ABN·AMRO Clearing

ABN AMRO Clearing Bank N.V. Annual Report 2021

Notes to the reader

This is the Annual Report for the year 2021 of ABN AMRO Clearing Bank N.V.. The Annual Report consists of the Management Board report, Supervisory Board report, the Annual Financial Statements and other information.

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

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

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

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

Contents

Introduction

Governance

Our Business

Risk Management

Annual Financial Statements

Other Information

Monique Hoogeveen, Umberto Ronzani - Amsterdam office.

ABN AMRO Clearing at a glance

"Leading the Way to Safe and Transparent Markets"

Established

1982

Transactions processed

5.8 billion (vs 5.3 billion in 2020)

Liquidity Centres

>150

Total FTEs

879*

The Value Chain

Execution

Trading member

Client → Exchange ← Client

Clearing

General clearing member

GCM ← CCP → GCM

Settlement

Global custodian

Custodian ← CSD → Custodian

Banking Licence

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

Client Segments

- Professional Trading Groups
- Corporate Hedgers
- Prime

Governance

ABN AMRO Bank N.V. → Supervisory Board

100%

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

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

Net profit (Underlying net profit (x EUR million))		Cost/Income ratio		Client satisfaction (on a scale from 1 to 7)	NPS (on a scale from -100 to +100)	Employee engagement
2021	2020	2021	2020			
172	14	58%	60%	5.96	46	80%

*This is excluding approximately 160 external employees.

Message from the **CEO**

What a difference a year makes: After the perfect storm of 2020, we have closed the books on 2021. I am very proud to inform you that it was the best year in the 39-year history of ABN AMRO Clearing Bank (AACB), and I am pleased to share the details of our success in this Annual Report.

Market activity was fuelled by numerous events, of which these were just a few: GameStop and meme stock volatility, the collapse of Archegos, the introduction of Hong Kong transaction tax, the Evergrande Group event, and power and gas volatility in the United States in the beginning of the year due to extreme weather conditions and in Europe at the end of year due to perceived supply-chain risks. Impact was also felt from new Covid-19 waves, including the uncertainty around the Delta and Omicron variants, as well as from the first signals of tapering in the US and in Europe.

As a result, we saw the number of transactions processed grow from 5.3 billion in 2020 to 5.8[1] billion in 2021, although daily peak volumes did not break the existing record of 50 million transactions processed on 28 February 2020, driven by the first wave of Covid-19. With most of our staff still working from home throughout 2021, we are proud to have processed such an enormous transaction volume without any material IT or operational issues. Accolades for this achievement go to our employees as well as the staff of our key partners and vendors.

We also broke records financially while managing our costs in 2021, with gross revenues recorded just short of EUR 528 million, resulting in an operating result of EUR 172 million. It is impressive that in the span of just one year, we were able to compensate for the shortfall that we reported in 2020.

Our clients scored our services higher in the 2021 Client Survey; NPS increased from 34 to 46. Especially in Europe, we were rated higher in a number of areas: Risk Management, Operations and Client Service Management. Meanwhile, our 2021 Employee Engagement score decreased from 85% to 80% globally, which is perhaps not surprising in these challenging times. Though still a strong score, when taken together with increased attrition levels in our Asia-Pacific region and the US, it will be important for us to give this topic the appropriate level of attention in 2022.

Key items and projects on our agenda throughout 2021 included the execution of our Risk Enhancement Plan as well as assuming further responsibilities from our shareholder, ABN AMRO Bank N.V., in Asia, the US, and

1 5.8 billion as processed by our Clearing engine.

Brazil, as their Corporate Banking division continues the process of exiting these geographies over the next two years. Obtaining a Broker Dealer entity in Brazil and establishing the Hong Kong Branch were part of these future-proofing activities. We also successfully launched our Synthetics product (equity swaps) and by the end of the year, we were ready to launch our Fractions offering together with our first retail aggregator, accommodating fractional trading for their clients.

The CEO message is also the right place to thank Frans van der Horst for his long time contribution to make ABN AMRO Clearing Bank a better firm. He joined our Supervisory Board in 2014 and took the Chair in 2017. His extensive experience, knowledge, trust and no-nonsense style supported us greatly in developing our business over the last 7.5 years to where we are today. Although his departure was planned a while ago, in sync with his stepping down from the executive board of our shareholder, we will miss him on our side going forward.

Our purpose remained our compass in 2021, leading us further along our path to safe and transparent markets by doing business better and more sustainably. We continued working with FrontClear to drive the development of local markets in emerging countries. We participated in many industry panels across the globe on environmental, social and governance (ESG) considerations and maintained focus on minimising our carbon emissions. To this end, we continued our tree-planting programme with Land Life Company to compensate for our carbon footprint, for which our target is to be CO_2 neutral by 2030. Finally, I would like to acknowledge AACB contributions to various central-counterparty risk credit committees, Futures Industry Association boards, and many other financial-industry bodies as we continue advocating banking for better, for generations to come.

I am very proud of everything that AACB achieved in 2021, and refer to it as the year of our comeback, both from a financial perspective and in terms of coming back to the office.The support of our clients, partners and other stakeholders has been tremendously important to allow us to be so successful. At the same time I am extremely grateful for the loyalty, dedication, endurance and hard work of our staff to making this comeback a reality. It is fair to say that they have done so in a very challenging environment as a result of Covid-19, impacting their private lives and their way of working. Reflecting on the past year while also looking ahead, I am confident that AACB's 2021 performance validates our ongoing efforts to create long-term value for all of our stakeholders.

Amsterdam, 17 May 2022

Rutger Schellens
Chief Executive Officer

Highlights 2021

January

- ABN AMRO Clearing opens the way to Nodal Exchange, a most innovative market, to our clients across the globe.
- Shortlisted in the Hedgeweek EU Awards 2021 for the Best Prime Broker category.
- January marks the start of AACB's Power Clearing Bank positioning.

February

- The Global IT Talent Programme starts with their second wave of graduates.

March

- ABN AMRO Clearing starts clearing Murban Crude Oil futures on ICE Futures Abu Dhabi.
- The entire month, a virtual bonding challenge for and by colleagues took place. Colleagues were able to participate in a global learning week.

May

- ABN AMRO Clearing and Land Life Company kicks-off a five-year reforestation programme that includes largescale tree plantings across the globe..
- Start of rolling out our advanced BaNCS system in APAC, further future-proofing and alignment of our global operations.

June

- Rutger Schellens re-appointed as CEO of ABN AMRO Clearing for another four years.
- ABN AMRO Clearing is acting as Clearing Agent for first client which joined the Eurex's clearing service.
- ABN AMRO Clearing goes into production with Nuvo Prime's Next Generation Prime Finance Platform for swaps trading.

July

- Opening of (smaller) office location at the Amsterdam Stock Exchange building to stay even closer to our clients.
- ABN AMRO Clearing starts to offer Cleared Commodity Repo.

September

- ABN AMRO Clearing joins the Paxos Distributed ledger Settlement Service for Settling US Securities Trades.
- Group of 21 graduates start their Clearing journey in the Global Clearing Talent Programme.
- ABN AMRO Clearing starts clearing CBOE Europe Derivatives.
- The second Global Sustainability Week held together with clients and Industry experts. Colleagues were able to participate in a second global learning week.

October

- Appointment of Boudewijn Duinstra as CEO of ABN AMRO Clearing Chicago.
- The first (partly) in-person event took place for both colleagues and clients: the Customer Experience Week.
- New fractional trading service live in Europe makes it possible for retail investors to buy fractional shares.

December

- Results of the Client Satisfaction Survey showed new all-time highs: NPS of +46.
- BaaS reaches a new milestone in terms of number of clients.

Supervisory Board

This section highlights the main activities of AACB's Supervisory Board for the year 2021, its organisation, and its permanent educational activities, which continue to be of utmost importance in the oversight of AACB.

Supervisory Board composition is based on ABN AMRO Bank N.V. 's guiding principle that diversity of thought, expertise, background, competences and interpersonal styles – including but not limited to gender diversity – is a prerequisite for effective supervision and by extension, for long-term value creation. In line with its diversity policy, AACB met the gender target of 30% for the Supervisory Board in 2021.

The Supervisory Board currently comprises of two female members and three male members. The Supervisory Board members meet the requirements stipulated in the Dutch Financial Supervision Act.

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

Supervisory Board meetings

Every three years, the Supervisory Board reviews its performance by involving a third party in accordance with the Dutch Banking Code. The self-assessment performance in 2021 was conducted and facilitated by an external company in the last quarter of 2021. The results were evaluated by the Supervisory Board meeting in November 2021. Topics covered in the self-assessment were: the Supervisory Board role; succession management; risk management and internal controls; culture and behaviour within the organisation; supervisory board composition and expertise; dynamics between members; and Audit, Risk & Compliance Committee (ARCC) performance.

The Supervisory Board held five regular meetings according to the pre-set schedule and two extraordinary meetings in 2021, for which the Supervisory Board Chair and the Company Secretary prepared the agendas. Standard meeting topics include AACB financial performance, strategy, compliance, market and regulatory developments, HR topics, audit findings and cyber/information security. The meetings also reviewed and approved AACB's risk appetite statement and the internal capital and liquidity adequacy-assessment process. The Management Board regularly provides financial data to the Supervisory Board in order to indicate (periodic) results and risks, as well as capital and liquidity positions.

In addition to the standard topics, the focus in 2021 was on the approval of the new credit risk framework, the influence of implementing a new method of calculating counterparty credit risk, market risk, staff retention and challenges for staff working from home given the Covid-19 pandemic. In addition, the appointment of new Supervisory Board members was also on the agenda several times leading up to their appointment in September 2021.

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

The Supervisory Board was satisfied with AACB's 2021 financial performance, and with the way AACB recovered from the client loss in March 2020. AACB's independent external auditor, EY, presented its audit plan to the ARCC on 5 November, 2021. The Supervisory Board noted the independent auditor's report on the 2021 Financial Statements issued by EY.

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

The Supervisory Board is satisfied with the results of AACB's 2021 Client Survey and Employee Engagement Survey.

Audit, Risk & Compliance Committee

The Supervisory Board established the ARCC to assist the Supervisory Board in performing duties related to internal risk control, capital management and regulatory compliance in order to provide adequate advice.

As of 17 May 2022, the ARCC comprises the following members: Ms. Bartje Schotman-Kruiten (Chair), Mr. Frank Graaf, and Mr. Eric Drok. In addition, the Management Board, Finance, Compliance, Legal, Risk, Audit (internal) and the external auditor are invited to attend ARCC meetings.

In 2021, the ARCC held five plenary meetings to discuss audit, legal, risk and compliance topics as well as the bank's capital and liquidity positions.

Permanent education

Supervisory Board members continuously improve their knowledge of clearing topics by participating in sessions for permanent-education purposes and participate in ABN AMRO's lifelong learning programme. Appropriate actions have been taken to organise, execute and monitor this accordingly. These actions ensure a balanced programme that covers relevant aspects of AACB performance and considers current clearing-industry developments. Sessions included, but were not limited to, governance, cyber security, global execution services and one obligor exposure framework.

