Photo 4: From left to right: Haley Roger, Robbert Booij, Michelle Pinkster, Ben Davis, Jo Douglas - London office.

Compliance and conduct

Compliance took centre stage during 2016; the plethora of regulations affecting AACB spurred the Managing Board to position the Compliance function as a key partner, making it an integral part of AACB strategy and day-to-day business.

Regulatory dynamism has recently evolved from being compliance centric to business centric. For instance, MiFID II mandates various compliance relating to an enhanced scope of products and activities, a revised marketing and targeting process, more-comprehensive client profiling, a broader definition of complex instruments, more-detailed client reports, and new pre- and post-trade reporting. The current impact of compliance extends to revenues, strategies and business models.

In addition, various directives relating to the financial industry will be implemented over the next few years. New technological advances such as blockchain, artificial intelligence and algorithmic trading, along with transnational trading and the global nature of businesses all signal increased regulatory developments in the near future.

In line with and in anticipation of such regulatory requirements, compliance and the business proactively pursued various projects in 2016. These included MiFID II, the Market Abuse Directive and Regulation (MAD/MAR), EMIR and SFTR. Compliance has also taken the lead in ensuring AACB meets all of its regulatory obligations with adequate quality assurances.

Market Abuse Regulation

AACB became MAR compliant for post-trade market surveillance well before the required due date of 3 July 2016, making its market-surveillance activities even more robust. AACB continued to raise its standards with enhanced documentation of the rationale of alert usage, starting with its own alert calibrations, which resulted in the significant reduction of false positives. Compliance also broadened its involvement across Europe to further the sharing of knowledge and best practices.

In 2016, we continued to create a culture in which the Compliance function challenges and supports the business.

Market surveillance

AACB strengthened its relationship with exchanges with visits to market-surveillance teams and worked closely with external stakeholders in the quest for best-in-class market surveillance. These initiatives have resulted in increased knowledge sharing and enhanced service delivery and, therefore, in stronger client relationships.

Regulatory reporting

2016 saw the establishment of our Regulatory Transaction Reporting Desk in Europe. The key objective of this initiative is to ensure that AACB Europe is in control of all its regulatory-reporting obligations. AACB in the US further strengthened its regulatory reporting by revisiting requirements using multi-functional teams and reviewing and strengthening the status of internal controls.

Amstel Gold Race

Seamless cooperation

Clients are at the heart of AABC's strategy. To demonstrate this, we successfully consolidated all client records into a single system. This ensures better service quality and control of records, especially in relation to the ultimate beneficial ownership of clients' legal entities.

Throughout 2016, we continued to shape and strengthen our Compliance function in alignment with the business. The global team now cooperates seamlessly across jurisdictions and facilitates consistent service to clients worldwide. New joiners have been instructed on AACB's client-centric strategy through formal training and participation in projects. In addition to daily compliance responsibilities, Compliance employees are responsible for specific regulatory projects

Ensuring a strong compliance culture

In 2016, we continued to create a culture in which the Compliance function challenges and supports the business by better understanding it and our clients, discussing compliance topics in light of technological developments, and participating in committees responsible for business decisions. This approach has and continues to embed a strong compliance culture within AACB.

From left to right: Alexander Horiszny, James Egan, Frederik ten Veen.

Introduction
Governance
Business section
Risk management
Annual Financial Statements
Other information

Business description

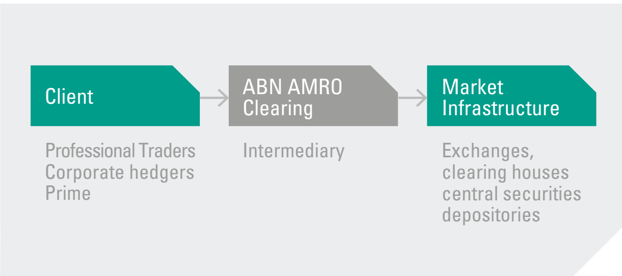
Leading, global approach

AACB is one of the world's largest general-clearing members, providing clearing and financing services for listed derivatives and cash securities as well as for OTC products, warrants, commodities and foreign-exchange transactions on all major exchanges and for CCPs in Europe, the US, Brazil and Asia-Pacific.

Connected to more than 150 liquidity centres, AACB enjoys a market share of 25% or higher on many of the major exchanges on which it operates. This results in a global top-three position based on turnover and market share[1].

Market infrastructure and opportunities

AACB's business model is purely client driven, providing global access to market infrastructure, securities lending, settlement, custody and asset servicing across all asset classes. In 2016, we continued to play a central role in the financial-market infrastructure, contributing to a more-efficient and transparent financial system in collaboration with our clients and partners.



We also strengthened our market position with the principal-trading-group and corporate-hedger segments. In addition, we kept pursuing our aim to gradually grow and diversify our client portfolio with other segments, such as alternative-investment managers.

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 various trading floors of major financial centres. By closely following these clients and developing systems to satisfy their high-profile demands, AACB has become a reference provider for principal trading groups worldwide.

AACB offers multi-market and multi-product services to leading global firms. We recognise that most of our larger clients started small. We are committed to continuing to help smaller/niche players and start-ups get to market.

Corporate Hedgers

A corporate hedger is a company that makes significant use of commodities in its business process. It may use derivatives to hedge the price risk of underlying commodities, as required from a risk-management perspective. AACB has a long-standing history and strong track record in listed commodity derivatives. We cover a wide range of commodities, including agricultural, base and precious metals, oil and energy-related products.

1 EUREX member ranking/StatistiX®, January - December 2014

AACB reinforced its position as an industry reference for commercial hedgers, industrial clients and producers in 2016. Our recognised global execution and clearing expertise has been strengthened by a team of specialists with expertise in physical delivery.

Investment managers and financial institutions

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

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

In 2016, AACB serviced investors and asset managers with value-added initiatives, such as the Amsterdam Investor Forum – a highly successful annual event for alternative investors and managers. More than 250 delegates attended, benefitting from inspiring keynotes and topical industry-focused panel discussions.

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

From left to right:

Russel James Tan, Yee Choon Kit, Amelia Toh, Cathryn Huang - Singapore office

Regional overview

Throughout 2016, AACB clients continued to be serviced from Europe, United States and Asia-Pacific.

Europe

AACB is headquartered in Europe. Our four European offices in Amsterdam, London, Frankfurt and Paris cover exchanges from Dubai to Scandinavia. Europe operates as the centre of excellence with many of our employees, who are dedicated to the development, improvement and maintenance of AACB's global systems. 2016 represented a growth year for us both in terms of volume and our geographical footprint. We processed a record number of transactions in 2016 and we were granted remote-clearing membership on the Warsaw Stock Exchange and the Dubai Gold & Commodities Exchange. As in previous years, AACB Europe continued to clear new business across multiple exchanges and clients in 2016. We were pleased to see the sustained growth of our exchange-traded fund (ETF) business along with sizeable growth among energy-related clients in the corporate-hedger segment, AACB grew in all three client segments – professional trading groups, prime and corporate hedgers – in 2016. Going forward, we will continue to pursue new business and expansion of our product range, while remaining a significant participant within the European exchange trading, clearing and settlement community.

Barry Parker
Regional CEO Europe

Number of FTEs

480

Client satisfaction

5,34

United States

2016 was a very good year for ABN AMRO Clearing Chicago. We saw good volumes and business growth both from existing and new clients. The Brexit referendum and US elections added volume and volatility, which has been managed securely. Results from the Annual Customer Survey have been very good; customer-satisfaction ratings have gone up considerably from previous years. AACC's employee engagement score was also very favourable, illustrating the dedication and willingness of employees to provide excellent client service. From an IT perspective, we have been working hard to prepare successful migration from our ATIS legacy clearing system for securities and options to our internally developed MICS-NG tool. This is a multi-market, multi-product and multi-currency integrated back-office tool, initially rolled out in Europe and Asia-Pacific. It will be rolled out in the US in 2017. This achievement offers exciting new possibilities, particularly in the second phase, when additional MICS functionality will be made available to our US clients.

Andrej Bolkovic
Regional CEO United States

Number of FTEs

222

Client satisfaction

6,44

Asia-Pacific

AACB operates local offices in Singapore, Hong Kong, Sydney and Japan, efficiently covering the Asia-Pacific region. In 2016, we were successful in attracting sizeable new business. Clients value our high-quality clearing service bringing cost efficiency at a competitive price. Within Asia-Pacific, we further enhanced our treasury function by consolidating funding lines out of our Singapore office. We improved our stock-borrowing and lending offering and significantly increased our inventory-sourcing capacity. Our ETF product offering was also enhanced and our service is considered to be market leading, constituting a considerable competitive edge. This resulted in a noticeable jump on the Tokyo Stock Exchange in our market share of equities, with historic highs of 7.3% in equities and above 40% for ETFs. Our market share of various asset classes on major markets has also remained very high, ranking AACB at number one in Asia-Pacific for almost every product. Accommodating this significant volume increase has required constant improvement to our operational processes, our processing capacity and our infrastructure, which enabled undisturbed processing on two highest-ever volume days, without any significant street-side or client issues.AACB also delivered a large infrastructure project – the Osaka Stock Exchange derivatives-system upgrade – without any system outage or client impact. Considering that our clients constitute 40% of market volume, this was a great achievement.

Stephane Eglizeau
Regional CEO Asia-Pacific

Number of FTEs

139

Client satisfaction

5,91

Risk management

Risk appetite

A bank's risk appetite determines the level and nature of risk that it is willing to take in order to pursue its strategy, taking all stakeholders into consideration. It clarifies the use of risk capacity across the various risk types, businesses and operating entities, and by doing so, optimises risk and return. AACB's risk appetite is aligned with a moderate risk profile. It takes into account all risk types of the risk taxonomy relevant for AACB, in particular; credit, market, operational, liquidity and business risk. The risk-appetite statement sets limits on 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 and approved by relevant committees within the bank.

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

Risk governance

AACB belongs to ABN AMRO's risk governance. As such, we follow the bank's three lines of defence model, risk-decision framework and its product-approval process.

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

Managing risks

Sound risk management is a cornerstone of AACB's business model. Risk centres are operated in several time zones around the world. These local risk centres are supported and governed by various risk functions at our headquarters in Amsterdam. Local Risk Management employees monitor client activity on a daily and intraday basis to ensure that all clients stay within the agreed market and credit-risk parameters. They also monitor other counterparty exposures, conduct market surveillance and are involved in managing AACB's operational risk profile.

- AACB is not involved in any proprietary trading activities and hence does not run direct market risk. Nevertheless, we can encounter indirect market risk as a result of its clearing and financing activities: as a third-party clearing member, AACB explicitly guarantees the fulfilment of obligations towards clearing houses and other third parties arising from customer transactions. In the event of client default, AACB is legally obligated to settle all client positions with the relevant clearing houses, possibly at a loss.
- AACB provides liquidity lines to clients to leverage business opportunities and enable them to hedge their derivatives inventory with shares and bonds.

Relevant risk types

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

EUR billion	2016	2015
Total outstanding client credit facilities	33,42	29,95
Total utilisation	12,1	10,75
Of which: total debit cash utilisation	5,29	4,90
Of which: total short stock utilisation	6,81	5,85

In 2016 AACB had no default (2015: one) and therefore no default rate (2015: 5,09 bps) on overall outstanding credit lines of EUR 33,42 billion (2015: 29,95 billion).

From left to right: Amelia Toh, Choon Kit Yee, Cathryn Huang, Hazel Goh, Russell Tan - Singapore office

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.

None of AACB's assets are past due as per 31 December 2016.

Clients

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

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

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

Counterparties

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

AACB risk managers ensure that we stay within these approved counterparty limits by means of daily monitoring and by steering actions when needed. In accordance with the procedures none of the counterparty limits are exceeded.

Offsetting financial assets and liabilities

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

Enforceable master netting agreements or similar instruments

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

Audited

Offsetting, netting and collateral & guarantees

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

Assets	Carrying amount before balance sheet netting	Balance sheet netting with gross liabilities	Carrying amount	Master Netting agreement	Collateral	Total risk mitigation	Surplus collateral	Net exposure
Cash and balances at central banks	41.741		41.741			-		41.741
Financial assets held for trading	31.745		31.745			-		31.745
Financial investments	534.496		534.496			-		534.496
Securities financing	5.592.170		5.592.170	16.233	4.980.626	4.996.859	-	595.311
Loans and receivables - banks	1.399.844		1.399.844	311.722	1.133.623	1.445.345	1.133.486	1.087.985*
Loans and receivables - customers	13.398.860		13.398.860	2.412.669	16.005.900	18.418.569	10.607.419	5.587.710*
Other	67.525		67.525			-		67.525
Total assets	**21.066.381**	**-**	**21.066.381**	**2.740.624**	**22.120.149**	**24.860.773**	**11.740.905**	**7.946.513**

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

The carrying amount before balance sheet netting represent the maximum exposure to credit risk.