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

Amsterdam, 17 May 2022

Supervisory Board

Hans Hanegraaf
Frank Graaf
Bartje Schotman-Kruiten
Dies Donker
Eric Drok

Hans Hanegraaf (Dutch, male, 1965)

Supervisory Board member

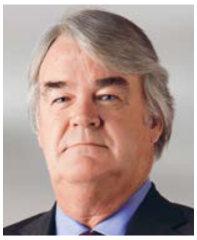
Hans Hanegraaf was appointed to the Supervisory Board of ABN AMRO Clearing Bank N.V. on 6 September 2021. Currently he is the Chairman of the Management Board of Bethmann Bank AG in Frankfurt. Previously, Hans held various positions with ABN AMRO Singapore and ABN AMRO N.V.

Introduction
Governance
Our Business
Risk Management
Financial Statements
Other Information

Frank Graaf (Dutch, male, 1958)

Supervisory Board member

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



Bartje Schotman-Kruiten (Dutch, female, 1971)

Supervisory Board member

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

Dies Donker (Dutch, female, 1967)

Supervisory Board member

Dies Donker was appointed to the Supervisory Board of ABN AMRO Clearing Bank N.V. on 6 September 2021. Currently she holds the position of Global Head of Financial Institutions at ABN AMRO N.V. where she is responsible for determining and executing the strategy for financial clients globally. Prior to that, Dies served as Managing Director of Investor Relations at ABN AMRO N.V. for more than ten years. Dies also worked at Fortis and UBS Investment Bank.

Eric Drok (Dutch, male, 1960)

Supervisory Board member

Eric Drok was appointed to the Supervisory Board of ABN AMRO Clearing Bank N.V. on 6 September 2021. Eric is an experienced executive, non-executive board member and former banking CEO. His other relevant positions include Supervisory Board Membership of the Commonwealth Bank of Australia (Europe) N.V., Cooperatie Greenery U.A., and Stichting Fair Trade Nederland. He also serves as the Chairman of Stichting Cool Foundation and is a member of the Stichting Leonum.

Management Board

Financial review 2021

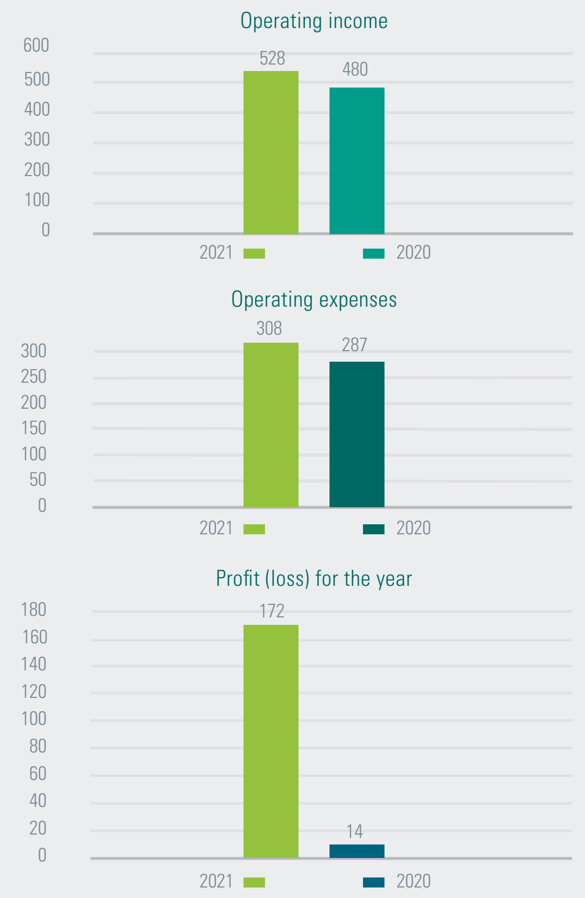
AACB reported a record high net profit of EUR 172 million over 2021, an increase of EUR 158 million compared to 2020. While prior year net profit was significantly impacted by a client default after the stressed market circumstances in March 2020, the year 2021 showed a remarkable recovery.

Activity on global trading venues remained high throughout the year. In the beginning of 2021, markets were influenced by events including: the aftermath of the US elections, increased Hong Kong stamp duty rates, the Texas weather extremes, the meme stock rally causing short squeezes in stocks like GameStop, AMC and Blackberry, and the Archegos hedge fund default.

As of mid-2021, supply chain disruptions, especially in the semiconductor industry and transportation sector, started to affect productivity and consumer prices. This followed the reopening of economies after recent lockdowns.

The last quarter of 2021 was dominated by steep increases in the energy markets, further pushing inflation to levels not seen in years. Increased demand as well as geopolitical tensions between Russia and Ukraine were largely responsible for the strong price movements. Aside from the energy market, fears about the Omicron variant and the announcements that the Fed will speed up tapering of the asset-purchase programme in combination with multiple expected rate hikes throughout 2022 also impacted financial markets.

Summary (x EUR million)



As a result of these drivers and the continued record highs of major stock markets, AACB was able to exceed EUR 500 million in operating income for the first time in our history. Operating income totalled EUR 528 million in 2021, an increase of EUR 48 million compared to 2020.

Net fee and commission income came in at a level of EUR 301 million, EUR 6 million better than the previous year, due to a consistently high level of clearing and settlement activity throughout the year. In particular, net interest income improved significantly, ending 2021 at EUR 214 million, considerably higher than the EUR 181 million recorded over 2020. Client financing demand surged to unprecedented levels due to rising stock markets and high global trading activity. Furthermore, as of the third quarter of 2021 in particular, margin financing results began contributing more significantly, largely due to strong rises in margin requirements with central counterparties focused on oil and gas clearing. Finally, securities borrowing and lending results also positively influenced AACB's interest results.

Other income for 2021 totalled EUR 13 million, an increase of EUR 9 million compared to the EUR 4 million reported in 2020. This is largely due to resumption of dividend payouts by central counterparties as 2020 was affected by prudent capital distribution strategies following the uncertainties caused by Covid-19 on economies and societies. Furthermore, favourable effects are seen from unrealised gains on trading rights and shareholdings and rebates received from US central clearing corporations.

Operating expenses for the year 2021 totalled EUR 308 million against EUR 287 million over 2020. The increase of EUR 21 million is largely due to various initiatives taken in 2020 following the loss recorded in March 2020. These initiatives were clustered under the name 'Going for Zero' and expressed the ambition to end 2020 with a positive underlying result, in which AACB succeeded. The main areas impacted by this cost saving programme were variable compensation and project costs. In 2021, these returned to levels more in line with years prior to 2020. In addition to these effects, increases in expenses are recorded due to further investments in risk monitoring, governance and modelling. Furthermore, the information security control framework is further enhanced and ensures increased resilience as required by clients, regulators and counterparties.

Regulatory levies, totalling EUR 28 million in 2021, are also materially higher than in 2020, with an increase of EUR 6 million. This is almost completely related to higher Dutch Banking Tax costs, caused by a temporary increase in 2021 as imposed by the Dutch government.

Impairment charges on financial instruments for 2021 show a significant reduction from EUR 206 million over 2020 to EUR 0.6 million in 2021. Following the tumultuous previous year, no losses from client-specific defaults are recorded in 2021. The impact as visible in the financial statements of 2021 relates to IFRS9 provisioning amounting to EUR 1.2 million, while an additional recovery of EUR 0.6 million was received on the 2018 Nasdaq OMX clearing member default.

Income tax expenses are at EUR 48 million versus a tax income of EUR 27 million in 2020, an increase of EUR 74 million. This is largely explained by the prior year's taxation of the US client default impact based on the CARES Act, implying a carryback capacity until 2015 against the pre-Trump administration US federal tax rate of 35%.

During the year, AACB actively managed its balance sheet and liquidity positions to comply with regulatory metrics and agreements with ABN AMRO Group. The introduction of the remaining elements of CRR II, SA-CRR for RWA and the Net Stable Funding Ratio (NSFR), as per mid 2021 required greater attention and focus, especially in combination with increased client financing needs and high margin requirements. This was largely due to steeply rising commodity prices seen in the second half of 2021.

In addition, preparations for Internal Minimum Requirement for own funds and eligible Liabilities (IMREL) compliancy by the beginning of 2022 were undertaken at the end of 2021 and resulted in the issuance of senior non-preferred paper towards AAB.

Outlook 2022

The increased regulatory pressure, working from home situation in combination with the ongoing volatility in the market due to geopolitical situation in Ukraine, inflationary pressure, changing interest environment or other events could eventually lead to higher costs. Moreover the increased tension on the labour markets across the globe could eventually lead to additional pressure on the workforce.

Responsibility Statement

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

- the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of ABN AMRO Clearing Bank N.V. and the companies included in the consolidation;
- the Management Board report gives a true and fair view of the state of affairs on the balance sheet date and the course of business during the 2021 financial year of ABN AMRO Clearing Bank N.V. and its affiliated companies, of which data is included in its Annual Financial Statements.
- the Management Board report describes the material risks with which ABN AMRO Clearing Bank N.V. is faced.

Amsterdam, 17 May 2022

Management Board

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

Rutger Schellens (Dutch, male, 1962)
Chief Executive Officer

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

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

Jan Bart de Boer (Dutch, male, 1967)
Chief Commercial Officer

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

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

Lieve Vanbockrijck (Belgian, female, 1973)
Chief Financial Officer

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

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

Frederik ten Veen (Dutch, male, 1973)
Chief Risk Officer

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

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

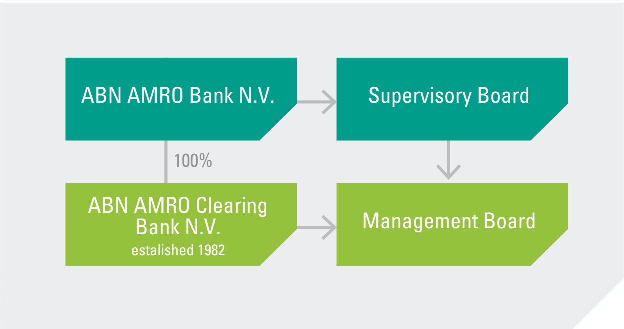
Corporate Governance

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

Corporate structure

ABN AMRO issued a 403 Statement with respect to AACB. Under Dutch law, a 403 Statement is a statement of a parent company in which it assumes joint and several liability for all liabilities arising legal acts of the subsidiary to which the statement applies, in this case AACB. The 403 Statement refers to Section 2:403 of the Dutch Civil Code and must be filed with the Trade Register of the Chamber of Commerce.

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



Management Board

Responsibilities

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

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

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

Introduction
Governance
Our Business
Risk Management
Financial Statements
Other Information

Appointment, suspension and dismissal

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

An overview of the current composition of the Management Board is provided in the Management Board section.
As long as the Dutch State holds an interest in ABN AMRO, AACB will apply a prohibition on bonuses and individual salary increases for a specific group of senior employees. These restrictions also apply to AACB Management Board members.

Global Remuneration Policy

As a financial institution, AACB is subject to many guidelines and restrictions with respect to remuneration. Since 2015, limitations with respect to remuneration and particularly variable remuneration have applied to all employees of the Dutch financial sector, with even more restrictions applying to financial institutions supported by the Dutch State by way of shareholdings.

ABN AMRO's Global Reward Policy provides a framework for managing reward and performance effectively and applies within ABN AMRO globally, at all levels and in all countries. The Global Reward Policy also specifies rules with respect to employees whose professional activities could have a material impact on ABN AMRO's risk profile. This group of employees is referred to as Identified Staff and also includes the Management Board members.
The remuneration packages for Identified Staff have been structured in accordance with financial-sector regulations and typically consist of the following components:

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

Supervisory Board

Responsibilities

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

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

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

Appointment, suspension and dismissal

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

Changes in 2021 and 2022

On 6 September 2021 three new members of the Supervisory Board were appointed. Mr. Eric Drok succeeded Mr. Alexander Rahusen, who stepped down as member of the Supervisory Board as of 1 May 2021. Likewise, Ms. Dies Donker succeeded Mr. Rintse Zijlstra, who stepped down on 30 June 2021. Mr. Hans Hanegraaf was also appointed as a member of the Supervisory Board at the same time. As of 1 March 2022, Mr. Frans van der Horst stepped down as member and Chair of the Supervisory Board. The process to appoint a new Chair of the Supervisory Board is in progress.

Supervisory board remuneration

Supervisory Board members who are employed by ABN AMRO do not receive separate compensation for AACB Supervisory Board membership. External members of the Supervisory Board do receive a compensation. In 2021, Mr. Alexander Rahusen, Mr. Frank Graaf and Mr. Eric Drok received a compensation as external members of the AACB Supervisory Board.

Diversity
The Management Board and the Supervisory Board consist exclusively of natural persons. The membership of the Management Board remained unchanged from the year prior and consisted of 25% female members at the end of 2021. The Supervisory Board consisted of 33% female members by the end of 2021. In the event of vacancies, AACB will give due consideration to any applicable diversity requirements in the search to find suitable new members who meet the requirements of the Dutch Financial Supervision Act.

Dutch Banking Code
The Dutch Banking Code sets out principles that banks should adhere to in terms of corporate governance, risk management, audit and remuneration. The Dutch Banking Code applies to AACB as a licenced bank under the Dutch Financial Supervision Act. The principles of the Dutch Banking Code are fully applied by ABN AMRO to its subsidiaries on a consolidated basis by developing group-wide policies and standards to promote best-practice provisions as well as compliance with internal and external rules.

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

General Meeting
The General Meeting is entitled to adopt the annual accounts and take important decisions regarding the identity or character of AACB. At least one General Meeting is held annually within six months of the end of the financial year. The agenda must include a minimum of following items: discussion of the Annual Report, adoption of the annual accounts, and granting of discharge to members of the Management Board and Supervisory Board. The General Meeting was held on 23 May 2022. The General Meeting adopted the 2021 annual accounts and granted discharge to members of the Management Board and Supervisory Board.

Legal Structure
AACB is a wholly owned subsidiary of ABN AMRO. AACB has been a fully licensed bank since 30 September

Anniek van Eijkern - Amsterdam office.

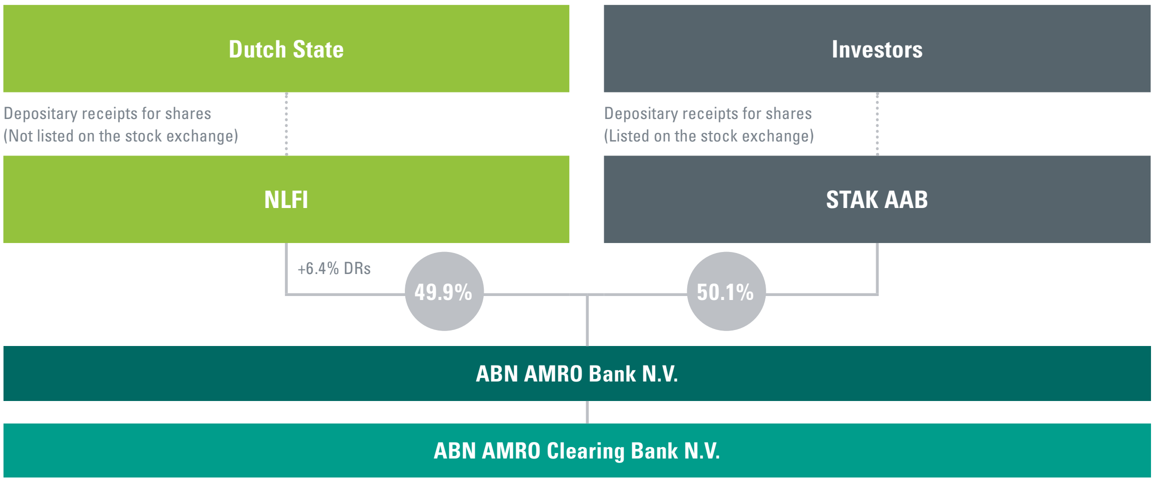
2003. Under the Single Supervisory Mechanism implemented in November 2014, AACB is subject to joint prudential supervision by the European Central Bank (ECB) and the Dutch Central Bank (DNB).

As of 31 December 2021, all shares in the capital of ABN AMRO Bank were held by two foundations: Stichting Administratiekantoor Beheer Financiële Instellingen (NLFI) and Stichting Administratie Kantoor Continuïteit ABN AMRO Bank (STAK AAB). On that date, NLFI held 56.3% in ABN AMRO, of which 49.9% was directly held via ordinary shares and 6.4% was indirectly held via depositary receipts (DRs) for shares in ABN AMRO. On that date, STAK AAB held 50.1% of the shares in the issued capital of ABN AMRO. Only STAK AAB DRs have been issued with the cooperation of ABN AMRO and are traded on Euronext Amsterdam.

While AAB continues the wind-down of all corporate banking activities outside of Europe, AACB continues providing clearing and related services in Europe from its head office in Amsterdam, as well as through the AACB London Branch and wholly owned subsidiary ABN AMRO Clearing London. AACB provides services beyond Europe through its wholly owned subsidiaries ABN AMRO Clearing Chicago, ABN AMRO Clearing Sydney, ABN AMRO Clearing Tokyo, ABN AMRO Clearing Hong Kong, ABN AMRO Clearing Singapore and AACB Singapore Branch, as well as ABN AMRO Clearing Investments. AACB also has an office in São Paulo, Frankfurt and New York.

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

Shareholder structure



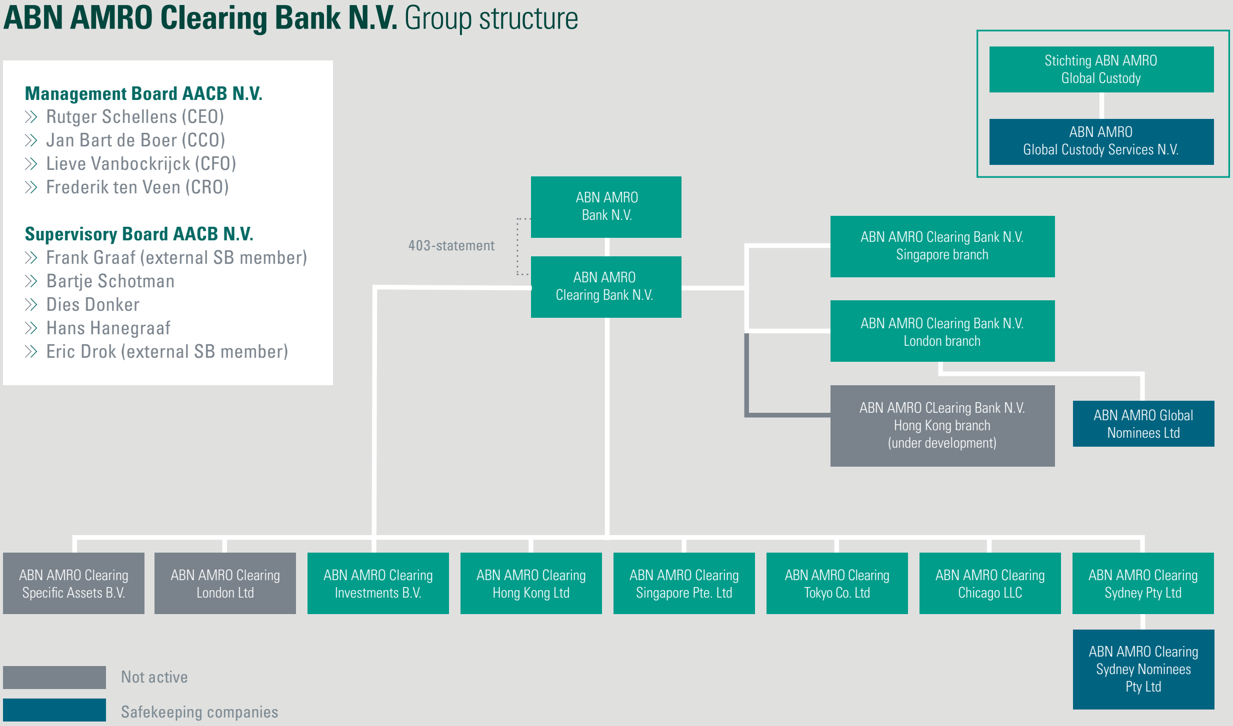
ABN AMRO Clearing Bank N.V. Group structure

Management Board AACB N.V.

- Rutger Schellens (CEO)
- Jan Bart de Boer (CCO)
- Lieve Vanbockrijck (CFO)
- Frederik ten Veen (CRO)

Supervisory Board AACB N.V.

- Frank Graaf (external SB member)
- Bartje Schotman
- Dies Donker
- Hans Hanegraaf
- Eric Drok (external SB member)



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

Our **Business**

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

Clients

Principal Trading Groups

A principal trader is a company that acts as a market maker or liquidity provider on regulated markets and trades solely with its own capital.

Our AACB global business has been built in close collaboration with market makers that began their businesses on the trading floors of major financial centres. The purpose of their market intervention is to facilitate fair pricing between related instruments (securities, options and futures), often based on high-volume algorithmic trading models. By closely monitoring these clients and developing systems to satisfy their high-profile demands, AACB has established a strong reputation as a partner and reference service provider for principal trading groups (PTGs) across the globe.