* In AACB's business model each customers exposure is covered by collateral. The remaining amounts in the net exposure column mainly consist of margin and default funds placed with CCP's and cash on own bank accounts.

(x EUR 1.000) **31 December 2015**

Assets	Carrying amount before balance sheet netting	Balance sheet netting with gross liabilities	Carrying amount	Master Netting agreement	Collateral	Total risk mitigation	Surplus collateral	Net exposure
Cash and balances at central banks	57.837		57.837			-		57.837
Financial assets held for trading	45.641		45.641			-		45.641
Financial investments	81.207		81.207			-		81.207
Securities financing	8.176.268		8.176.268	276.369	9.732.577	10.008.946	1.834.089	1.411
Loans and receivables - banks	1.992.284		1.992.284	673.735	1.384.636	2.058.371	1.384.463	1.318.376*
Loans and receivables - customers	11.389.364		11.389.364	3.031.929	16.263.906	19.295.835	11.775.045	3.868.574*
Other	88.390		88.390			-		88.390
Total assets	**21.830.991**	**-**	**21.830.991**	**3.982.033**	**27.381.119**	**31.363.152**	**14.993.597**	**5.461.436**

Liabilities	Carrying amount before balance sheet netting	Balance sheet netting with gross assets	Carrying amount	Master Netting agreement	Net amount
Financial liabilities held for trading	51.633		51.633		51.633
Securities financing	1.040.986		1.040.986	276.369	764.617
Due to banks	10.770.485		10.770.485	673.735	10.096.750
Due to customers	8.803.117		8.803.117	3.031.929	5.771.188
Other	220.445		220.445		220.445
Total liabilities	**20.886.666**	**-**	**20.886.666**	**3.982.033**	**16.904.633**

The carrying amount before balance sheet netting represent the maximum exposure to credit risk.

* In AACB's business model each customers exposure is covered by collateral. The remaining amounts in the net exposure column mainly consist of margin and default funds placed with CCP's and cash on own bank accounts.

Audited Stress testing

Being part of ABN AMRO, AACB takes part in the ABN AMRO-wide stress testing programme which applies stress testing on a regular basis to assess the effect of stress events on the bank. These include sensitivity analysis with respect to specific risk drivers, scenario analysis regarding potential relevant scenarios and reverse stress testing. The main objectives of stress testing are to ensure that AACB keeps operating within its moderate risk appetite, to increase risk awareness throughout AACB and to safeguard business continuity. It is worth noting that also the monitoring of the client portfolios under extreme market scenarios and the stress parameters in AACB's risk management framework contribute towards meeting these objectives.

Audited Liquidity risk

Liquidity risk can be described as the risk that a financial institution runs to meet its financial obligations on time. Liquidity risk management seeks to ensure that a financial institution can continue its business activities under normal and adverse (market) circumstances. This includes meeting cash-flow obligations that depend on external events and on the behaviour of other parties.

Due to the nature of AACB activities, its financial assets and liabilities are generally of a short-term nature. Clients are primarily provided non-committed liquidity facilities with short tenors.

Liquidity risk management

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

Liquidity-control framework

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

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

From left to right: Rajeev Mehta, Rona Admiraal, Jiajia Goa, Richard de Vries, Kees Hansen, Bob Blommeart - Amsterdam office.

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

Monitoring liquidity risk

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

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

Liquidity-sensitivity gaps

The following table provides a maturity analysis of the earliest contractual undiscounted cash flows for assets and liabilities. It represents the short-term nature and cash flows of AACB activities. The amounts include the accrued interest as stated in the balance sheet. Operationally, AACB has sufficient access to liquidity to cover the normal course of business.

Liquidity sensitivity gap statement

(x EUR 1.000)

At 31 December 2016	On demand	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Total
Cash and balances at Central banks	41.741						41.741
Financial assets held for trading	31.745						31.745
Financial investments	485.454	6.549	35.964	6.529			534.496
Securities financing assets	5.592.170						5.592.170
Loans and receivables - banks	1.399.844						1.399.844
Loans and receivables - customers	12.739.186	229.643	430.031				13.398.860
Other assets	62.823	4.702					67.525
Total assets	**20.352.963**	**240.894**	**465.995**	**6.529**	**-**	**-**	**21.066.381**
Financial liabilities held for trading	31.739						31.739
Securities financing liabilities	1.077.262						1.077.262
Due to banks	6.002.103		1.645.316	1.233.988	1.233.988		10.115.395
Due to customers	8.447.888	130.446					8.578.334
Issued debt					325*		325
Other liabilities	202.485	20.010					222.495
Total liabilities	**15.761.477**	**150.456**	**1.645.316**	**1.233.988**	**1.234.313**	**-**	**20.025.550**
Net liquidity surplus/gap	**4.591.486**	**90.438**	**-1.179.321**	**-1.227.459**	**-1.234.313**	**-**	**1.040.831**

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

(x EUR 1.000)

At 31 December 2015	On demand	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Total
Cash and balances at Central banks	57.837						57.837
Financial assets held for trading	21.708	8.815	4.696	1.846	8.576		45.641
Financial investments	32.636	12.976	12.973	22.622			81.207
Securities financing assets	8.176.268						8.176.268
Loans and receivables - banks	1.992.284						1.992.284
Loans and receivables - customers	10.991.212	27.000	371.152				11.389.364
Other assets	87.252	1.138					88.390
Total assets	**21.359.197**	**49.929**	**388.821**	**24.468**	**8.576**	**-**	**21.830.991**
Financial liabilities held for trading	27.700	8.815	4.696	1.846	8.576		51.633
Securities financing liabilities	1.040.986						1.040.986
Due to banks	6.587.708		1.673.111	1.254.833	1.254.833		10.770.485
Due to customers	8.803.117						8.803.117
Issued debt						325*	325
Other liabilities	220.120						220.120
Total liabilities	**16.679.631**	**8.815**	**1.677.807**	**1.256.679**	**1.263.409**	**325**	**20.886.666**
Net liquidity surplus/gap	**4.679.566**	**41.114**	**-1.288.986**	**-1.232.211**	**-1.254.833**	**-325**	**944.325**

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

Regulatory risk

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

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

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

Operational risk

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

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

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

AACB, like ABN AMRO, successfully implemented and embedded a full operational-risk-control framework exposed to operational risk arising from business processes and the IT infrastructure. This framework is aligned with the regulatory technical standards of the Advanced Measurement Approach (AMA)[2]. ABN AMRO received conditional permission from ECB to use AMA mid December 2016.

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

Business continuity management

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

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

Information Security risk management

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

Moreover, AACB IT systems and networks are continuously monitored to assure availability, confidentiality and integrity. This is done for individual systems in AACB's critical business chains. There is a separation of IT environments used for developing, testing and production. AACB performs annual disaster-recovery tests for all core systems to assure adequate functioning and to identify aspects for improvement.

Systemic risk

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

The financial infrastructure is regulated and intensively supervised by regulatory authorities. The market infrastructure includes CCPs to mitigate counterparty risk. Clearing members are required to pay initial margins in advance to cover potential future exposure that a CCP runs on the positions of its clearing members. In addition to the pre-paid margin, clearing members must also contribute to default funds (also known as guarantee funds). In the event of clearing-member default – with losses greater than the initial margin and default contribution of the defaulting clearing member – the default contributions of other clearing members will be used to cover the losses. If these are depleted, there is a mandatory refinancing call to each of the remaining clearing members up to its prior default fund contribution. Alternatively, the clearing member can forfeit membership. To a large extent, CCP clearing ensures that monetary losses as *a result of clearing-member default are covered.*

Audited Foreign exchange risk

AACB activities in London, Singapore, Japan, Hong Kong, Sydney and Chicago can result in foreign exchange (FX)

2 Conditional permission is subject to 2 conditions, 16 obligations and 1 recommendation. ABN AMRO's deadline of remediating actions is no later than half 2017.

risk on the working capital and/or the equity positions of these branches and subsidiaries. AACB is referring to note 17 of the company statement for the FX exposure. If needed, the downside impact of this FX risk on the capital position of AACB is mostly hedged with ABN AMRO, a sensitivity analysis regarding the impact of changes in the EUR/USD on the capital position is performed on a yearly basis.

ABN AMRO is providing immediate access to funds. As all borrowing is posted in matching currency, the FX risk on funding is offset with the FX risk on borrowing, resulting in minimal FX risk.

The FX risk borne as a result of day-to-day operating activities is mitigated by entering into foreign-currency transactions with other ABN AMRO companies. As a result of the foreign-currency transactions, the net position in foreign-currency overall is nil.

Audited Interest rate risk

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

Capital management

On a sub-consolidated basis, AACB meets the minimum capital and regulatory solvency requirements of Basel III. The 403 declaration deposited by the Group further safeguards the going concern basis of AACB.

Capital indicators versus risk appetite

AACB has a set internal risk-appetite limit and checkpoints for CET1 and Basel 1 floor ratios. The checkpoint serves as a buffer to ensure ratios at clearing-bank level and will not fall below regulatory limits, and the ratios are steered when they move close to checkpoint levels.

(x EUR 1.000)	31-12-2016	31-12-2015
Capital		
IFRS Capital	1.040.831	944.325
Composition of Regulatory Capital:		
- Common Equity Tier 1 (CET1)	1.001.160	929.536
- Other Tier 1 Capital	-	-
- Tier 2 Capital	-	-
Total Regulatory Capital	**1.001.160**	**929.536**
Total Risk Exposure Amount (RWA)	2.911.773	2.446.853
CET1 ratio	34,38%	37,99%
Basel I floor ratio	11,88%	11,71%

(x EUR 1.000)	31-12-2016	31-12-2015
Geographic breakdown RWA		
Europe	64%	73%
US	29%	19%
APAC	7%	8%
Total	**100%**	**100%**

(x EUR 1.000)	31-12-2016	31-12-2015
Credit Risk breakdown per counterparty		
Clients	38%	24%
Central counterparties (CCPs)	20%	15%
Other	31%	31%
Third party exposures	89%	70%
ABN AMRO Intra-group	11%	30%
Total	**100%**	**100%**

From left to right:

Jan Bart de Boer, Diederick van Mierlo, Stephane Eglizeau, Ron Breault, Boudewijn Duinstra at the NYSE.

Annual Financial Statements

41 Consolidated statements

Consolidated income statement for the year ended 31 December 2016 41
Consolidated statement of comprehensive income for the year ended 31 December 2016 42
Consolidated statement of financial position as at 31 December 2016 43
Consolidated statement of changes in equity 44
Consolidated statement of cash flows for the year 2016 45

46 Accounting policies

52 Notes

Notes to the consolidated income statement for the year ended 31 December 2016 52
Notes to the consolidated statement of financial position as at 31 December 2016 59

81 Company financial statements for the year 2016

From left to right:

Lucas Scholcz, Lammert Bos - Amsterdam office.