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

Corporate Clients

AACB has a long and strong track record in listed commodity derivatives. Our recognised global execution and clearing expertise includes acknowledged abilities in physical delivery. Our clients use derivatives to hedge the price risk of underlying commodity inventories and flows of agricultural, base and precious metals, oil and energy-related products. ABN AMRO Bank's decision in August 2020 to abandon specific corporate activities affected our overall relationship with certain corporate clients, particularly in the commodities space. This opened up the opportunity to launch a cleared commodity repo service for exchange related physical inventory (agri, base metals, and carbon allowances), offering our clients enhanced opportunities for diversifying their liquidity sources.

Prime Clients

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

1. European financial institutions use our global custody services, and we offer futures and OTC derivative clearing services. Regional banks, insurance companies and pension funds increasingly seek a combination of interest rate swap clearing and asset services (including collateral management) due to liquidity needs arising from CCP margin calls.
2. Retail brokers across Europe use our global execution, clearing, settlement and custody services. When necessary, our offering is enhanced with stock loan and financing services. Ours is an extensive 'one-

Introduction
Governance
Our Business
Risk Management
Financial Statements
Other Information

stop-shop’ solution that includes fractional investments, allowing retail brokers to focus on their core competences and clients.

3. Alternative investment funds and hedge funds use our clearing and financing services as well as our Prime broker services, including synthetics. These focus on funds that create exposures to listed markets and deploy strategies where our correlation-risk model can generate capital efficiencies.

2021 business highlights

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

Despite the challenges presented by the continued Covid-19 pandemic in 2021, AACB remained focused on a number of business priorities that were centred on our three-pillar strategy. Our 2021 progress and achievements for each of the pillars is described in the following paragraphs.

Building a future-proof bank means working together more efficiently, using our data more effectively, and giving our people the room to grow and the freedom to experiment.

BUILDING
A FUTURE PROOF BANK

In 2021, we implemented the following initiatives in support of building a future-proof bank:

Future-proofing our IT landscape

We continued to focus on the delivery of agile solutions on top of reliable, compliant and secure platforms. In 2021, we launched, and experimented with, existing and new solutions on our target cloud platform, which we continued to evolve over the course of the year. Further steps were made in enhancing our information risk and control capabilities to ensure that we remain compliant and secure from the threats posed by cybercrime, which is an existential problem for financial-services providers. AACB, like other financial institutions, is a likely target for cyberattacks. Indeed, the number and complexity of cyberattacks increased over the last 12 months, as did the number of cybersecurity rules and regulations that AACB is subject to.

In 2021, we therefore made significant investments and collaborated to improve AACB and industry readiness, response and resilience to cybersecurity threats. In addition to continuously strengthening AACB cybersecurity capabilities, specific effort is being made to understand existing and emerging threats and the necessary steps to protect our bank and our clients. Additionally, AACB is improving and implementing an information security control framework, based on the most recent insights to increase our resilience as required by clients, regulators and counterparties.

Data governance

As a data-driven company, AACB continued to improve our level of automation and the quality of data governance and control in 2021. We once again delivered data-driven insights for critical business decision-making through fact-based choices and by using data to provide financial opportunity and value. This included: improving customer experience; operational excellence; future-proofing current business models, and generating new ones.

REINVENTING THE CUSTOMER EXPERIENCE

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

Our clients expect professionalism and high-quality interfaces in their day-to-day interactions with our organisation. We continuously evolve the interface layer for clients, who at key moments seek access to our premium advisory services and world-class solutions. To reinvent the customer experience, AACB implemented the following initiatives in 2021:

We continued to focus on improving satisfaction among and innovating interactions with our clients, further facilitating increased and easier contact moments. We continued to improve our communication and automation, including our non-core clearing processes, by providing dashboards and management information, and sharing service-level agreements and performance figures.

Banking as a Service

In 2021, AACB opened more than 200,000 bank accounts, with a total of 350,000 clients on-boarded by the end of 2021. This year we attracted clients through our Banking as a Service (BaaS) offering in Ireland and Spain, in addition to our ability to service retail investors in the Netherlands, Belgium, Germany, France and Austria. In acknowledgement of AACB efforts to operate in alignment with the highest standards, we were once again granted ISAE 3402 type II Assurance in 2021.

Fractional investing

AACB is the first in Europe to offer fractional trading on a real-time basis and with a sound regulatory framework – it is our first application hosted in the (public) cloud. We began with a proof-of concept with a fintech client, and now have a list of (new and existing) broker clients that are interested in this service. We are further scaling fractions to attracting more fintechs, which can help AACB develop new future-proof (API and cloud) technology and propositions.

Evolving the interface layer

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

SUPPORTING OUR CLIENTS' TRANSITION TO SUSTAINABILITY

We believe that all of our clients will be affected by the transition to sustainability in one way or another in the coming years. By making sustainability an integral part of our business, we maximise our impact on society. Our global scale puts us in a strong position to sense financial-market developments and their impact on society, our clients, and ourselves. In 2021, we made strides with the following initiatives:

Climate Impact Programme

Our Climate Impact Programme was launched in 2019 to offset our carbon emissions as well as contribute to large-scale reforestation projects in Spain and Australia. AACB has also set a target of becoming carbon neutral by 2030, switching to renewable energy – when possible, reducing our energy use by upgrading our infrastructure and offsetting our carbon emissions. In 2021, 60% of our data centres ran on renewable energy sources.

Frans van den Hurk - Amsterdam office.

Commitment to transparency

In 2021, we continued to analyse how renewable energy certificates can become more efficient, paving the way for transparent pricing and larger market accessibility. We also progressed our Power Clearing Bank proposition. This aims to provide access to global energy markets and create price transparency in the power and gas sectors, facilitating the energy transition and participation in carbon-allowance programme.

Our **Regions**

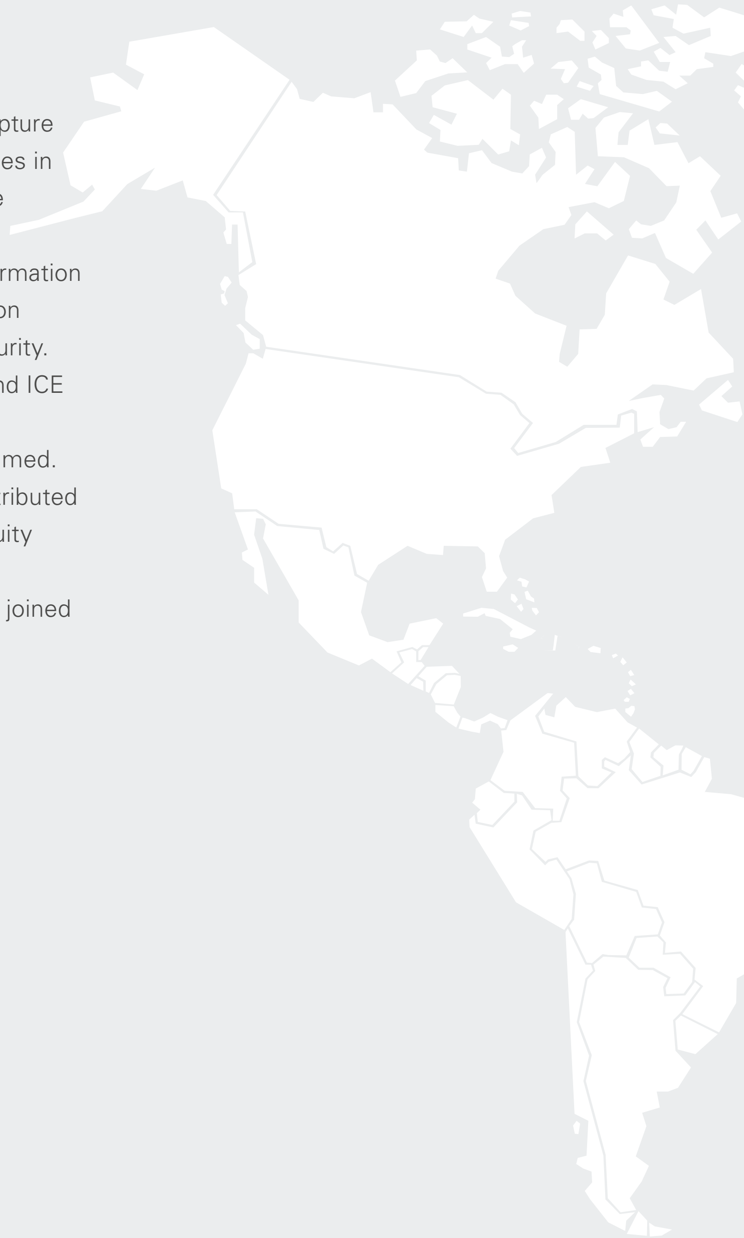
United States

After the events in 2020, ABN AMRO Clearing Chicago (AACC) rebounded in 2021. Although the low interest rate environment continued into 2021, healthy volatility, client repricings, and new client onboarding, combined with strong expense management, contributed to the achievement of these targets. In the first quarter of 2021, AACC also saw unprecedented movement in the energy sector leading to heightened vigilance over market risk management.

2021 in perspective

AACC made great strides in winding down some long-term projects during the year, making way for new projects in the coming year. We explored the launch of a brand new product line, fixed income clearing, and kicked off the process to achieve this goal. AACC also continued automation efforts designed to add efficiencies and enhance the client experience.

Due to the ongoing effects of the pandemic, AACC continued to operate in a hybrid work environment in both our Chicago and New York City offices. We welcomed our employees return to the office, while allowing them to continue to work from home for a significant part of the workweek. As for many businesses in the US, the Great Resignation – the increased rate of American employee attrition – had an impact on AACC. Consequently, AACC saw a higher than normal employee turnover rate during 2021. AACC's Human Resources team diligently worked to assist the business with the onboarding of new employees to fill these gaps as quickly as possible. These losses do not appear to have had a material impact on AACC's ability to service our clients and operate our business effectively.



2021 highlights

- AACC implemented a new global trade capture framework; processed record trade volumes in Q1 with increased capacity added to trade capture.
- Several projects completed related to information security. Focus and emphasis continued on training around cyber and information security.
- AACC joined two new exchanges, FairX and ICE Abu Dhabi.
- In-person client meetings and events resumed.
- AACC joined other banks in the Paxos distributed ledger service pilot programme on US equity clearing and settlement.
- Our new AACC CEO, Boudewijn Duinstra, joined in September 2021.
- Market share remained strong.

Number of FTEs*

Total	**189** FTE
Chicago	**183** FTE
New York	**6** FTE

Client satisfaction

on a scale from 1 to 7

6.59

NPS

89

Employee

engagement (%)

75

Boudewijn Duinstra
Regional CEO US

* The figure is excluding external employees

Europe

The Europe region contributed strongly to overall AACB performance, supported by our growing client base and new products, despite turbulent financial markets. Overall, equity markets were bullish and we experienced extreme volatility in the energy markets. Covid-19 uncertainty remained a key factor while macro-economic developments resulted in renewed inflation and interest rate discussions in Europe.