Consolidated income statement for the year ended 31 December 2016

(x EUR 1.000)	Note	2016	2015
Income			
Interest income		300.685	270.600
Interest expenses		158.234	140.326
Net interest income	1	**142.451**	**130.274**
Fee and commission income		1.245.830	1.127.791
Fee and commission expenses		984.700	884.353
Net fee and commission income	2	**261.130**	**243.438**
Net trading income	3	-143	814
Share of result in equity accounted investments	4	549	960
Other income	5	-2.007	8.563
Operating income		**401.980**	**384.049**
Expenses			
Personnel expenses	6	122.703	115.213
General and administrative expenses	7	161.343	154.683
Depreciation and amortisation of (in)tangible assets	8	9.689	10.706
Operating expenses		**293.735**	**280.602**
Impairment charges on loans and other receivables	9	-1.717	14.790
Total expenses		**292.018**	**295.392**
Operating profit / (loss) before taxation		**109.962**	**88.657**
Income tax expense	10	42.294	24.731
Profit (loss) for the year		**67.668**	**63.926**
Attributable to:			
Owner of the company		67.668	63.926

Consolidated statement of comprehensive income for the year ended 31 December 2016

(x EUR 1.000)	2016	2015
Profit for the period	**67.668**	**63.926**
Other comprehensive income:		
Items that will not be reclassified to the income statement		
Remeasurement gain / (losses) on Defined Benefit Obligation	295	100
Associates: relating to remeasurement on Defined Benefit Obligations	59	-7
Items that will not be reclassified to the income statement before taxation	**354**	**93**
Income tax relating to Items that will not be reclassified to the income statement	-94	-32
Items that will not be reclassified to the income statement after taxation	**260**	**61**
Items that may be reclassified to the income statement		
Currency translation reserve	24.143	53.412
Available for sale financial assets	-660	-5.172
Other comprehensive income for the period before taxation	**23.483**	**48.240**
Income tax relating to components of other comprehensive income	-17	1.270
Other comprehensive income for the period after taxation	**23.466**	**49.510**
Total comprehensive income/(expense) for the period after taxation	**91.394**	**113.497**
Total comprehensive income attributable to:		
Owner of the company	**91.394**	**113.497**

Consolidated statement of financial position as at 31 December 2016

Before profit appropriation

(x EUR 1.000)	Note	31 December 2016	31 December 2015
Assets			
Cash and balances at central banks	11	41.741	57.837
Financial assets held for trading	12	31.745	45.641
Financial investments	13	534.496	81.207
Securities financing	15	5.592.170	8.176.268
Loans and receivables - banks	16	1.399.844	1.992.284
Loans and receivables - customers	17	13.398.860	11.389.364
Equity accounted investments	19	21.043	22.733
Property and equipment	20	10.373	8.762
Intangible assets	21	4.523	7.175
Tax assets	22	13.620	13.167
Other assets	23	17.966	36.553
Total assets		**21.066.381**	**21.830.991**
Liabilities			
Financial liabilities held for trading	24	31.739	51.633
Securities financing	25	1.077.262	1.040.986
Due to banks	26	10.115.395	10.770.485
Due to customers	27	8.578.334	8.803.117
Issued debt	28	325	325
Provisions	29	2.283	4.533
Tax liabilities	30	16.331	16.164
Other liabilities	31	203.881	199.423
Total liabilities		**20.025.550**	**20.886.666**
Equity			
Share capital		15.000	15.000
Share premium		5.363	250
Other reserves (incl. retained earnings/profit for the period)		918.128	850.461
Other comprehensive income		102.340	78.614
Equity attributable to owner of the company	32	**1.040.831**	**944.325**
Total Equity		**1.040.831**	**944.325**
Total Liabilities and Equity		**21.066.381**	**21.830.991**
Commitments and contingent liabilities	33	10.459.589	11.588.918

Consolidated statement of changes in equity

(x EUR 1.000)

	Share capital	Share Premium	Retained earnings	Remeasurement on net DBO on post-employment plans	Currency translation reserve	Financial investments reserve	Nett investment hedging reserve	Unappropriated result of the year	Total	Equity attributable to non-controlling interests	Total Equity
Balance as at 31 December 2014	**15.000**	**250**	**712.257**	**-338**	**65.270**	**12.182**	**-48.073**	**74.279**	**830.827**	**0**	**830.827**
Total comprehensive income				61	53.413	-3.902		63.926	113.498		113.498
Transfer			74.279					-74.279			-
Balance as at 31 December 2015	**15.000**	**250**	**786.536**	**-277**	**118.683**	**8.280**	**-48.073**	**63.926**	**944.325**	**0**	**944.325**
Total comprehensive income				260	24.143	-677		67.668	91.394		91.394
Transfer			63.925					-63.926	-1		-1
Increase capital		5.113							5.113		5.113
Balance as at 31 December 2016	**15.000**	**5.363**	**850.461**	**-17**	**142.826**	**7.603**	**-48.073**	**67.668**	**1.040.831**	**0**	**1.040.831**

Consolidated statement of cash flows for the year ended 31 december 2016

(x EUR 1.000)	Note	2016	2015
Profit after taxation		**67.668**	**63.926**
Adjustments on non-cash items included in profit:			
Net realized gains (losses) on sales		-1.328	-
Income of equity associates and partnerships	4	-549	-960
Depreciation, amortisation of (in)tangible assets	8	9.689	10.578
Provisions and impairments		7.779	14.707
Income tax expenses	10	42.294	24.646
Changes in operating assets and liabilities:			
Loans and receivables - banks		2.882.356	1.561.760
Loans and receivables - customers		-2.324.329	-143.461
Trade and other receivables		379.611	-69.003
Due to banks		-689.797	-6.268.929
Due to customers		-393.056	1.485.292
Net changes in all other operational assets and liabilities		-98.954	-381.193
Income taxes paid		-42.760	-18.419
Cash flow from operating activities		**-161.376**	**-3.721.056**
Investing activities:			
Purchases of financial investments		-439.574	-37.775
Investing activities within the group		-952	-500
Proceeds from sales, maturities and redemptions		-	27
Proceeds from sales of associates and partnerships	18	3.365	-
Dividend from associates		790	-
Purchases of property and equipment	20	-8.151	-4.643
Purchases of other (in)tangible assets	21	-684	-1.279
Cash flow from investing activities		**-445.206**	**-44.170**
Net increase (decrease) of cash and cash equivalents		**-606.582**	**-3.765.226**
Cash and cash equivalents as at 1 January		**2.033.666**	**5.734.410**
Effect of exchange rate variance on cash and cash equivalents		9.631	64.482
Cash and cash equivalents as at 31 December	**36**	**1.436.715**	**2.033.666**
Supplementary disclosures of operating cash flow information			
Interest income received		298.539	279.977
Interest expense paid		-144.532	-136.063
Dividend income received		1.699	5.468

Accounting policies

Corporate information

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

The Annual Financial Statements were prepared by the Managing Board and authorised for issue by the Supervisory Board and Managing Board on 10 May 2017.

For the purpose of its consolidated subsidiaries AAG has issued notices of liability. Based on this, AAG is joint and severally liable for any liability arising from the legal acts performed by AACB.

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

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

Statement of compliance

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

Basis of presentation

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

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

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

Disclosures

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.

Changes in accounting policies

During 2016 AACB adapted the following amendments and interpretations:

- IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements.
- IAS 1 Presentation of Financial Statements: Disclosure Initiative.
- Annual Improvements to IFRSs 2012-2014 Cycle.
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation.
- IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations.

Implementation of these amendments has no, or no material, effect on the Annual Financial Statements of AACB.

New standards, amendments and interpretations not yet effective

The following amendments to IFRSs are issued by the IASB and endorsed by the EU, but are not yet effective. The amendments are required to be applied from 1 January 2018. Note that only the amendments to IFRSs that are relevant for AACB are discussed below.

IFRS 9 Financial instruments was endorsed by the EU in November 2016. This endorsement means that IFRS 9 will apply to AACB from 1 January 2018 onwards.

IFRS 9 will replace the current standard for recognition and measurement of financial instruments (IAS 39). AACB is well on its way in implementing IFRS 9. IFRS 9 will have an impact in two areas: classification and measurement of financial instrument s and impairment.

AACB is investigating the impact on the financial statements for the changes to the impairment model. In 2016 ABN AMRO developed the key elements of the IFRS 9 expected loss calculation. Separate IFRS 9 expected loss models have been developed (mainly an expected loss model for instruments valued at amortised cost and an expected loss model for instruments valued at fair value through OCI). The IFRS 9 expected loss model is developed alongside the stress testing methodology and incorporates forward-looking information based on the concepts of this methodology. In general, three different scenarios of future economic developments will be incorporated in a probability weighted manner into the IFRS 9 expected loss calculation. AACB is currently assessing the suitability to AACB's given its nature of business with respect to applicability and maturity profile. The assessment and approval of AACB models and methodologies follows the AAB IFRS 9 governance model.

The state of the economy and the related uncertainty at 1 January 2018 is relevant to the impact of IFRS 9 on the CET 1 ratio. AACB feels confident the bank is sufficiently capitalised for the implementation of IFRS 9.

In 2017 AACB will focus on finalising the interaction of the IFRS 9 impairment model components, finalising the appropriate governance structure going forward, transferring the IFRS 9 implementation from the IFRS 9 project to business as usual an performing a parallel run.

IFRS 15 Revenue from contracts with customers. This new standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. It is effective for annual periods beginning on or after 1 January 2018. AACB is currently assessing the impact of the new standard.

New standards, amendments and interpretations not yet endorsed

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

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

IAS 12 Income taxes: Recognition of Deferred Tax Assets for Unrealised losses. The amendment clarifies how to account for deferred tax assets related to debt instruments measured at fair value. AACB will start its impact assessment in 2017.

From left to right: Steve Retzloff, Danny Caroll, Eleana Chau, Nick Carson, Patty Felgenhauer - Chicago office.

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 – Note 13.
- Income tax expense, tax assets and tax liabilities Notes 10, 22 and 30.
- Provisions - Note 29.

Assessment of risk and rewards

Whenever AACB is required to assess risks and rewards, 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 and rewards may ultimately differ.

Significant accounting Principles

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

As per 01-01-2016 AACB closed its Frankfurt Branch due to operational restructuring.

Foreign currency
The consolidated financial statements are stated in euros, which is the presentation and functional currency of AACB.

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

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

	Rates at year end		Average Rates	
	2016	2015	2016	2015
1 euro =				
Pound Sterling	0,86	0,73	0,82	0,73
Singapore Dollar	1,53	1,54	1,53	1,53
Japanese Yen	123,25	131,21	120,24	134,30
Hong Kong Dollar	8,19	8,45	8,59	8,60
Australian Dollar	1,46	1,49	1,49	1,48
US Dollar	1,06	1,09	1,11	1,11

Financial assets and liabilities
AACB classifies financial assets and liabilities based on the business purpose of entering into these transactions.

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

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

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They generally arise when money or services are directly provided to a client with no intention of trading or selling the loan. They are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest rate method, with the periodic amortisation recorded in the income statement.
- Financial assets at fair value through profit or loss include Financial assets held for trading.
- Available-for-sale financial assets are those assets that are otherwise not classified as loans and receivables, held-to-maturity investments, or financial assets designated at fair value through profit or loss. They are initially measured at fair value with subsequent changes recognised in other comprehensive income.

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

Financial liabilities at fair value through profit or loss include Financial liabilities held for trading.

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

Classification of assets and liabilities held for trading

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

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

Recognition and derecognition

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

Financial assets are generally derecognised when AACB loses control and the ability to obtain benefits over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or substantially all risk and rewards are transferred. Financial assets are also derecognised in the case that the bank has neither transferred nor retained substantially all risks and rewards of ownership but control has passed to the transferee.

Financial assets continue to be recognised in the balance sheet, and a liability recognised for the proceeds of any related funding transaction, unless a fully proportional share of all or specifically identified cash flows are transferred to the lender without material delay and the lender's claim is limited to those cash flows and substantially all the risks and returns and control associated with the financial instruments have been transferred, in which case that proportion of the asset is derecognised.