2021 in perspective

Our risk and commercial colleagues worked together, against this backdrop, to keep our clients, our organisation and the broader financial infrastructure safe. Continuous monitoring and control by dedicated staff protected us from credit losses. With our Power Clearing Bank offering, we also experienced continued growth in the Power client base for new renewable products (gas, electricity, carbon emissions) included in both our Corporate and Principal Trading Group client segments.

As employees continued to work from home throughout 2021, we improved our digital collaboration tools to help them acclimate to their protracted absence from the office. Staying connected was essential to maintaining close ties between teams across the region, keeping them strong and engaged while protecting our AACB culture and identity. Events such as our European Bonding Challenge, during which colleagues from the Amsterdam, London and Frankfurt office participated in online social and motivational events, enhanced these efforts.

Insourcing of operations from our provider in India continued throughout 2021. We successfully relocated activities related to static data management, and settlements and tax to the Europe region. The transfer of Corporate Actions activities is slated for completion in 2022.

2021 highlights

- In response to client requests, AACB connected to ICE Futures Abu Dhabi to allow our European clients to trade the Murban crude oil contract, which has become an important benchmark global oil product.
- We also connected to CBOE European Derivatives in September 2021 to allow our clients to trade a variety of new European equity derivatives.
- AACB continued the development of our Retail One Stop Shop Offering in Europe. This is an end-to-end service offering including execution, settlement, and custody for our Retail Aggregator client base. We expect to add more execution venues in the first half of 2022.
- Our Equity Synthetics offering in Europe went live in Q3 and we will add more markets in 2022.
- We introduced a Cleared Commodity Repo Service (CRS) in Europe, which constitutes a financing service for Corporate clients who are active in physical deliveries through the movement of centrally cleared exchange warrants.
- In support of our activities in Brazil, we established a Broker Dealer entity. The new entity will allow us to offer direct access to the B3 exchange to meet client demand. European client interest for trading Brazil remains strong, as evidenced by new client connections. Further client growth is forecasted for 2022.

Number of FTEs*

Total (incl Brasil)	**523** FTE
Amsterdam	**414** FTE
Frankfurt	**9** FTE
London	**90** FTE
São Paulo	**10** FTE

Client satisfaction
on a scale from 1 to 7

5.72

NPS

46

Employee
engagement (%)

84

Robbert Booij
Regional CEO Europe

* The figure is excluding external employees

Asia-Pacific

Though 2021 was a very successful year for the Asia-Pacific region, it was in many ways an extension of the challenges presented in 2020. We continued to see sustained levels of volatility throughout the region and high exchange volumes, while regional staff predominantly remained in work from home mode while the Covid-19 situation stayed ominously present.

2021 in perspective

The challenges of 2021 ensured that client centricity remained the focus of our thoughts and actions. Our teams continued their close relationships with our clients, ensuring that we understood client trading activities and positions, while ensuring client compliance with AACB's risk appetite. The year also tested our operational infrastructure and processes as a result of record transaction volumes. Our core systems proved capable of handling the peak volumes recorded, reflecting the preparatory work undertaken to ensure our capabilities matched the continued growth in exchange volumes in the region.

Continued success in our selected markets and client base requires us to expand the number of markets and products offered. In 2021, we introduced a number of new products and increased access to markets across the region. We were very proud to facilitate direct access to the Tokyo Financial Exchange (TFX) for the first time. This was a result of our clients identifying potential trading opportunities and subsequently requesting that our Tokyo office take membership to facilitate them. Other major initiatives in the region which are underway include our Hong Kong office progressing with their application for Branch (of ABN AMRO Clearing Bank N.V.) status. Our Singapore office, which acts as our Regional Treasury hub, has updated its Treasury Management Information Systems to facilitate increased knowledge of our clients' trading activities and subsequent funding requirements. Lastly, our Sydney office is leading the way across the region in automating our processes.

Maintaining our moderate risk profile

Our Risk and Commercial teams did an outstanding job liaising with our client base throughout 2021, maintaining client proximity and ensuring adherence to our risk profiles while facilitating clients where they observed opportunity and returns. A number of the risk initiatives designed in previous years were implemented and managed in 2021, creating increased client interaction opportunities that improved our understanding of our client trading and in turn, client understanding of our risk appetite.

Furthermore, as reported in 2020, the Asia-Pacific region had previously implemented limited restrictions on certain operationally high-risk products due to market structures. These restrictions remained in place throughout 2021 on a selected number of products to ensure that our business retained control and stayed within our operational capacity while continuing to facilitate client trading.

Work environment

With the continuation of the Covid-19 circumstances, many parts of the Asia-Pacific region remained in either full or partial lockdown through 2021. This resulted in the majority of our staff having periods of mandated working from home. Our employees remained resilient, ensuring that working from home did not interrupt business continuity and maintaining the high level of service our client base is accustomed to.

2021 highlights

- The Asia-Pacific region reported an overall increase in revenue, largely resulting from sustained regional volatility throughout 2021.
- Enhanced performance by our Treasury team, with increased demand for both funding and securities borrowing along with improved efficiencies at the operational level, resulted in another outstanding year in a low interest rate environment.
- AACB set a record for the volume of transactions processed within single year. This is the second consecutive year that the Asia-Pacific team processed record volumes and is a testament to our staff and the systems they have built and maintained, as well as their ability to maintain substantial increased volumes on a year-on-year basis.
- Our employee engagement score fell from 84% to 74%, and while our analysis is ongoing, initial feedback indicates that we need to continue providing our staff with enhanced tools and improve work/life balance, as many find the work-from-home reality very difficult. Management is strongly committed to addressing the areas highlighted by staff in the annual survey.
- Our Client Satisfaction Score increased from 5.3 in 2020 to 5.6 in 2021, with improved scores in all areas measured.

Number of FTEs*

Total	**167** FTE
Hong Kong	**25** FTE
Singapore	**58** FTE
Sydney	**65** FTE
Tokyo	**18** FTE

Client satisfaction

on a scale from 1 to 7

5.63

NPS

20

Employee

engagement (%)

74

Barry Parker

Regional CEO Asia Pacific

* The figure is excluding external employees

Regulatory Environment and Compliance

Although European and Dutch legislation largely govern AACB activities, we are affected by many regulations globally. While the global impact of Covid-19 continued to challenge financial markets throughout 2021, immediate pandemic relief measures began to present opportunities for medium and long-term planning. Regulators chose to further prioritise their political agendas in 2021, with as key themes operational and digital resilience, sustainable finance, and strategic autonomy. Related regulations could have a direct or indirect impact on our clients, therefore, AACB acted to address these, engaging with regulators as required.

Europe

A number of sustainable finance regulatory developments took place in 2021. In July, the European Commission (EC) announced a renewed sustainable finance strategy, building on its 2018 action plan on financing sustainable growth. Changes to this strategy were proposed in a number of areas, for instance, the EU taxonomy framework, sustainable finance standards, and labels for recognising transition efforts, which were extended. The EC also presented its international approach and standard setting on taxonomy and disclosures. The Non-Financial Reporting Directive, Sustainable Finance Disclosure Regulation, and European Banking Authority Guidelines on Loan Origination and Monitoring also came into effect.

In September 2021, the final report and delegated regulation on European Markets Infrastructure Regulation (EMIR) Fair Reasonable and Non Discriminatory Transparent commercial terms was published, specifying the provision of clearing services related to OTC derivative contracts subject to clearing obligations. In particular, the published text sets out detailed requirements for AACB's onboarding procedures, risk assessment, and reasonable billing of fees.

The Investment Firm Regulation and Directive became applicable, providing for the new prudential regime of investment firms. AACB supported its clients in this transition as needed throughout 2021. As of 2022, a similar regulatory regime will apply in the United Kingdom (Investment Firm Prudential Regime).

In June 2021, CRR-II became applicable in the European Union (EU). This allowed AACB to move away from the punitive Current Exposure Methodology calculations to Standardised Approach Counterparty Credit Risk, which better recognises the correlations between instruments. In October 2021, the EC proposed CRR-III, which will implement Basel IV rules. AACB will remain engaged with regulatory stakeholders on this important topic to ensure that our clients' clearing activities are well recognised in the design of prudential legislation.

The equivalence of third-country regulatory regimes with European regulatory requirements is of critical importance to our continuous access to CCPs across the globe. In 2021, the EC decided on the equivalence of the US-SEC regulatory framework for CCPs and voiced its intention to do the same for the UK CCP supervisory framework. While we are still awaiting subsequent recognition of US and UK CCPs by the European Securities and Markets Authority, we are confident that we can sustain and grow our business on those CCPs.

Although planning and implementation for operational readiness continued throughout 2021, our industry faced ongoing discussions regarding the impact of the Central Securities Depository Regulation (CSDR) on securities settlement transactions in EU central securities depositories. Following months of speculation, in late 2021, the EC and European Parliament agreed to make changes to the CSDR. This will allow for postponed implementation of the CSDR mandatory buy-in regime.

The EC proposed a review of Markets in Financial Instruments Regulation (MiFIR) in November 2021. This includes a consolidated tape in the EU, and would ban payment-for-order-flow as well as make some changes to market structure rules. AACB will remain engaged on these topics, in close coordination with our clients and the broader market infrastructure.

A number of developments arose related to newer European regulations. The Digital Operational Resilience Act (DORA) and Regulation of Markets in Crypto-assets (MiCA), Artificial Intelligence Act (AIA) were all negotiated in by the European Parliament and EC in 2021. DORA will have implications for potential cross border supervision of third-country service providers while MiCA is expected to place greater restrictions on cryptocurrencies. AIA is still in early stages, and its impact on AACB is expected to be mainly governance related. We met with stakeholders on this subject in September 2021. The EC also proposed European Single Access Point (ESAP) regulation, which should make access to data easier. AACB is in the process of assessing potential ESAP impact.

Asia-Pacific

Hong Kong

Regulated firms were expected to implement an effective governance structure overseeing operational risks arising from, e.g. off-premises working from home and/or from business continuity programme sites. Firms were advised to implement an effective business continuity plan and incident management process to adequately identify and respond in a timely manner to disruptive incidents. This also extends to managing third-party dependency risks (including intra-group companies) and to evaluating third-party resilience and ability to manage risks in accordance with operational resilience objectives set out by regulators.

The Hong Kong Monetary Authority (HKMA) and Securities and Futures Commission of Hong Kong (SFC) conducted a review of the Equity reporting templates and other reporting requirements under OTC derivatives trade reporting. As a result of the review, the SFC issued a circular to inform reporting entities on the proposed updates to the Administration and Interface Development Guide, which includes mandating new and modified data fields, under the OTC derivatives reporting requirements.

New contractual stay rules, i.e. Financial Institutions (Resolution) (Contractual Recognition of Suspension of Termination Rights – Banking Sector) Rules, came into effect on 27 August 2021. Financial institutions with certain non-Hong Kong legal contracts are required to include provisions to suspend termination rights when they are in financial distress.

SFC's circular on operational resilience and remote working was issued to provide operational resilience standards and required implementation measures. These supplement existing SFC guidance, and set out expected regulatory standards for managing and mitigating some of the significant possible risks of remote working.