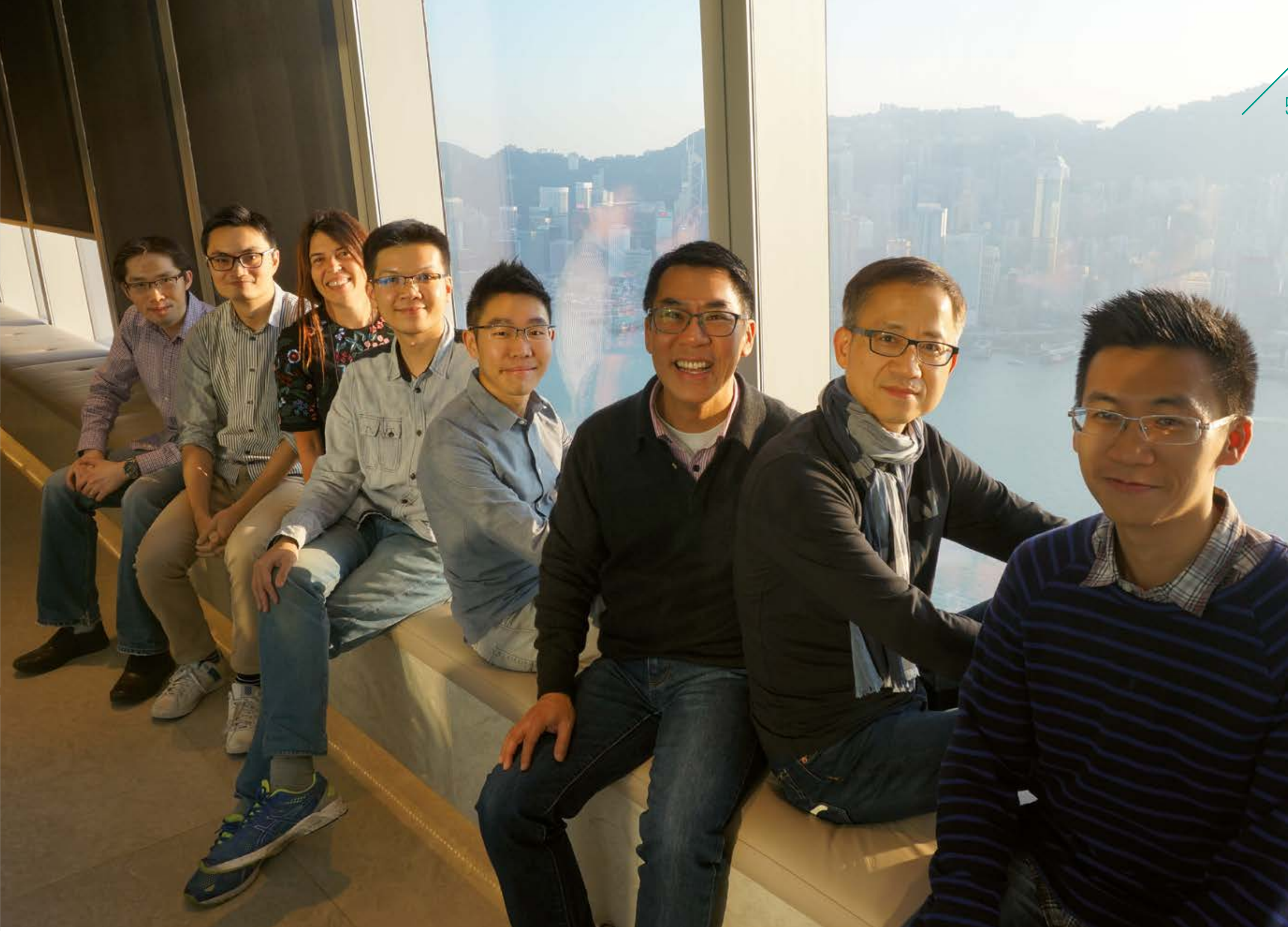
On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

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

Client clearing derivatives

As a general clearing member, AACB provides clearing and settlement services to its clients for, among other things, Exchange Traded Derivatives (ETDs).

In its capacity as a clearing member, AACB acts as intermediary between clients and CCPs or other external parties and clears derivatives on behalf of and for the account of clients. AACB is not liable to clients for the non-performance of the CCP or other external parties. 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. Unlike a financial guarantee contract as defined in IAS 39 Financial Instruments, the guarantee provided by AACB does not relate to specific debt instruments. Therefore, we consider this guarantee to be in the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets since the possible outflow of resources stem from the clearing arrangement with the CCP or another external parties. AACB receives and collects collateral from clients, Given the stringent collateral requirements, possible future outflows of resources for new clearing transactions are considered close to zero.



From left to right:

David Chan, Peter Mok, Valerie Rossi, Pan Mak, Alex Lee, Thomas Chan, Billy Cheng, Leona Ng - Hong Kong Office

As of this moment derivative positions held by AACB for and on behalf of its clients are segregated from the bankruptcy estate of AACB. Derivative transactions that are done on behalf of and for the account of clients are not reflected 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 the scope of IAS 37 including disclosures.

Offsetting

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

Statement of cash flows

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, freely available balances with central banks and other banks, and net balances on current accounts with other banks with less than three months maturity from the date of acquisition.

The Statement of cash flows, based on the indirect method of calculating operating cash flows, gives details of the source of cash and cash equivalents which became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations and investment activities. Movements in loans and receivables are included in the cash flow from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as investments in, and sales of, subsidiaries and associates, property and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities. Cash flows arising from foreign currency transactions are translated into euros using the exchange rates at the date of the cash flows.

Comparison with previous reporting period

In the Income Statement intergroup rebilled costs are re-allocated to the different cost categories in the Income Statement. For comparison the 2015 numbers are adjusted in this Financial Statement in the same way.

Notes

Notes to the consolidated income statement for the year ended 31 December 2016

1. Net interest income and expenses

Accounting policy for net interest income and expenses

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

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

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

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

(x EUR 1.000)	2016	2015
Interest Income		
Of the Interest Income items the following amounts were related to:		
Interest income ABN AMRO Group companies	26.934	33.137
Interest income third party customers/banks	273.751	237.463
Total interest income	**300.685**	**270.600**

The interest income of 2016 includes an amount of EUR 419 thousand (2015; EUR 254 thousand) concerning financial investments that are at fair value through other comprehensive income. There is no interest income concerning financial investments that are at fair value through profit or loss.

Interest Expense		
Of the Interest Expense items the following amounts were related to:		
Interest expense ABN AMRO Group companies	75.613	63.649
Interest expense to associates	1.061	226
Interest expense third party customers/banks	81.560	76.451
Total interest expense	**158.234**	**140.326**
Net interest income	**142.451**	**130.274**

2. Net fee and commission income

Accounting policy for net fee and commission income

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

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

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

(x EUR 1.000)	2016	2015
The components of net fee and commission are:		
Net commissions payment services	-2.639	-3.359
Net commissions securities and derivatives	261.337	246.293
Net commissions other	2.432	504
Total net fee and commission income	**261.130**	**243.438**
Of the net commissions and fees item the following amounts were with:		
Net fee and commission ABN AMRO Group companies	3.531	3.921
Net fee and commission associates	339	2.434
Net fee and commission third party customers/banks	257.260	237.083
Total net fee and commission income	**261.130**	**243.438**

3. Net trading income

Accounting policy for net trading income

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

(x EUR 1.000)	2016	2015
Foreign exchange transaction results	**-143**	**814**

4. Share of result in equity accounted investments

(x EUR 1.000)	2016	2015
Total realised results on equity accounted investments	**549**	**960**

See note 19 on page 66 for more information.

5. Other income

Accounting policy for other income

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

Financial investments which are not quoted at market are assessed at each reporting date on 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)	2016	2015
Dividend	1.699	5.468
Realised gain on financial transactions	1.353	4
Impairment on financial asset	-7.650*	-
Other operating income**	2.591	3.091
Total other operating income	**-2.007**	**8.563**

* The impairment is based on the fact that the business activities is expected to be terminated and therefore the revocable value is reduced to zero.
** Other operating income consists of other services provided by AACB to its clients such as Direct Market Access facilities and Standard Bank Confirmations.

6. Personnel expenses

Accounting policy for personnel expenses

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

Defined contribution plans

For defined contribution plans, AACB pays the contribution determined by a fixed method. Contributions are recognised directly in the income statement in the year to which they relate.

(x EUR 1.000)	2016	2015
Personnel expenses are specified as follows:		
Salaries and wages	91.767	86.728
Social security charges	11.049	10.090
Pension expenses	11.651	11.062
Other	8.236	7.333
Total personnel expenses	**122.703**	**115.213***

* including reallocated rebilling costs for an amount of EUR 2.543 thousand. See also in the policy paragraph Comparison with previous reporting period on page 51.

On a monthly basis the personnel expenses (including pension costs), concerning the employees of the Netherlands, are accrued and checked with ABN AMRO. On a quarterly basis the payable amounts are settled. In 2016 this amount was EUR 48.866 thousand (2015: EUR 43.597 thousand).

The pension expenses are mainly related to the defined contribution plan of the subsidiaries. For the pension policies of the employees in the Netherlands, AACB refers to the Annual Report of ABN AMRO.

The remuneration of the Managing board members in 2016 was EUR 1.215 thousand for 4 FTE's (in 2015: EUR 1.435 thousand for 5 FTE's) and the pension expense was EUR 285 thousand (2015: EUR 317 thousand). The ABN AMRO remuneration policy is applicable to all staff of AACB. The remuneration of the Supervisory Board members in 2016 was nil (2015: nil).

	2016	2015
The average number of FTEs:		
Netherlands	337*	322*
United Kingdom	106	103
Germany	25*	23*
Belgium	1*	1*
France	4*	4*
Singapore	46	40
Japan	15	14
Australia	56	55
Hong Kong	22	22
United States	222	224
Brazil	7*	7*
Total	**841**	**815**

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

7. General and administrative expenses

Accounting policy general and administrative expenses

General and administrative expenses cost 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. The tax will be paid by ABN AMRO and is included in the tax calculation. AACB is charged by ABN AMRO.

(x EUR 1.000)	2016	2015
Other general and administrative expenses can be broken down as follows:		
Agency staff, contractors and consultancy costs	50.175	47.431
Financial statement audit fees	1.066	928
Audit related fees	55	62
Staff related costs	4.453	4.568
Information technology costs	28.308	24.903
Housing	8.453	8.624
Post, telephone and transport	856	895
Marketing and public relations costs	957	1.001
Recharges from ABN AMRO Group companies	53.067	51.890
Dutch banking tax	8.240	7.259
Other	5.713	7.122
Total general and administrative expenses	**161.343**	**154.683***

* including reallocated rebilling costs for an amount of EUR 3.391 thousand. From this amount EUR 2.543 thousand is allocated to personnel expenses. The remaining amount is allocated to rows as standing above. See also in the policy paragraph Comparison with previous reporting period on page 51.

8. Depreciation and amortisation of (in)tangible assets

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

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

(x EUR 1.000)	2016	2015
Leasehold improvements – depreciation	268	920
Equipment - depreciation	164	210
IT equipment - depreciation	5.475	5.611
Purchased software - Amortisation	3.297	3.688
Depreciation and amortisation expenses	**9.204**	**10.429**
IT equipment - depreciation rebilled by ABN AMRO Group	173	94
Purchased software - Amortisation rebilled by ABN AMRO Group	312	183
Total depreciation and amortisation expenses	**9.689**	**10.706***

* including reallocated rebilling costs. See also in the policy paragraph Comparison with previous reporting period on page 51.

9. Impairment charges on loans and other receivables

For details on the impairments we refer to the loans and receivables from banks and customers items in the balance sheet. Please see note 16 and 17 on page 63 and 64.

(x EUR 1.000)	2016	2015
Total impairment charges on loans and other receivables	**-1.717**	**14.790***

* Includes an impairment on a defaulting client.

10. Income tax expenses

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

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

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

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

(x EUR 1.000)	2016	2015
The details of the current and deferred income tax expense are presented below:		
Current tax	35.557	24.741
Deferred tax	6.737	-10
Total income tax expenses	**42.294**	**24.731***

* including reallocated rebilling costs. See also in the policy paragraph Comparison with previous reporting period on page 51.

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.

	2016	2015
Profit before taxation	109.962	88.657
Weighted applicable tax rate	31,55%	26,27%
Expected income tax expense	**34.692**	**23.294**
Change in taxes resulting from:		
Tax exemptions	2.184	2.530
Change in provision for impairments	1.912	-
Adjustments for tax of prior periods	3.040	-1.417
Other	466	324
Actual income tax expenses	**42.294**	**24.731**
Effective tax rate	38,46%	27,90%

The income tax expenses are negatively influenced by a deferred tax liability.

See also note 30 on page 74.

Country by Country reporting 2016

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

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

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

Notes to the consolidated statement of financial position as at 31 December 2016

(x EUR 1.000)

Assets

11. Cash and balances at Central banks

Accounting policy for Cash and balances at Central banks

Cash and balances at Central banks comprise cash on hand, freely available balances with central banks and other non-derivative financial instruments with less than three months maturity from the date of acquisition.

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

(x EUR 1.000)	31 December 2016	31 December 2015
Total cash and balances at Central banks	**41.741**	**57.837**

12. Financial assets held for trading

Accounting policy for Financial assets held for trading

In accordance with IAS39, all assets and liabilities held for trading are held at fair value with gains and loses in the changes of the fair value taken to Net trading income in the income statement.

(x EUR 1.000)	31 December 2016	31 December 2015
The trading assets consist of the following financial instruments:		
Over the counter (OTC)	-*	28.233
Contract for differences (CFD's)	31.745	17.408
Total financial assets held for trading	**31.745**	**45.641**

* See chapter Accounting policies, paragraph Client clearing derivatives.

This account also include the shares used for hedging the Contract for Differences amount to EUR 30 million as per 31 December 2016 (2015: EUR 10 million).

13. Financial investments

Accounting policy for Financial investments

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

Interest-bearing securities and equities classified as available-for-sale investments are assessed at each reporting date to determine whether they are impaired.

For equities this review considers factors such as the credit standing and prospects of the issuer, any deduction in fair value below cost, its direction and whether the reduction is significant or prolonged. In general, triggers used for a significant or prolonged decline in the fair value below cost are 20% and 9 months respectively.

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

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

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

See also Note 14 Accounting policy Fair Value of Financial instruments for more information about measurements on Financial investments.

(x EUR 1.000)	31 December 2016	31 December 2015
Movements in the financial investments were as follows:		
Opening balance as at 1 January	81.207	47.457
Additions	440.026*	37.853
Impairments	-7.650	-
Gross revaluation to equity	612	-6.195
Exchange rate differences	20.301	2.092
Closing balance as at December 31	**534.496**	**81.207**

* Due to a change during 2016 in US law it is allowed to participate in specified customer funds with excess liquidity of segregated customer money. In previous years this excess liquidity was used for reverse purchase agreements.

(x EUR 1.000)	31 December 2016	31 December 2015
Interest-earning securities:		
US Treasury and US government	354.740	-
European Union	58.868	48.567
Non-financial institutions	94.724	-
Subtotal	508.332	48.567
Equity instruments	26.164	32.640
Closing balance as at December 31	**534.496**	**81.207**

14. Fair value of financial instruments

The classification of financial instruments is determined in accordance with the accounting policies set out in note 12 Financial assets held for trading, note 13 Financial investments and note 24 Financial liabilities held for trading.

Accounting policy for Fair value of financial instruments

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

Level 1: the quoted market price for financial instruments that are actively traded.
Level 2: 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 with 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.

ABN AMRO 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 described above. The level 3 instruments have been valued using a valuation technique where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

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

(x EUR 1.000)

At 31 December 2016	Quoted prices in active market	Valuation technique observable market data	Valuation technique unobservable market data	Total
Financial assets held for trading	28.952	2.793	-	31.745
Financial investments	519.298	-	15.198	534.496
Total financial assets	**548.250**	**2.793**	**15.198**	**566.241**
Financial liabilities held for trading	28.985	2.754	-	31.739
Total financial liabilities	**28.985**	**2.754**	**-**	**31.739**

(x EUR 1.000)

At 31 December 2015	Quoted prices in active market	Valuation technique observable market data	Valuation technique unobservable market data	Total
Financial assets held for trading	10.220	35.421	-	45.641
Financial investments	48.566	-	32.641	81.207
Total financial assets	**58.786**	**35.421**	**32.641**	**126.848**
Financial liabilities held for trading	23.400	28.233	-	51.633
Total financial liabilities	**23.400**	**28.233**	**-**	**51.633**

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

The fair values of all other financial assets and liabilities to approximate their carrying value in the balance sheet due to their short term nature. These are classified as level 2 in the fair value hierarchy.

Unobservable market date

(x EUR 1.000)	Financial investments
Balance at 1 January 2015	**31.900**
Purchases	5.104
Sales	-295
Gains/(losses) recorded in profit and loss	1.753
Unrealised gains/(losses)	-6.195
Other movements	374
Balance at 31 December 2015	**32.641**
Purchases	1.429
Sales	-
Gains/(losses) recorded in profit and loss	-9.833
Unrealised gains/(losses)	870
Transfer between levels*	-9.909
Balance at 31 December 2016	**15.198**

* In 2016 AACB transferred certain investments from level 3 to level 1 because unadjusted quoted prices became available.

15. Securities financing

Accounting policy for Securities financing

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

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

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

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

(x EUR 1.000)	31 December 2016	31 December 2015
Reverse repurchase agreements and securities lending	4.905.404*	7.194.728
Transactions related to securities	686.766	981.540
Total securities financing	**5.592.170**	**8.176.268**

* In 2016 less securities were borrowed from ABN AMRO Group companies and see also the remark at note 13 on page 60.

(x EUR 1.000)	31 December 2016	31 December 2015
Of the Securities financing the following counterparties were involved:		
ABN AMRO Group companies	983.709	3.650.000*
Banks	2.172.399	2.389.255
Customers	2.436.062	2.137.013
Total securities financing	**5.592.170**	**8.176.268**

* Concerns an amount with ABN AMRO's Securities Financing. During 2016 Securities Financing has handed over the borrowing and lending activity to AACB.

16. Loans and receivables - banks

The accounting policy for loans and receivables

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

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

Impairment losses on loans and receivables

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

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

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

As of 31 December 2016 no amount has a maturity of more than 3 months (2015: 0).

(x EUR 1.000)	31 December 2016	31 December 2015
Loans and receivables - banks consist of the following:		
Demand receivables	1.394.974	1.975.829
Interest bearing deposits	4.089	15.614
Mandatory reserve deposits with central banks	781	841
Net loans and receivable - banks	**1.399.844**	**1.992.284**

None of the amounts in the loans and receivables - banks.

(x EUR 1.000)	31 December 2016	31 December 2015
Of the loans and receivables - banks item the following amounts were due from:		
ABN AMRO Group companies	801.223	668.227
Third parties	598.621	1.324.057
Total loans and receivables - banks	**1.399.844**	**1.992.284**

17. Loans and receivables - customers

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

As of 31 December 2016 no amount has a maturity of more than 3 months (2015: 0).

(x EUR 1.000)	31 December 2016	31 December 2015
The composition of loans and receivables - customers at 31 December is as follows:		
Commercial loans	8.466.805	7.887.685
Receivables from Central Counter Parties	4.958.737	3.529.306
Total loans and receivables - customers	**13.425.542**	**11.416.991**
Less: loan impairment	-26.682	-27.627
Net loans and receivables -customers	**13.398.860**	**11.389.364**

All commercial loans are fully collateralised (cash or securities).

(x EUR 1.000)	31 December 2016	31 December 2015
Of the loans and receivables - customers item the following amounts were due from:		
ABN AMRO Group companies	35	5.341
Third parties	13.398.825	11.384.023
Total loans and receivables - customers	**13.398.860**	**11.389.364**

18. Group structure

Accounting policy for business combinations

All items of consideration, including contingent consideration, transferred by AACB are measured and recognised at fair value as of 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 the equity.

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

(x EUR 1.000)		31 December 2016		31 December 2015
	acquisitions	divestments	acquisitions	divestments
Cash and cash equivalents	-	33.103	-	-
Loans and receivables - banks	-	1.011	-	-
Intangible assets	-	55	-	-
Tax assets	-	20	-	-
Other assets	-	360	-	-
Due to banks	-	-10.974	-	-
Due to customers	-	-21.160	-	-
Other liabilities	-	-411	-	-
Total net assets acquired / net assets divested	**-**	**2.004**	**-**	**-**
Cash used for acquisition / received from divestments:				
Proceeds from sale	-	3.365	-	-
Cash and cash equivalents acquired / divested	-	-	-	-
Total cash used for acquisitions / received for divestments	**-**	**3.365**	**-**	**-**

Divestment 2016: Decrease of AACB's ownership of EuroCCP from 25% to 20%.
There were no acquisitions or divestments in 2015.

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

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

Investments in associates 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

The restrictions on assets for AACB's subsidiaries and associates are related to regulatory requirements on capital. There are no other restrictions.

19. Equity accounted investments

Accounting policy for equity accounted investments

Equity accounted investments comprise associates. 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. Investments in associates are accounted by using the equity method.

(x EUR 1.000)	31 December 2016	31 December 2015
Equity accounted investments consist of the following:		
EuroCCP	8.035	9.595
ICE Clear Netherlands	13.008	13.138
Total equity accounted investments	**21.043**	**22.733**

EUROCCP

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

In January 2014, EMCF changed its name into EuroCCP.

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

The shares of EuroCCP are not quoted on any market. There are five shareholders each holding 20% of the shares. The company's Supervisory Board consists of 6 supervisory board members (a representative from four shareholder and two independent members).

ICE Clear Netherlands

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

At the start of the year 2014 AACB owned 100% of the shares of ICE NL. On December 3rd, 2014 AACB sold 75% of the shares to Intercontinental Exchange (ICE). After this transaction AACB no longer has control over ICE NL. However, based on the percentage of owned shares AACB does have significant influence. The remaining shares (25% of the total issued shares of ICE NL) are initially valued at fair value represented by the guaranteed sale price of the remaining 25% shares.

The shares of ICE NL are not quoted on any market. There are two shareholders; AACB 25% and ICE 75%. ICE NL has a two tier board (no representative from AACB).

The combined financial information of the associates include the following assets, liabilities, income and expenses:

(x EUR 1.000)	31 December 2016	31 December 2015
Cash and cash equivalents	602.890	679.230
Loans and receivables	15.520	55.340
Property and equipment	691	644
Intangible assets	1.064	1.346
Other assets	4.463	5.442
Total assets	**624.628**	**742.002**
Due to banks	232.272	328.686
Due to customers	330.337	349.317
Accrued interest, expenses and other liabilities	9.813	13.066
Total liabilities	**572.422**	**691.069**
Total Equity	52.206	50.933
Net revenue	26.850	25.860
Expenses	23.024	20.999
Other comprehensive income / expenses	49	108
Tax expenses	1.255	1.148
Total comprehensive income	**2.620**	**3.821**

20. Property and equipment

Accounting policy for Property and equipment

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

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

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

(x EUR 1.000)	31 December 2016	31 December 2015
Total property and equipment	**10.373**	**8.762**

The table below shows the categories of property and equipment at 31 December 2016 against net book value.

(x EUR 1.000) 2016

	Leasehold improvements	IT equipment	Other property and equipment	Total
Acquisition costs as at 1 January 2016	**6.009**	**51.676**	**2.455**	**60.140**
Divestment of AACB Frankfurt Branch	-	-1.885	-218	-2.103
Additions	-	8.123	28	8.151
Disposal	-	-876	-	-876
Foreign exchange differences	194	-1.904	64	-1.646
Acquisition costs as at 31 December 2016	**6.203**	**55.134**	**2.329**	**63.666**
Accumulated depreciation 1 January 2016	**-5.611**	**-44.009**	**-1.758**	**-51.378**
Divestment of AACB Frankfurt Branch	-	1.769	157	1.926
Depreciation expense	-268	-5.475	-164	-5.907
Disposal	-	611	-	611
Foreign exchange differences	-194	1.699	-50	1.455
Accumulated depreciation as at 31 December 2016	**-6.073**	**-45.405**	**-1.815**	**-53.293**
Property, plant and equipment as at 31 December 2016	**130**	**9.729**	**514**	**10.373**

(x EUR 1.000) 2015

	Leasehold improvements	IT equipment	Other property and equipment	Total
Acquisition costs as at 1 January 2015	**5.684**	**44.419**	**2.729**	**52.832**
Additions	321	4.249	73	4.643
Disposal	-485	-443	-56	-984
Foreign exchange differences	489	2.958	145	3.592
Other	-	493	-436	57
Acquisition costs as at 31 December 2015	**6.009**	**51.676**	**2.455**	**60.140**
Accumulated depreciation 1 January 2015	**-4.771**	**-36.504**	**-1.457**	**-42.732**
Depreciation expense	-920	-5.611	-210	-6.741
Disposal	485	439	41	965
Foreign exchange differences	-405	-2.333	-75	-2.813
Other	-	-	-57	-57
Accumulated depreciation as at 31 December 2015	**-5.611**	**-44.009**	**-1.758**	**-51.378**
Property, plant and equipment as at 31 December 2015	**398**	**7.667**	**697**	**8.762**

21. Intangible assets

Accounting policy for intangible assets

The Intangible assets item 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. Amortisation rate and residual values are reviewed at least annually to take into account any changes in circumstances. Costs associated with maintaining computer software programs are recognised as expenses when incurred.

(x EUR 1.000)	31 December 2016	31 December 2015
Acquisition costs as at 1 January:	**22.156**	**19.287**
Divestment of subsidiary AACB Frankfurt Branch	-1.172	-
Additions	684	1.279
Disposal	-7	-33
Foreign exchange differences	-173	1.623
Acquisition costs as at 31 December	**21.488**	**22.156**
Accumulated amortisation 1 January:	**-14.981**	**-10.538**
Purchase subsidiary	-	-
Divestment of subsidiary AACB Frankfurt Branch	1.145	-
Amortisation expense	-3.297	-3.688
Disposal	7	33
Foreign exchange differences	161	-788
Accumulated amortisation as at 31 December	**-16.965**	**-14.981**
Total intangible assets as at 31 December	**4.523**	**7.175**

No impairments have been recorded to Intangible assets.