On 18 June 2021, the SFC published its Consultation Conclusions on Proposed Enhancements to the Competency Framework for Intermediaries and Individual Practitioners, which was made in response to the SFC's December 2020 consultation paper to update entry requirements for licence applicants and the ongoing competency standards for individual practitioners. The changes apply to responsible officers and licenced representatives of SFC licenced corporations, and executive officers and relevant individuals of authorised institutions registered by the HKMA. The new changes will amend the existing Guidelines on Competence and Guidelines on Continuous Professional Training (CPT Guidelines).

Australia

Treasury released exposure draft legislation that replaces the limited connection exemption (expiring on 31 March 2023) with a professional investor exemption for persons that provide financial services from outside Australia to professional investors. AACB must ensure that it falls within the professional investor exemption prior to 31 March 2023.

Japan

Client Integrity was the priority for AACB (Tokyo) in 2021. The Personal Information Protection Law was amended in June 2020, and it will apply as of April 2022. Work was therefore needed to revise AACB internal policy in accordance with the amended law. Japan Financial Services Agency also issued anti-money laundering and counter-terrorist financing (AML/CTF) guidelines in February 2021. All financial institutions are expected to fully follow the guidelines by March 2024.

Singapore

The Banking Act 1970 was amended in July 2021 to provide greater supervisory oversight of banks, and a key topic of such amendments revolved around outsourcing arrangements. Under certain new provisions, a bank in Singapore must comply with certain requirements before obtaining any service from a branch or office located outside Singapore, or from a person. Banks must also implement policies and procedures that meet certain Monetary Authority of Singapore (MAS) requirements.

The current outsourcing regulatory regime in Singapore applies to banks by way of two formal notices to the Banking Act 1970, supplemented with an MAS-published set of outsourcing guidelines for bank reference. Following a consultation with banks in January 2021, MAS indicated the intention to formalise outsourcing guidelines in 2022 by providing further detail on their contents and publishing them in the form of a notice, which would make them legally binding. AACB will need to determine whether or not our current Outsourcing Addendum is sufficient for addressing the requirements once the outsourcing guidelines are formalised.

The MAS Individual Accountability and Conduct (IAC) regime went into effect in September 2021. The IAC guidelines focus on measures that financial institutions should put in place to promote individual accountability of senior managers, strengthen oversight over material risk personnel, and reinforce standards of proper conduct among all employees.

On the technology front, MAS enhanced its Technology Risk Management Guidelines. This was done to keep pace with emerging technologies and shifts in the cybersecurity landscape.

To strengthen efforts in AML/CTF, MAS conducted industry consultations on a regulatory framework and secure digital platform in 2021, facilitating the sharing of risk information among financial institutions to more effectively detect and disrupt criminal activities. This will also reduce risks to the integrity of Singapore's financial centre. AACB participated in this effort in the interest of client integrity.

In October 2021, MAS established a framework to exempt cross-border business arrangements of foreign offices, foreign-related corporations and representatives from activities regulated under the Securities Futures Act (SFA) or Financial Advisers Act, as well as from their extra-territorial jurisdictions. Guidelines on the Application of Section 339 (Extra Territoriality) of the SFA set out general principles on the scope and application of the extra-territorial effect of the SFA in relation to cross-border activities. Compliance with the framework requires boundary conditions to be met by foreign offices and foreign-related corporations, and AACB worked towards meeting these and ensuring organisational and employee integrity.

The United States

Chicago

In December 2020 the AML Act of 2020 was passed, which paved the way for implementation and compliance in 2021. This has been arguably the most transformative AML law in a generation, as this legislation requires certain companies to file information on the beneficial owner of the reporting company, along with the identity of the person who has applied to form or register the company. This is part of the broader trend of gathering more information about clients. AML also allows the US to subpoena records related to any account with foreign banks that maintain correspondent accounts in the United States. This enables the regulators and the government to counter money launderers who seek to exploit the lack of communication between countries in order to commit international crimes.

Along with further corporate transparency and additional potential legislation surrounding the regulation of cryptocurrency as a result of the USD 1.3 billion in illicit crypto believed to be laundered in 2020, the trends of further transparency associated with AML are still very real.

In response to the so-called 'meme stock' trading activity in January 2021, US regulators are proposing additional rules and reporting requirements by broker dealers. The Financial Industry Regulatory Authority (FINRA) proposed enhancements to its existing Short Interest Reporting rule in June 2021, including requirements by broker dealers to report short positions more frequently (as much as daily), account level position information, synthetic short options positions, and fail-to-deliver positions among other enhancements. In November 2021, the Securities and Exchange Commission (SEC) proposed a new rule that would increase availability of information regarding securities lending transactions (i.e. stock loan reporting). The regulators have not finalised either rule and are soliciting feedback and commentary from the industry.

In addition, jurisdiction and enforcement cases regarding virtual currency markets continue to be hot topics. The Commodity Futures Trading Commission (CFTC) brought a record seven enforcement cases involving virtual currencies in 2021. This focus is expected to continue. In November 2021, the President's Working Group on Financial Markets issued an interagency report urging Congress to pass legislation to make stablecoins, a form of digital currency designed to maintain a stable value, regulated under Federal banking laws.

Daniel Carlos - Chicago office.

Compliance

AACB decisions and behaviour must be aligned with our purpose and strategy. We are fully committed to conducting global business within our set risk appetite statement and role as a gatekeeper of the financial system. Taking ownership, setting clear targets and being accountable are key to strategy execution, our culture, and our licence to operate.

Employees are expected to adhere to our culture principles and to act in accordance with the AACB Code of Conduct, which sets out standards of behaviour. Our employees are required to confirm their adherence to the Code of Conduct annually.

In accordance with regulatory requirements, we monitor the integrity risks in our organisation so as to maintain a strong control system and to mitigate these risks. They are assessed as part of the Systematic Integrity Risk Analysis (SIRA). In addition to the SIRA, AACB continually strives to obtain data-driven insight into integrity risks. It is our corporate social responsibility to conduct business with integrity and without any form of bribery or corruption.

Compliance at AABC focuses on four integrity topics to monitor and safeguard our business: Organisational & Employee Integrity, Client Protection & Product Integrity, Markets Integrity, and Client Integrity. An overview of AACB 2021 Compliance achievements in these areas is provided below.

Organisational & Employee Integrity

From an organisational perspective, in order to ensure that compliance risks stemming from climate-related and environmental factors were duly considered, our Compliance function advised management on measures needed for AACB compliance with relevant rules and regulations.

Sandro Pereira, Laura Fülöp - Amsterdam office.

In terms of employee integrity, hybrid working conditions can lead to new compliance risks. Consequently, staff awareness of conflicts of interest was enhanced in 2021, with mandatory employee training in Europe on this topic. Complaints-handling training was also offered to client-facing staff and has become part of our Compliance introduction for new staff.

Client Protection & Product Integrity

Greater, ongoing compliance with the latest Markets in Financial Services Directive (MiFID II) continued to be a focal point for AACB Compliance throughout 2021. This included MiFID Reboost and an extensive assessment of improvements areas, which further enhanced MiFID implementation by strengthening procedures, processes and controls.

Compliance has also been involved with recent AACB developments and new initiatives, such as the BaaS offering, which also partly services retail clients. While this initiative is still in its early stages, the BaaS team works in close collaboration with the Compliance team on regulatory compliance. In terms of our fractional share trading service, Compliance worked with the business on this initiative to ensure that regulatory reporting and best execution were well-considered and implemented consistently.

Data protection likewise remained a key requirement and received increased attention in 2021, following the European Court of Justice's Schrems II decision of 2020, which called into question certain transfers of personal data outside the European Economic Area. Together with subsequent guidance issued by the European Data Protection Board, this meant international transfers remained a priority topic for AACB Compliance in 2021.

Markets Integrity

AACB has a regulatory obligation to report certain information, including: derivatives trades it executes and clears according to EMIR; transactions in a wide range of financial instruments executed via its membership on exchanges according to MiFIR; and any securities financing transactions it participates in per the Securities Financing Transactions Regulation. This reporting must be provided to supervisors and/or trade repositories within a given time frame. The CSDR also requires AACB to report internalised settlements to the DNB. Compliance ensures that AACB complies with these requirements, leading the way to safe and transparent financial markets.


Sini Unnikrishnan - Amsterdam office.

A project was launched early 2021 to identify and solve possible areas of improvement in the current MiFID II transaction reporting framework. Considerable progress has been made to address structural solutions relating to data quality management and the regulatory reporting system landscape.

Given AACB's position in the financial markets, Compliance continually reviews existing controls for the prevention and detection of market abuse. This has resulted in the further strengthening of these controls as well as underlying procedures and processes.

Client Integrity

Compliance continually aims to further improve and facilitate collaboration with other AACB departments to ensure all regulatory obligations are met. As such, Compliance actively provides consultation for processes such as client filtering, transaction filtering, and transaction monitoring, including suspicious transaction reporting. This facilitates sound clearing activities for our clients as well as for AACB. In 2021, we added specific anti-money laundering questionnaires to our Product Approval & Review Process, to further enhance the monitoring of this risk.

The Compliance function provides advice on new products and services, and supports AACB's interactions with new and established clients. Through participation in various regional and global Client Acceptance & Risk Appetite Committees (CARACs), Compliance plays an active role in the client acceptance process, for instance, by assessing integrity risk factors every new prospect.

Corporate **Social Responsibility**

Financial markets recognise sustainability as a real systemic risk that impacts credit, market, liquidity and operational risk. AACB therefore strives to provide good stewardship, taking the effects of our activities on climate, biodiversity and society into account. This is how we define corporate social responsibility (CSR), which we are committed to – for our clients, our communities, our industry and ourselves.

AACB and CSR

The transition to sustainable business practices is a collaborative effort. Consequently, AACB is an active advocate in the industry and among our clients, promoting ethical trade, sustainable products, and transparent data. We screen our clients and business through environmental, social and ethical lenses. Two of the main factors driving the sustainability transition are environmental degradation and economic inequality. In 2021, we addressed both topics through various initiatives, described in the sections below.

While sustainability is a systemic risk, physical risks are apparent through extreme climate events that affect the stability of markets due to unpredictability and volatility. Transitional risk concerns policies and regulation, technological impacts, and market sentiment. In 2021, we saw changes primarily affecting the power and energy markets in terms of volatility and pricing. We are currently developing stress scenarios to monitor impact.

Engaging our clients

One of AACB's strategic pillars is assisting our clients in the sustainability transition; therefore, we engage our clients and counterparties on topics such as ethical trade and sustainable products. Upon request, we can also provide clients with a personalised ESG risk dashboard to enable them to assess the individual ESG rankings of their portfolios.

During our onboarding and review processes, sustainability is also an established element of our client conversations. In our 2021 client survey, 36% of our clients encouraged us to continue such dialogue, up from 24% in 2019.