22. Tax assets

Accounting policy for tax assets

AACB applies IAS 12 Income Taxes in accounting for taxes on income. Deferred tax is recognised for qualifying temporary differences. Temporary differences represent the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used 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 when the deferred taxes relate to taxes levied by the same taxation authority.

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

(x EUR 1.000)	31 December 2016	31 December 2015
Total current tax assets	**407**	**632**

The deferred tax assets can be categorised into:		
Net investment hedge	10.609	10.648
Other assets	944	-
Investments available for sale	410	779
Accrued expenses and deferred income	1.250	1.108
Total deferred tax assets	**13.213**	**12.535**

Of the deferred tax assets as per 2016 an amount of EUR 2.194 thousand is through income statement and an amount of EUR 11.019 thousand is through equity.

Total tax assets	**13.620**	**13.167**

(x EUR 1.000)

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

23. Other assets

(x EUR 1.000)	31 December 2016	31 December 2015
The table below shows the components of Other assets at 31 December:		
Accrued other income	2.960	1.688
Related to securities transactions	6.607	26.785
Prepayments	6.190	4.948
VAT and other tax receivable	1.089	1.371
Other	1.120	1.761
Total other assets	**17.966**	**35.553**

Introduction Governance Business section Risk management Annual Financial Statements Other information

(x EUR 1.000)

Liabilities

24. Financial liabilities held for trading

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

(x EUR 1.000)	31 December 2016	31 December 2015
The financial liabilities held for trading consist of the following:		
Over the counter (OTC)	-*	28.233
Contract for differences (CFD's)	31.739	23.400
Total financial liabilities held for trading	**31.739**	**51.633**

* See chapter Accounting policies, paragraph Client clearing derivatives.

This item also include the shares used for hedging the CFD's for an amount of EUR 30 million as per 31 December 2016 (2015: EUR 16 million).

25. Securities financing

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

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

(x EUR 1.000)	31 December 2016	31 December 2015
Repurchase agreements and securities borrowing	597.653	657.179
Transactions related to securities	479.609	383.807
Total securities financing	**1.077.262**	**1.040.986**

26. Due to banks

Accounting policy for due to banks and due to customers

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

(x EUR 1.000)	31 December 2016	31 December 2015
The table below shows the components of due to banks:		
Demand deposits	1.382.175	1.824.031
Time deposits	8.733.220	8.839.515
Other deposits	-	106.939
Total due to banks	**10.115.395**	**10.770.485**

Of the due to banks item the following amounts were with:		
Demand deposits due to banks ABN AMRO Group	393.813	832.198
Time deposits due to banks ABN AMRO Group	8.733.220	8.834.444
Total ABN AMRO Group companies	**9.127.033**	**9.666.642**
Demand deposits due to third party banks	988.362	991.833
Time deposits due to third party banks	-	5.071
Other deposits	-	106.939
Total third party banks	**988.362**	**1.103.843**
Total due to banks	**10.115.395**	**10.770.485**

In 2016 an amount of EUR 2.468 thousand has a maturity of more than 3 months but less than one year (2015: EUR 2.510 thousand).

27. Due to customers

The accounting policy for due to customers is included in note 26

This item consists of amounts due to non-banking customers.

(x EUR 1.000)	31 December 2016	31 December 2015
The table below shows the components of due to customers:		
Demand deposits	7.275.310	6.784.717
Time deposits	1.303.024	2.018.400
Total due to customers	**8.578.334**	**8.803.117**
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	90.965	32.357
Time deposits due to customers ABN AMRO Group	-	-
Total ABN AMRO Group companies	**90.965**	**32.357**
Demand deposits due to customers third party	7.184.345	6.752.360
Time deposits due to customers third party	1.303.024	2.018.400
Total third party customers	**8.487.369**	**8.770.760**
Closing balance as at 31 December	**8.578.334**	**8.803.117**

In 2016 no amount has a maturity of more than 3 months but less than one year (2015: 0).

28. Issued debt

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

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

This debt is issued on August 12th, 2014 for regulatory reasons and has a duration of three years.

(x EUR 1.000)	31 December 2016	31 December 2015
The issued debt consists of the following:		
Bonds and notes issued	325	325
Total issued debt	**325**	**325**

29. 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.

(x EUR 1.000)	31 December 2016	31 December 2015
Defined benefit obligations	-	3.662
Other	2.283	871
Total provisions	**2.283**	**4.533**

On the basis of information currently available, AACB determines with reasonable certainty that the expected cash outflow of the provisions for the year 2016 is approximately EUR 1,8 million and approximately EUR 0,4 million for the years 2017 - 2020.

The defined benefit obligation refers to the retired employees of a liquidated German ABN AMRO company. Due to the liquidation of ABN AMRO Clearing Bank Frankfurt branch, the defined benefit obligation is handed over to another ABN AMRO group company as per January 1, 2016.

All other employees have a defined contribution plan.

The following table reflects the changes in the defined benefit obligation:

(x EUR 1.000)	31 December 2016	31 December 2015
Defined benefit obligation as at 1 January	**3.662**	**3.870**
Total defined benefit expense	-	70
Remeasurement effects recognised	-	-99
Benefits paid	-	-179
Divestment of AACB Frankfurt Branch	-3.662	-
Defined benefit obligation as at 31 December	**-**	**3.662**

(x EUR 1.000)	31 December 2016	31 December 2015
Opening balance as at 1 January	**871**	**1.786**
Additions for the period	1.864	-
Release for the period	-452	-915
Closing balance as at 31 December	**2.283**	**871**

30. Tax liabilities

The accounting policy for tax liabilities is included in note 22 on page 69.

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 stated 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 2016	31 December 2015
Total current tax liabilities	**6.135**	**13.711**
The deferred tax liabilities can be categorised into:		
Loans and receivables customers	6.820*	-
Investment available for sale	3.376	2.453
Total deferred tax liabilities	**10.196**	**2.453**
* See also note 10 on page 57.		
Total tax liabilities	**16.331**	**16.164**

(x EUR 1.000)

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

31. Other liabilities

(x EUR 1.000)	31 December 2016	31 December 2015
The table below shows the components of Other liabilities at 31 December:		
Related to securities transactions	101.381	110.213
Accounts payable	8.942	7.493
VAT and other tax payable	2.817	3.513
Rebilling cost by ABN AMRO Group	44.779	41.042
Other	45.962	37.162
Total other liabilities	**203.881**	**199.423**

32. 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.

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

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

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

The issued and paid-up share capital of AACB did not change in the year 2016. Authorised share capital amounts to EUR 50.000.000 distributed over 50.000 shares each having a nominal value of EUR 1.000. Of this authorised share capital, 15.000 shares were issued and paid up against a nominal value of EUR 1.000. At year-end 2016, all shares were held by ABN AMRO.

(x EUR 1.000)	31 December 2016	31 December 2015
Share capital	15.000	15.000
Share premium	5.363	250
Other reserves (incl. retained earnings/profit for the period)	918.128	850.461
Other components of equity	102.340	78.614
Shareholder's equity	**1.040.831**	**944.325**

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 2016	31 December 2015
Gross AFS reserve	9.390	10.050
Related tax	-1.786	-1.769
AFS reserve	7.604	8.281
Gross Remeasurement on net DBO on post employment plans	-17	-371
Related tax	-	94
Remeasurement on net DBO on post employment plans	-17	-277
Currency translation reserve	142.826	118.683
Gross revaluation reserve	-64.229	-64.229
Related tax	16.156	16.156
Revaluation reserve	-48.073	-48.073
Total other components of equity	**102.340**	**78.614**

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 the 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 11.1 million is related to the deferred tax asset of the NIH (see note 22). The remaining amount of EUR 5.0 million is related to the changes in the NIH up to and including 2009. Until that year the tax amount of the NIH was already settled with the tax authorities.

(x EUR 1.000)	31 December 2016	31 December 2015
Unrealised gains as at 1 January	78.614	29.042
Unrealised gains during the year	-306	-5.079
Unrealised currency translation differences	24.143	53.413
Related tax	-111	1.238
Other components of equity as at 31 December	**102.340**	**78.614**

33. 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.

Guarantees
AACB provides guarantees and letter 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.

(x EUR 1.000)	31 December 2016	31 December 2015
The guarantees and other commitments consist of the following:		
Securities borrowing	10.454.899	11.585.283
Guarantees	4.690	3.635
Total guarantees and other commitments	**10.459.589**	**11.588.918**
The guarantees have been given to third parties and are divided as follows:		
Guarantees given to exchanges	4.690	3.635
Total guarantees	**4.690**	**3.635**

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

Total guarantees and other commitments	**10.459.589**	**11.588.918**
Secured by collateral	10.454.899	11.585.283
Net guarantees and other commitments	**4.690**	**3.635**

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

(x EUR 1.000)

31 December 2016 (x EUR 1.000)	less than one year	Between one and three years	Between three and five years	After five years	Total
Guarantees given to exchanges	641	400	-	4.690	5.731
Total guarantees	**641**	**400**	**-**	**4.690**	**5.731**

(x EUR 1.000)

31 December 2015 (x EUR 1.000)	less than one year	Between one and three years	Between three and five years	After five years	Total
Guarantees given to exchanges	-	-	-	3.635	3.635
Total guarantees	**-**	**-**	**-**	**3.635**	**3.635**

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

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

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

(x EUR 1.000)	31 December 2016	31 December 2015
Where AACB is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:		
Not more than one year	1.829	1.349
Longer than one year but not longer than five years	5.794	394
Longer than five years.	12.908	-
Total operating lease agreements	**20.531**	**1.743**

Other

The German authorities are currently conducting a large scale investigation into withholding tax aspects of certain transactions in German shares in the years before 2012. If clients of AACB were involved in these transactions, by operation of German law, AACB as the depositary bank might in specific circumstances be held secondary liable in respect of tax (re)payable.

34. 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 towards to secure trading transactions;
- Cash pledged to secure lending in reverse repurchase transactions and securities borrowing transactions;
- Cash and securities pledged to secure CFD or OTC transactions.

AACB has a clearing member contract with various CCP's. Such contracts contain the rules and regulations in relation to cash provided as collateral. These rules and regulations for a clearing member can be found on the relevant CCP's websites.

(x EUR 1.000)	31 December 2016	31 December 2015
Assets pledged:		
Securities financing assets	4.905.404	7.194.748
Financial assets held for trading	32.744	45.641
Financial investments	-	48.566
Loans and receivables - banks	781	841
Loans and receivables - customers	4.959.765	3.529.307
Total assets pledged as security	**9.898.694**	**10.819.103**

Off balance sheet collateral 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.

35. Related Parties

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

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

Employment contract employees Amsterdam
Every employee of AACB in the Netherlands has an employment contract with ABN AMRO. The total salary costs including pensions and social security charges in 2016 was EUR 48.866 thousand (2015: EUR 43.597 thousand). The salary costs are paid by ABN AMRO and rebilled to AACB.

36. 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, net credit 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 calculation, 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, 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 and 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 2016	31 December 2015
Cash and balances at central banks	41.741	57.837
Loans and receivables banks (less than 3 months)*	1.394.974	1.975.829
Total cash and cash equivalents	**1.436.715**	**2.033.666**

* Loans and receivables banks with a maturity of less than 3 months is included in Loans and receivables - banks, see note 16 on page 63.

37. Post-balance sheet date events

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

Legal procedures

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

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

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

Company financial statements for the year 2016

Company income statement for the year ended 31 December 2016

(x EUR 1.000)	Note	2016	2015
Income			
Interest income		238.805	218.050
Interest expenses		151.212	127.562
Net interest income	1	**87.593**	**90.488**
Fee and commission income		199.664	166.209
Fee and commission expenses		78.354	50.469
Net fee and commission income	2	**121.310**	**115.740**
Net trading income	3	-153	787
Share of result in equity accounted investments	4	80.691	69.474
Other income	5	1.861	6.534
Operating income		**291.302**	**283.023**
Expenses			
Personnel expenses	6	72.455	68.685
General and administrative expenses	7	115.976	113.767
Depreciation and amortisation of (in)tangible assets	8	3.720	4.241
Operating expenses		**192.151**	**186.693**
Impairment charges on loans and other receivables	9	-1.717	15.257
Total expenses		**190.434**	**201.950**
Operating profit / (loss) before taxation		**100.868**	**81.073**
Income tax expense	10	33.200	17.147
Profit (loss) for the year		**67.668**	**63.926**
Attributable to:			
Owner of the company		67.668	63.926

Company statement of financial position as at 31 December 2016

(x EUR 1.000)	Note	31 December 2016	31 December 2015
Assets			
Cash and balances at Central banks	11	41.741	57.837
Financial assets held for trading	12	31.745	45.641
Financial investments	13	70.171	67.138
Securities financing	14	3.434.950	4.628.523
Loans and receivables - banks	15	920.809	1.083.865
Loans and receivables - customers	16	11.640.008	11.242.060
Participating interest in group companies	17	772.706	750.002
Property and equipment	18	5.066	2.867
Intangible assets	19	561	1.022
Tax assets	20	11.622	11.375
Other assets	21	11.424	32.718
Total assets		**16.940.803**	**17.923.048**
Liabilities			
Financial liabilities held for trading	22	31.739	51.633
Securities financing	23	159.117	322.608
Due to banks	24	10.062.773	10.369.065
Due to customers	25	5.533.658	6.120.766
Issued debt	26	325	325
Provisions	27	2.283	4.533
Tax liabilities	28	13.923	10.768
Other liabilities	29	96.154	99.025
Total liabilities		**15.899.972**	**16.978.723**
		31 December 2016	**31 December 2015**
Equity			
Share capital		15.000	15.000
Share premium		5.363	250
Other reserves (incl. retained earnings/profit for the period)		918.128	850.461
Other comprehensive income		102.340	78.614
Total equity	30	**1.040.831**	**944.325**
Total liabilities and equity		**16.940.803**	**17.923.048**
Guarantees and other commitments	31	**9.032.822**	**10.067.006**

Company statement of changes in equity

(x EUR 1.000)

	Share capital	Share Premium	Retained earnings	Remeasurement on net DBO on post-employment plans	Currency translation reserve	Financial investments reserve	Net investment hedge reserve	Equity Associates reserve	Unappropriated result of the year	Total
Balance as at 31 December 2014	**15.000**	**250**	**712.257**	**-269**	**65.271**	**12.219**	**-48.073**	**-107**	**74.279**	**830.827**
Total comprehensive income				68	53.412	-5.117		1.269	63.926	113.498
Transfer			74.279						-74.279	-
Balance as at 31 December 2015	**15.000**	**250**	**786.536**	**-201**	**118.683**	**7.042**	**-48.073**	**1.162**	**63.926**	**944.325**
Total comprehensive income				201	24.143	-532		-86	67.668	91.394
Transfer			63.925						-63.926	-1
Increase capital		5.113								5.113
Balance as at 31 December 2016	**15.000**	**250**	**850.461**	**0**	**142.826**	**6.510**	**-48.073**	**1.076**	**67.668**	**1.040.831**

Accounting principles for the company statement

General

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.

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

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

Notes to the company income statement for the year ended 31 December 2016

1. Net interest income and expenses

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

(x EUR 1.000)	2016	2015
Interest Income		
Of the Interest Income items the following amounts were related to:		
Interest income ABN AMRO Group companies	61.546	59.438
Interest income third party customers/banks	177.259	158.612
Total interest income	**238.805**	**218.050**
Interest Expense		
Of the Interest Expense items the following amounts were related to:		
Interest expense ABN AMRO Group companies	101.738	84.903
Interest expense to associates	1.061	226
Interest expense third party customers/banks	48.413	42.433
Total interest expense	**151.212**	**127.562**
Net interest income	**87.593**	**90.488**

2. Net fee and commission income

(x EUR 1.000)	2016	2015
The components of net fee and commission are:		
Net commissions payment services	-2.564	-3.282
Net commissions securities and derivatives	122.441	116.896
Net commissions other	1.433	2.126
Total net fee and commission income	**121.310**	**115.740**
Of the net commissions and fees item the following amounts were with:		
Net fee and commission ABN AMRO Group companies	-2.590	3.975
Net fee and commission associates	339	2.434
Net fee and commission third party customers/banks	123.561	109.331
Total net fee and commission income	**121.310**	**115.740**

3. Net trading income

(x EUR 1.000)	2016	2015
Total other (un)realised gains and losses	**-153**	**787**

The amount contains of foreign exchange transaction results

4. Share of result in equity accounted investments

(x EUR 1.000)	2016	2015
Total realised results on equity accounted investments	**80.691**	**69.474**

See note 17 on page 91 for more information.

5. Other income

(x EUR 1.000)	2016	2015
Dividend	1.694	5.442
Other operating income*	167	1.092
Total other operating income	**1.861**	**6.534**

* Other operating income consists of other services provide by AACB to its clients such as Direct Market Access facilities and Standard Bank Confirmations.

6. Personnel expenses

(x EUR 1.000)	2016	2015
Personnel expenses are specified as follows:		
Salaries and wages	51.078	49.411
Social security charges	6.596	5.911
Pension expenses	9.548	9.109
Other	5.233	4.254
Total personnel expenses	**72.455**	**68.685**

7. General and administrative expenses

(x EUR 1.000)	2016	2015
Other general and administrative expenses can be broken down as follows:		
Agency staff, contractors and consultancy costs	38.903	37.193
Staff related costs	3.131	3.343
Information technology costs	13.719	14.387
Housing	1.615	2.291
Post, telephone and transport	233	325
Marketing and public relations costs	744	805
Recharges from ABN AMRO Group companies	46.145	44.538
Dutch banking tax	8.240	7.259
Other	3.246	3.626
Total general and administrative expenses	**115.976**	**113.767**

8. Depreciation and amortisation of (in)tangible assets

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

(x EUR 1.000)	2016	2015
Leasehold improvements – depreciation	49	171
Equipment - depreciation	23	60
IT equipment - depreciation	2.465	2.343
Purchased software - Amortisation	698	1.390
Depreciation and amortisation expenses	**3.235**	**3.964**
IT equipment - depreciation rebilled by ABN AMRO Group	173	94
Purchased software - Amortisation rebilled by ABN AMRO Group	312	183
Total depreciation and amortisation expenses	**3.720**	**4.241**

9. Impairment charges/releases on loans and other receivables

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

(x EUR 1.000)	2016	2015
Total impairment charges/releases on loans and other receivables	**-1.717**	**15.257**

10. Income tax expenses

(x EUR 1.000)	2016	2015
The details of the current and deferred income tax expense are presented below:		
Current tax	27.513	17.136
Deferred tax	5.687	11
Total income tax expenses	**33.200**	**17.147**

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	100.868	81.073
Weighted applicable tax rate	31,84%	26,26%
Expected income tax expense	**32.119**	**21.289**
Change in taxes resulting from:		
Tax exemptions	-1.580	-4.826
Adjustments for current tax of prior period	2.668	543
Other	-7	141
Actual income tax expenses	**33.200**	**17.147**
Effective tax rate	32,91%	21,15%

Notes to the company statement of financial position as per 31 December 2016

ASSETS

11. Cash and balances at Central banks

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

(x EUR 1.000)	31 December 2016	31 December 2015
Total cash and balances at Central banks	**41.741**	**57.837**

12. Financial assets held for trading

(x EUR 1.000)	31 December 2016	31 December 2015
The trading assets consist of the following financial instruments:		
Over the counter (OTC)	-*	28.233
Contract for differences (CFD's)	31.745	17.408
Total financial assets held for trading	**31.745**	**45.641**

* See chapter Accounting policies, paragraph Client clearing derivatives.

The shares used for hedging the Contract for Differences amount to EUR 30 million as per 31 December 2016 (2015: EUR 10 million).

13. Financial investments

(x EUR 1.000)	31 December 2016	31 December 2015
Movements in the financial investments were as follows:		
Opening balance as at 1 January	**67.138**	**40.539**
Sales to third parties	-	-294
Transferred to another group company	-6.886	-
Additions	9.866*	30.241*
Gross revaluation to equity	830	-4.680
Exchange rate differences	-777	1.332
Closing balance as at December 31	**70.171**	**67.138**

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

14. Securities financing

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

(x EUR 1.000)	31 December 2016	31 December 2015
Reverse Purchase agreements and securities borrowing	3.025.070	4.131.172
Transactions related to securities	409.880	497.351
Total securities financing	**3.434.950**	**4.628.523**

(x EUR 1.000)	31 December 2016	31 December 2015
Of the Securities financing the following counterparties were involved:		
ABN AMRO Group companies	757.631	3.704.448
Banks	2.114.383	442.929
Customers	562.936	481.146
Total securities financing	**3.434.950**	**4.628.523**

15. Loans and receivables - banks

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

As of 31 December 2016 no amount has a maturity of more than 3 months (2015: 0).

(x EUR 1.000)	31 December 2016	31 December 2015
Loans and receivables - banks consisted of the following:		
Demand receivables	920.028	1.083.024
Mandatory reserve deposits with central banks	781	841
Net loans and receivable - banks	**920.809**	**1.083.865**

None of the amounts in the loans and receivables -banks items were subordinated in 2016 or 2015.

(x EUR 1.000)	31 December 2016	31 December 2015
Of the loans and receivables - banks item the following amounts were due from:		
ABN AMRO Group companies	801.223	668.199
Third parties	119.586	415.666
Total loans and receivables - banks	**920.809**	**1.083.865**

16. Loans and receivables - customers

As of 31 December 2016 no amount has a maturity of more than 3 months (2015: 0).

(x EUR 1.000)	31 December 2016	31 December 2015
The composition of loans and receivables - customers at 31 December is as follows:		
Commercial loans	9.492.993	9.357.152
Loans to government and official institutions	1.027	-
Receivables from Central Counter Parties	2.145.988	1.901.922
Total loans and receivables - customers	**11.640.008**	**11.259.074**
Less: loan impairment	-	-17.014
Net loans and receivables - customers	**11.640.008**	**11.242.060**

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

(x EUR 1.000)	31 December 2016	31 December 2015
Of the loans and receivables - customers item the following amounts were due from:		
ABN AMRO Group companies	3.714.192	2.754.958
Third parties	7.925.816	8.487.102
Total due from customers	**11.640.008**	**11.242.060**

17. Participating interest in group companies

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

(x EUR 1.000)	31 December 2016	31 December 2015
Balance as at 1 January	**750.002**	**599.829**
Increase of capital	-	69.742
Dividend paid out	-88.724	-73.522
Exchange differences	24.042	61.063
Transferred to another group company at arms length	6.695	23.853
Result for the year	80.691	69.037
Balance as at 31 December	**772.706**	**750.002**

The owned subsidiaries are:

ABN AMRO Clearing Singapore Pte, with registered office in Singapore;

ABN AMRO Clearing Tokyo Co Ltd, with registered office in Tokyo, Japan;

ABN AMRO Clearing Hong Kong Ltd, With registered office in Hong Kong;

ABN AMRO Clearing Sydney Pty Ltd, with registered office in Sydney, Australia;

ABN AMRO Clearing Chicago LLC, with registered office in Chicago, United States;

ABN AMRO Clearing Investments BV, with registered office in Amsterdam, The Netherlands.

(x EUR 1.000)

	Entitlements	Currency	Shareholders' equity 2016	Net result 2016	Shareholders' equity 2016
			(x 1.000)	(x 1.000)	(x EUR 1.000)
ABN AMRO Clearing Chicago LLC	100%	USD	512.262	66.023	485.234
ABN AMRO Clearing Sydney Pte.Ltd	100%	AUD	63.236	7.546	43.367
ABN AMRO Clearing Hong Kong Ltd	100%	HKD	1.162.749	124.296	142.037
ABN AMRO Clearing Tokyo Ltd	100%	JPY	9.104.289	838.179	73.869
ABN AMRO Clearing Singapore Pte	100%	SGD	4.338	37	2.843
ABN AMRO Clearing Investments BV	100%	EUR	25.356	-5.501	25.356
					772.706

18. Property and equipment

(x EUR 1.000)	31 December 2016	31 December 2015
Total property and equipment	**5.066**	**2.867**

The table below shows the categories of property and equipment at 31 December 2016 against net book value.