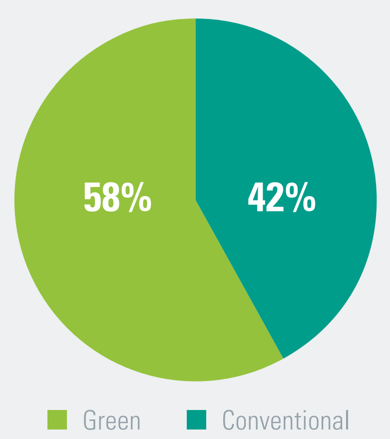
Improving our operations

The sustainability of our operations encompasses not only AACB's environmental footprint but also compliance with regulations and employee engagement around CSR. We have committed to becoming carbon neutral by 2030 through a Climate Impact Programme, and continue to work towards that goal through the three aforementioned aspects of our operations. In the meantime, sustainable finance regulations are motivating new guidelines on governance, business materiality, risk modelling, disclosures, and performance.

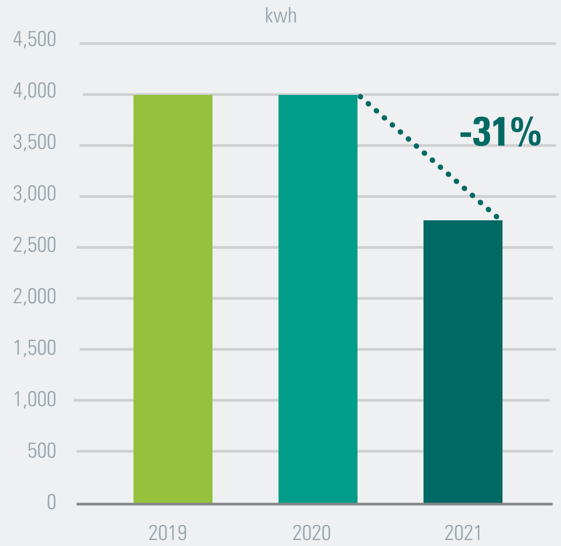
In line with upcoming regulations, AACB is developing ways to disclose the materiality of our ESG performance. In 2021, we engaged a reputable Sustainability Data provider and have started measuring the ESG ranking of our securities borrowing and lending portfolios

For AACB, sustainability is very closely linked to our IT practices. To process the volume of our transactions safely yet sustainably, we focus on how we can make our IT greener in a way that minimises damage to the environment. For example, we reduced the energy consumption of our data centres by decommissioning storage racks and upgrading to more efficient hardware with a robust lifecycle management process, and saw a 31% decrease in energy consumption in 2021 compared to the previous year (see graph). We also began moving applications to the cloud environment, increasing efficiency by sharing infrastructure. In 2021, we increased our proportion of energy sources from renewable energy (58%) over fossil fuels (42%) in conjunction with our IT infrastructure provider (see diagrams).

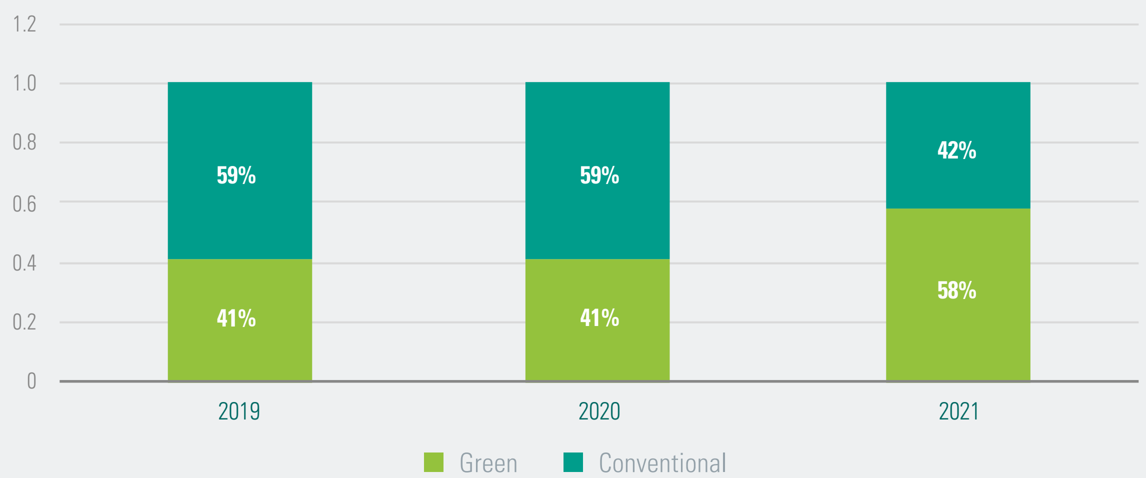
Green vs conventional energy CO_2 metric tons 2021



Data centre energy consumption (x 1.000)



CO_2 metric tons



Another aspect of our operations is how our firm functions, including our overall level of employee awareness about CSR-related topics. AACB believes that sustainability should be addressed by our entire organisation. To support this, we set up Sustainability Circles across our organisation, with representation from the business. These global and regional Sustainability Circles discuss developments, share information and agree actions and steps to keep sustainability on AACB agenda.

In 2021, we continued encouraging employees to learn more about sustainability topics from personal and professional perspectives. AACB's second Global Sustainability Week took place in September 2021. The programme included 15 sessions with the participation of industry representatives, clients, IT and Business Development. Each session addressed a different CSR topic and was attended by an average of 120 participants.

Preserving our planet

Part of our environmental approach involves reforestation to offset our carbon emissions. In partnership with Amsterdam-based tree-service firm Land Life Company, we directly engage staff working in Amsterdam, Chicago, Sydney and London via local planting events. In 2021, we were once again able to host a planting event in London. By the end of the 2021 planting season, AACB employees added to Land Life Company efforts by supporting the planting of 44,500 trees (10 different species) and restoration of 52 hectares of degraded land.

Impact numbers (rounded)

	2019	2020	2021	Total
Trees	2,000	40,500	44,500	87,000 trees
CO_2 captured over time	400	10,000	12,000	22,400 tCO_2
Restored land	3 ha	45 ha	52 ha	100 ha

Daniel Horvath and David McCoy - Chicago office.

Caring for our communities

Our social impact activities center on equal opportunities in society. As a company that is fully engaged with society, AACB is committed to fighting social inequality and pursuing diversity and equality for all. That is why we invest in the social environment in which we and our clients operate.

We advocate for those who need a helping hand to reach their potential, from disabled people in the job market to certain groups of children and young adults. In all of our regions, we support many charitable causes that range from poverty and hunger eradication to educational initiatives to medical research.

AACB encourages our employees worldwide to support community and charitable initiatives collectively and individually and sponsors staff volunteerism for various causes according to local labour agreements. In addition to employee tree planting as part of our Climate Impact Programme, other successful regional initiatives in 2021 included:

- **US (Chicago)**: a holiday gift drive for underprivileged children; fund-raising for a local food bank; and a charity golf event with clients, to support inner-city education. In total, more than USD 20,000 was raised for these local programmes, which represent only some of AACB Chicago's community-support efforts.
- **Europe**: fund-raising for an Amsterdam-area food bank raised EUR 6,000.

Influencing our industry

AACB aims to provide safe and transparent markets for future generations. We actively engage with our industry regarding sustainability and risks, and to advocate ethical principles of trade, access to markets, and sustainable products on stock exchanges. We also participate in product and market development for the energy transition, as well as in 90% of global energy markets.

In 2021, AACB continued engaging with regulators in all of our regions to provide input to consultations and participate in discussions on requirements. Similarly, we also contributed to forums, organised by, among others: World Federation of Exchanges, Deutsches Bundesbank, ECB, Federal Reserve Bank of Chicago, *Association for Financial Markets in Europe*, Eurex, Futures Industry Association, *Alternative Investment Management Association*, *Global Investor Group*, and *Chicago Mercantile Exchange*.

As a provider of access to more than 150 liquidity markets across the globe, and in order to generate liquidity and funding for the sustainability transition, in 2021, AACB continued to support the evolution of safe and transparent markets in Nigeria, Ghana and Ethiopia. Financial systems in those countries are being established by Frontclear, a financial-markets development company, for which AACB provides consultancy in kind. In 2021, this amounted to 92 hours, which as a result of Covid-19 was slightly less than in previous years. We also cooperated on a general curriculum for clearing and custodian practices.

Our **People**

Just as the previous year, 2021 was also challenging for AACB employees, with most continuing to work remotely. AACB staff nevertheless did their utmost to stay connected with one another and optimally service our clients and business in the ongoing virtual environment.

From home to hybrid working

Although 2020 left us with considerable experience for working remotely, Covid-19 kept confronting us about how we work and interact with one another, with clients, and with other stakeholders. Some employees became fully acclimated while others had difficulty with working at a distance.

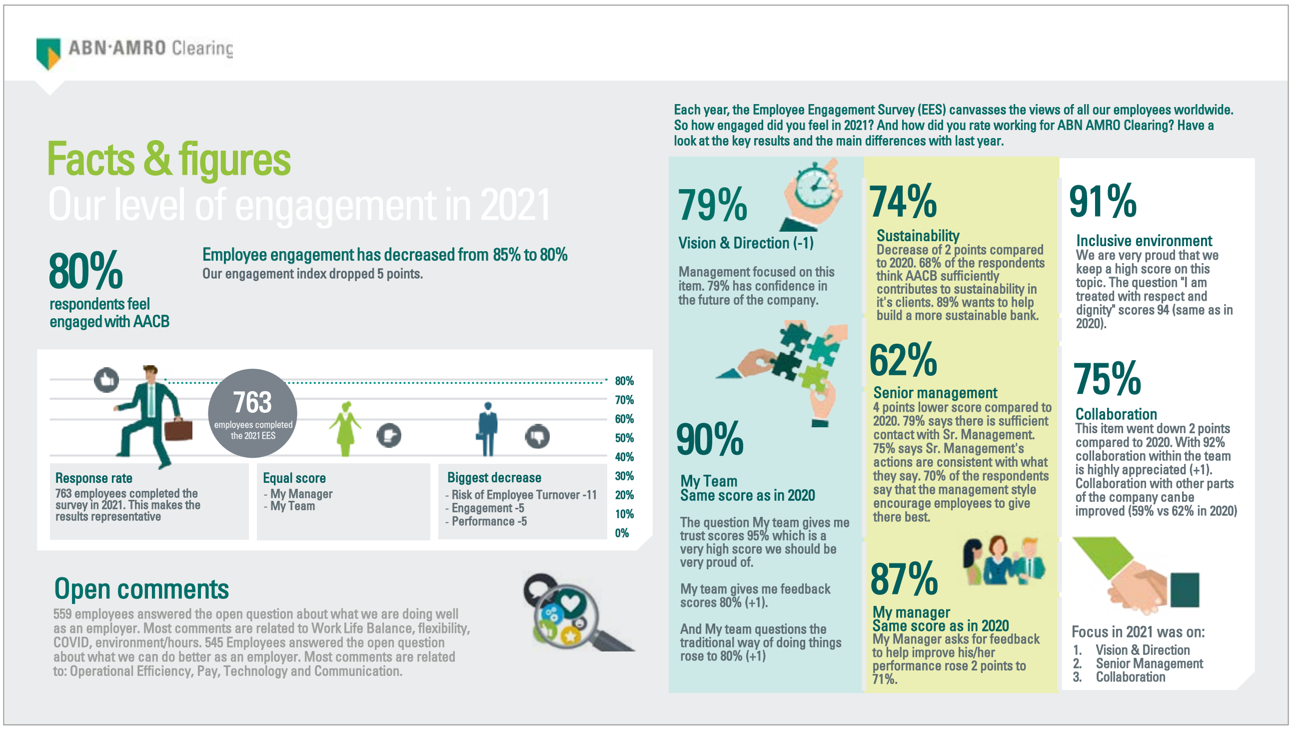
AACB continued to address employee needs throughout the year by creating opportunities for online interaction to facilitate closer global collaboration. This included online all-staff updates and Leadership and Management Team meetings, among others. As in 2020, online topical training and knowledge sessions on sustainability and strategy took place. A second online Global Sustainability Week was organised to increase awareness around sustainability throughout the AACB value chain.