(x EUR 1.000)

2016

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

(x EUR 1.000) **2015**

	Leasehold improvements	IT equipmaent	Other property and equipment	Total
Acquisition costs as at 1 January 2015	**605**	**21.436**	**506**	**22.547**
Additions	227	1.123	44	1.394
Disposal	-	-	-48	-48
Losses on disposals	-	-	-8	-8
Foreign exchange differences	23	1.117	11	1.151
Acquisition costs as at 31 December 2015	**855**	**23.676**	**505**	**25.036**
Accumulated depreciation 1 January 2015	**-552**	**-17.807**	**-341**	**-18.700**
Depreciation expense	-171	-2.343	-60	-2.574
Disposal	-	-	43	43
Foreign exchange differences	-22	-910	-6	-938
Accumulated depreciation as at 31 December 2015	**-745**	**-21.060**	**-364**	**-22.169**
Property, plant and equipment as at 31 December 2015	**110**	**2.616**	**141**	**2.867**

19. Intangible assets

(x EUR 1.000)	2016	2015
Acquisition costs as at 1 January:	**6.706**	**5.907**
Divestment Frankfurt Branch	-1.172	-
Additions	367	533
Foreign exchange differences	-670	266
Acquisition costs as at 31 December	**5.231**	**6.706**
Accumulated amortisation 1 January:	**-5.684**	**-4.134**
Divestment of subsidiary HCH	1.145	-
Amortisation expense	-698	-1.390
Foreign exchange differences	567	-160
Accumulated amortisation as at 31 December	**-4.670**	**-5.684**
Total intangible assets as at 31 December	**561**	**1.022**

No impairments have been recorded to Intangible assets.

20. Tax assets

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

(x EUR 1.000)	31 December 2016	31 December 2015
Total current tax assets	**62**	**632**
The deferred tax assets can be categorised into:		
Net investment hedge	10.648	10.648
Investments available for sale	912	-
Accrued expenses and deferred income	-	95
Total deferred tax assets	**11.560**	**10.743**
The Deferred tax assets of EUR 11.560 thousand is all through equity.		
Total tax assets	**11.622**	**11.375**

21. Other assets

(x EUR 1.000)	31 December 2016	31 December 2015
The table below shows the components of Other assets at 31 December:		
Accrued other income	940	-
Related to securities transactions	4.782	25.970
ABN AMRO group companies	734	1.996
Prepayments	4.245	3.668
Other	723	1.084
Total other assets	**11.424**	**32.718**

LIABILITIES

22. Financial liabilities held for trading

(x EUR 1.000)	31 December 2016	31 December 2015
The financial liabilities held for trading consist of the following:		
Over the counter (OTC)*	-	28.233
Contract for differences (CFD's)	31.739	23.400
Total financial liabilities held for trading	**31.739**	**51.633**

* See chapter Accounting policies, paragraph Client clearing derivatives.

The shares used for hedging the Contract for Differences is EUR 30 million as per 31 December 2016 (2015: EUR 16 million).

23. Securities financing

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

(x EUR 1.000)	31 December 2016	31 December 2015
Reverse purchase agreements and securities borrowing	659	442
Transactions related to securities	158.458	322.166
Total securities financing	**159.117**	**322.608**

24. Due to banks

(x EUR 1.000)	31 December 2016	31 December 2015
The table below shows the components of due to banks:		
Demand deposits	1.329.553	1.758.987
Time deposits	8.733.220	8.610.078
Total due to banks	**10.062.773**	**10.369.065**
Of the due to banks item the following amounts were with:		
Demand deposits due to banks ABN AMRO Group	393.813	831.838
Time deposits due to banks ABN AMRO Group	8.733.220	8.605.007
Total ABN AMRO Group companies	**9.127.033**	**9.436.845**
Demand deposits due to third party banks	935.740	927.149
Time deposits due to third party banks	-	5.071
Total third party banks	**935.740**	**932.220**
Total due to banks	**10.062.773**	**10.369.065**

In 2016 an amount of EUR 2.468 thousand has a maturity of more than 3 months but less than one year (2015: EUR 2.510 thousand).

25. Due to customers

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

(x EUR 1.000)	31 December 2016	31 December 2015
The table below shows the components of due to customers:		
Demand deposits	4.735.409	5.084.913
Time deposits	798.249	1.035.853
Total due to customers	**5.533.658**	**6.120.766**
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	686.323	570.264
Total ABN AMRO Group companies	**686.323**	**570.264**
Demand deposits due to customers third party	4.049.086	4.514.649
Time deposits due to customers third party	798.249	1.035.853
Total third party customers	**4.847.335**	**5.550.502**
Closing balance as at 31 December	**5.533.658**	**6.120.766**

In 2016 no amount has a maturity of more than 3 months but less than one year (2015: 0).

26. Issued debt

This debt is issued on August 12th, 2014 for regulatory reasons and has a duration of three years.

(x EUR 1.000)	31 December 2016	31 December 2015
The issued debt consists of the following:		
Bonds and notes issued	325	325
Total issued debt	**325**	**325**

27. Provisions

(x EUR 1.000)	31 December 2016	31 December 2015
Defined benefit obligations	-	3.662
Other	2.283	871
Total Provisions	**2.283**	**4.533**

On the basis of information currently available, AACB determines with reasonable certainty that the expected cash outflow of the provisions for the year 2016 is approximately EUR 1,8 million and approximately EUR 0,4 million for the years 2017 - 2020.

The defined benefit obligation refers to the retired employees of a liquidated German ABN AMRO company. Due to the liquidation of ABN AMRO Clearing Bank Frankfurt branch, the defined benefit obligation is handed over to another ABN AMRO group company as per 01-01-2016.

All other employees have a defined contribution plan.

The following table reflects the changes in the defined benefit obligation:

(x EUR 1.000)	31 December 2016	31 December 2015
Defined benefit obligation as at 1 January	**3.662**	**3.870**
Total defined benefit expense	-	70
Remeasurement effects recognised	-	-99
Benefits paid	-	-179
Transfer to other ABN AMRO Group company	-3.662	-
Defined benefit obligation as at 31 December	**-**	**3.662**

The item Other is related to contractual engagement provisions and the Incurred but not identified provision.

(x EUR 1.000)	31 December 2016	31 December 2015
Opening balance as at 1 January	**871**	**1.786**
Additions for the period	1.864	-
Release for the period	-452	-915
Closing balance as at 31 December	**2.283**	**871**

28. Tax liabilities

The current tax liability is the calculated tax position based on actual income over the year less the prepayments made during the year based on profit estimations. However, as the entities stated 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 2016	31 December 2015
Total current tax liabilities	**5.465**	**9.055**
The deferred tax liabilities can be categorised into:		
Investment available for sale	1.638	1.713
Accrued expenses and deferred income	6.820	-
Total deferred tax liabilities	**8.458**	**1.713**
The total deferred tax liabilities is originated through equity.		
Total tax liabilities	**13.923**	**10.768**

29. Other liabilities

(x EUR 1.000)	31 December 2016	31 December 2015
The table below shows the components of Other liabilities at 31 December:		
Related to securities transactions	19.724	31.932
Accounts payable	8.980	1.014
VAT and other tax payable	2.815	3.512
Rebilling cost by ABN AMRO Group	44.214	37.552
Other	20.421	25.015
Total other liabilities	**96.154**	**99.025**

30. Equity

Total Equity	**1.040.831**	**944.325**

For more information see note 32 on page 75 Equity of the Consolidated Statements.

31. Commitments and contingent liabilities

(x EUR 1.000)	31 December 2016	31 December 2015
The guarantees and other commitments consist of the following:		
Securities borrowing	8.836.685	9.818.567
Guarantees	196.137	248.439
Total guarantees and other commitments	**9.032.822**	**10.067.006**
The guarantees have been given to third parties and are divided as follows:		
Guarantees given to subsidiaries	191.447	244.804
Guarantees given to exchanges	4.690	3.635
Total guarantees	**196.137**	**248.439**

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

Total guarantees and other commitments	9.032.822	10.067.006
Secured by collateral	8.836.685	9.818.567
Net guarantees and other commitments	**196.137**	**248.439**

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 2016.
Amsterdam, 10 May 2017

Managing Board

J.B.M. de Boer
B. Duinstra
L.M.R. Vanbockrijck

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 2016 will be based on our current and projected consolidated capital ratio's 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 2017.

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 2016 included in the Annual Report 2016

Our opinion

We have audited the financial statements 2016 of ABN AMRO Clearing Bank N.V. ('AACB' or 'the Company') based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of ABN AMRO Clearing Bank N.V. as at 31 December 2016, and of its result and its cash flows for 2016 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 2016, and of its result for 2016 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 2016.
- The following statements for 2016: the consolidated income statement, the consolidated statements of comprehensive income and changes in equity and the consolidated statement of 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 2016.
- The company income statement and the company statement of changes in equity for 2016.
- The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of ABN AMRO Clearing Bank N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

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

Materiality

Materiality	EUR 6.3 million
Benchmark applied	5% of profit before taxation
Explanation	Based on our professional judgment, a benchmark of 5% of operating profit before taxation is an appropriate quantitative indicator of materiality and it best reflects the financial performance of AACB. We have applied the initial planning materiality of EUR 6.3 million (rounded) as set in our planning phase. Based on the 2016 actual profit before taxation, we reassessed the materiality and concluded to continue to apply the materiality initially set.

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

We agreed with the Supervisory Board that misstatements in excess of EUR 320 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

ABN AMRO Clearing Bank N.V. 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 United States based on size and risk. All components in scope for group reporting are audited by EY member firms. Collectively, these procedures represent approximately 95% of the group's total assets and approximately 85% of operating income.

Our key audit matters

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

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

Complexity and diversity of the fee schedules	
Key audit matter	Clients' fee schedules are customized and depend on a variety of factors including the kind of transaction, the investment type and the related exchanges. Furthermore, both fixed fees and fees dependent on volume exist. These complex and diverse fee schedules, in combination with significant volumes, lead to an increased risk of material misstatement in relation to revenue recognition, specifically commission income, in the financial statements. As the larger clients typically have the most tailored fee schedules, we deem the risk to be inherent in AACB main clients' fee schedules. As the fee and commission income represents the majority of AACB's income and given the complexity and diversity of the schedules we consider this a key audit matter. Please refer to note 2 net fee and commission income in the financial statements.
Our audit approach	We tested the design and operating effectiveness of the key controls within the fee origination process, including controls over the reconciliations between information from the exchanges, clearinghouses and brokers and source systems and controls over changes to fee schedules in the source systems. We have performed substantive testing on the appropriateness and accuracy of the inputs to the fee calculations and reperformed fee calculations on a sample basis. Furthermore, we tested appropriate recognition of fees in the ledger and on the clients' clearing statements. We obtained confirmations from a selection of customers confirming their yearend balances which includes recognized fees. Also, we performed analytical procedures in relation to portfolio behavior and volumes, as well as prior period's income.

IT dependency in financial reporting	
Key audit matter	AACB is dependent on the IT infrastructure for the continuity and reliability of their business processes and financial reporting. AACB continuously makes investments to further improve the IT environment and IT systems. The role of financial disclosures is important to stakeholders and increasing data granularity in financial reporting and regulatory reporting requirements urge for high quality data and an adequate IT environment. Incorrect functioning of IT is an important operational risk for AACB. In addition, the use of suspense accounts allows time to investigate the nature of a transaction as processed by the IT systems while still recording it on the bank's books. There is an inherent operational risk of unallocated amounts on the suspense accounts which could lead to an incorrect balance sheet classification or potentially to recognition in the P&L. As AACB is highly dependent on IT for its financial reporting, we therefore consider this to be a key audit matter. Please refer to the operational risk section in the Managing Board report.
Our audit approach	We tested the IT general controls related to logical access and change management and application controls relied upon for financial reporting and embedded in AACB's key processes. In some areas we performed additional procedures on access management and related systems. We also assessed the reliability and continuity of the IT environment and the possible impact of changes during the year either from ongoing internal restructuring initiatives or from external factors such as reporting requirements. We assessed the reliability and continuity of electronic data processing to the extent necessary within the scope of the audit of the financial statements. In relation to the suspense accounts, we investigated any unusual items and tested other reconciling items based on the established testing threshold at the reporting date. Besides, we tested clearance of material balances on suspense accounts subsequent to year-end.

Report on other information included in the Annual Report 2016

In addition to the financial statements and our auditor's report thereon, the Annual Report contains other information that consists of:

- At a glance
- Letter from Managing Board
- Supervisory Board report
- Managing Board report
- Corporate governance
- Regulatory environment
- Risk management
- Other

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 less than the scope of those performed in our audit of the financial statements.

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

Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Board as auditor of ABN AMRO Clearing Bank N.V. on 11 September 2015 as of the audit for the year 2016 and have operated as incoming statutory auditor since that date.

Description of responsibilities for the financial statements

Responsibilities of the Managing Board and the Supervisory Board for the financial statements

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

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

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

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

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

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

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

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

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

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

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

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

Amsterdam, 10 May 2017

Ernst & Young Accountants LLP

signed by W.J. Smit

Building a better working world

Address

ABN AMRO Clearing Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
the Netherlands

Mailing address:
P.O.Box 283
1000 EA Amsterdam
the Netherlands

abnamroclearing.com