Eventually, some face-to-face events were once again possible pending regional guidelines. For example, a summer barbecue in the Netherlands that saw record attendance.

Employee engagement

Our annual Employee Engagement Survey (EES) gathered global employee impressions for 15 focus areas such as inclusive environment, performance management, talent and development, leadership, vision and direction, among others. In 2021, 763 colleagues worldwide completed the survey, resulting in 80% overall engagement score – a 5% decrease as compared to 2020. Although our 2021 scores per area were comparable to those for 2020, 13 out of the 15 areas of the EES scored slightly lower than the previous year. The survey responses will help AACB to improve employee engagement, ultimately enhancing our added value for clients. Managers were therefore encouraged to survey results with their teams and incorporate staff feedback in future planning.

Britt Heemstra, Dennis Niezen - Amsterdam office.



Diversity and inclusion

AACB aims to create an environment in which all employees are given the opportunity and recognition needed to develop their talents. This in turn fosters our growth and client success.

Consequently, we support our aspiration of being an organisation in which employees with various profiles feel welcome and safe. In terms of women at the top and sub-top of AACB, we realised 24% at the top and 23% at the sub-top in 2021. The 2021 EES results also confirmed that AACB's inclusive environment is one of our key strengths: 91% of respondents reacted positively to questions regarding this topic. We are very proud to maintain such a high score in this area.

Ongoing staff development

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

In 2021, we continued the Global Clearing Talent Programme and Global IT Talent Programme. Recruitment and selection was primarily conducted virtually, while our graduate learning programme was once again conducted fully offline in the interest of personal connection. In addition, our Global Clearing Academy offered ongoing weekly workshops throughout the year given by and for employees. These covered a wide range of topics, including, among others, clients, products, services, risk, compliance, IT, and data.

During 2021, the kick off of the C15 Programme took place: for a period of 18 months a group of 15 colleagues from across our company will work together to challenge Senior Management teams, local management and global functions on the direction and success of ABN AMRO Clearing Bank.

Themed weeks

In addition to the general learning weeks that took place in March and September, we again organised thematic 'weeks', to ensure that both staff and clients could immerse themselves with information on specific topics.

In September 2021, an online Global Sustainability Week was organised to not only focus on our organisation but also support staff in helping clients to become more sustainable. The programme included numerous activities aimed at updating employees about sustainability developments within the industry as well as at improving sustainability at home and in the office. A Customer Experience week was organised in October 2021, to emphasise the importance of client focus and improved understanding of client needs. Both weeks included presentations by internal and external speakers, workshops, dilemma discussions, and fun challenges.

Commercial staff also gathered during our Summer- and Winter School. These provide biannual alignment of our commercial efforts, offering opportunities for learning and challenging one another as we continue to reinvent the customer experience.

Jan Danielewicz - Amsterdam office.

Risk Management

Our bank's risk appetite determines the level and nature of risk that AACB is willing to bear in order to pursue our strategy, taking all stakeholders into consideration. Risk management clarifies the use of risk capacity across various risk types, businesses and operating entities, and by doing so, optimises risk and return.

Risk appetite statement

AACB's risk appetite is aligned with a moderate risk profile. It takes into account all risk types of the risk taxonomy relevant for AACB, in particular, credit, market, operational, liquidity, regulatory and business risk. The risk-appetite statement limits AACB's overall risk-taking capacity across these risk types. It is monitored by benchmarking actual and expected risk profiles so that corrective actions can be defined if and when necessary.

This risk appetite statement is reviewed annually at a minimum and is approved by the Clearing Enterprise Risk Committee (CERC), the AACB Management Board and the AACB Supervisory Board.

Risk governance

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

Three Lines of Defence

1 1st Line of Defence Business lines and functions	2 2nd Line of Defence Risk Management	3 3rd Line of Defence Group Audit
Risk ownership	**Risk control & Oversight**	**Risk assurance**
Responsible for ▶ Delivering value-added services to clients ▶ Identifying and assessing, measuring, mitigating, monitoring and reporting the risk that it incurs ▶ Operating within risk appetite ▶ Acting in accordance with policies	Responsible for ▶ Setting the risk management framework and policies ▶ Monitoring, reporting, and escalating ▶ Providing expertise and challenge to 1st line ▶ Ensuring 1st line takes risk ownership	Responsible for ▶ Evaluating the design and effectiveness of governance, risk management and control processes ▶ Discussing with management on remediation and monitoring follow-up

1st Line of Defence - Business

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

2nd Line of Defence - Risk-control functions

The AACB Risk Management team is responsible for setting frameworks, drafting policies and processes, providing advice, risk monitoring, reporting on execution, and risk management and control for AACB. The second line ensures that the first line takes the appropriate amount of risk ownership. It has approval authority for credit proposals up to predefined thresholds as well as the authority to approve certain counterparties.

AACB comprises an independent risk organisation with oversight from ABN AMRO, and in alignment and within ABN AMRO policies and mandates. Formal responsibility for the management of AACB rests with the AACB Management Board and Supervisory Board. Clear accountability and end responsibility for 2nd Line of Defence risk management resides with the AACB Chief Risk Officer.

At AACB Management Board level, governance is organised by the CERC and the AACB Credit Committee. ABN AMRO oversight is maintained through regular meetings between the Chief Risk Officer and Risk Type Owners of both ABN AMRO and AACB and via the participation of ABN AMRO delegates in the CERC. Within AACB's risk-management framework three risk type owner roles are defined: Credit Risk, Market & ALM/Treasury Risk, and Information Security and Operational Risk.

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

Managing risks

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

AACB is not involved in any proprietary trading activities and therefore does not run direct market risk. Nevertheless, AACB can encounter indirect market risk as a result of clearing and financing activities.

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

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

Audited Relevant risk types

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

EUR billion	31 December 2021	31 December 2020
Total outstanding client credit facilities	35.57	33.28
Total utilisation	14.17	12.54
Of which: total debit cash utilisation	6.77	4.46
Of which: total short stock utilisation	7.40	8.08

AACB risk classifies each client. Clients with elevated risk could be classified as Watch or Default following an assessment of associated triggers. Increased risk classification does not always imply that AACB provisions for this increased risk. In 2021, AACB experienced no client defaults (2020: four) and therefore no default rate on overall outstanding credit lines of EUR 35.57 billion (2020: 33.28 billion). Included in the total unused client credit facilities are revocable credit lines amounting to EUR 22 billion (2020: EUR 20.2 billion) and irrevocable credit facilities amounting to EUR 0.1 billion (2020: EUR 0.6 billion).

Credit risk mitigation

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

No AACB client assets were past due as per 31 December 2021.

Clients

In order to manage credit risk exposure, AACB requires clients to deposit collateral. This is applicable for both financed and non-financed clients. Basically, credit exposure arises from the market risk in the portfolio of the client.

In case AACB (partly) finances the trading portfolio of a client (in this case called a financing client), the value of the collateral could reduce toward a level insufficient to meet the debt service requirements to AACB in case of adverse market moves.

The collateral requirement for non-financed clients stems from AACB's guarantee provided for these clients towards the exchanges and central counterparties. In case of an adverse market move, clients might not be able to meet variation and initial margin requirements of the central counterparty, which AACB then has to meet under the guarantee structure. AACB will pay for the immediate payment requirement, which might result in an uncovered claim of AACB towards the non-financed client.

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

AACB set limits to manage client credit risk exposure. In case of a financed client, a credit limit is approved and credit usage is monitored daily. This limit, together with other risk parameters, relates to the client portfolio and financial characteristics. In the event of a breach in any of

Roeland van Heijst, Leon Bystrykh, Michael Nijboer - Amsterdam office.

Liesbeth Meijs-Scheeren - Amsterdam office.

the relevant risk parameters, AACB asks clients to deposit additional collateral and/or reduce risk in their portfolios. AACB also has the contractual right to immediately seize and liquidate portfolios if clients fail to meet collateral requirements.

Counterparties

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

AACB risk managers ensure that AACB stays within these approved counterparty (monitoring) limits by means of daily monitoring and/or steering actions when needed. In accordance with procedures, counterparty exposure is monitored and managed effectively.

Offsetting financial assets and liabilities

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

Enforceable master netting agreements or similar instruments

Enforceable master netting agreements are concluded between the bank and clients, and take into account provisions that make netting and offsetting exercisable in the event of default. Furthermore, AACB may enter into master netting arrangements upon client request, such as derivative clearing agreements, global master repurchase agreements and global master securities-lending agreements, which also take into account provisions that make it possible to exercise netting and offsetting in the event of client default.

Systemic risk

Participants in the financial infrastructure are systemically relevant, as a failure of one component will simultaneously affect a large number of parties in the market. Systemic problems can arise if the functions of an affected component are not transferred to another (recovering) party in a timely manner. The ability to do so depends on the size of the activities and specific market characteristics. This includes local laws and legislation as well as participant contingency arrangements. As a clearing member, AACB is part of the financial infrastructure that interconnects various market participants. The financial infrastructure is regulated and intensively supervised by regulatory authorities. The market infrastructure includes CCPs to mitigate counterparty risk. Clearing members are required to pay initial margins to cover potential future exposure that a CCP runs on the positions of its clearing members. In addition to the paid-up margins, clearing members must also contribute to default funds (also known as guarantee funds).

In the event of clearing-member default – with losses greater than the initial margin and default contribution of the defaulting clearing member and exceeding the pre-funded own contribution of the CCP – the default contributions of other clearing members will be used to cover the losses. If these are depleted, there are one or more mandatory refinancing calls to each of the remaining clearing members up to prior default-fund contribution. Alternatively, the clearing member can in extreme cases forfeit membership. To a large extent, CCP clearing ensures that monetary losses as a result of clearing-member default are covered.

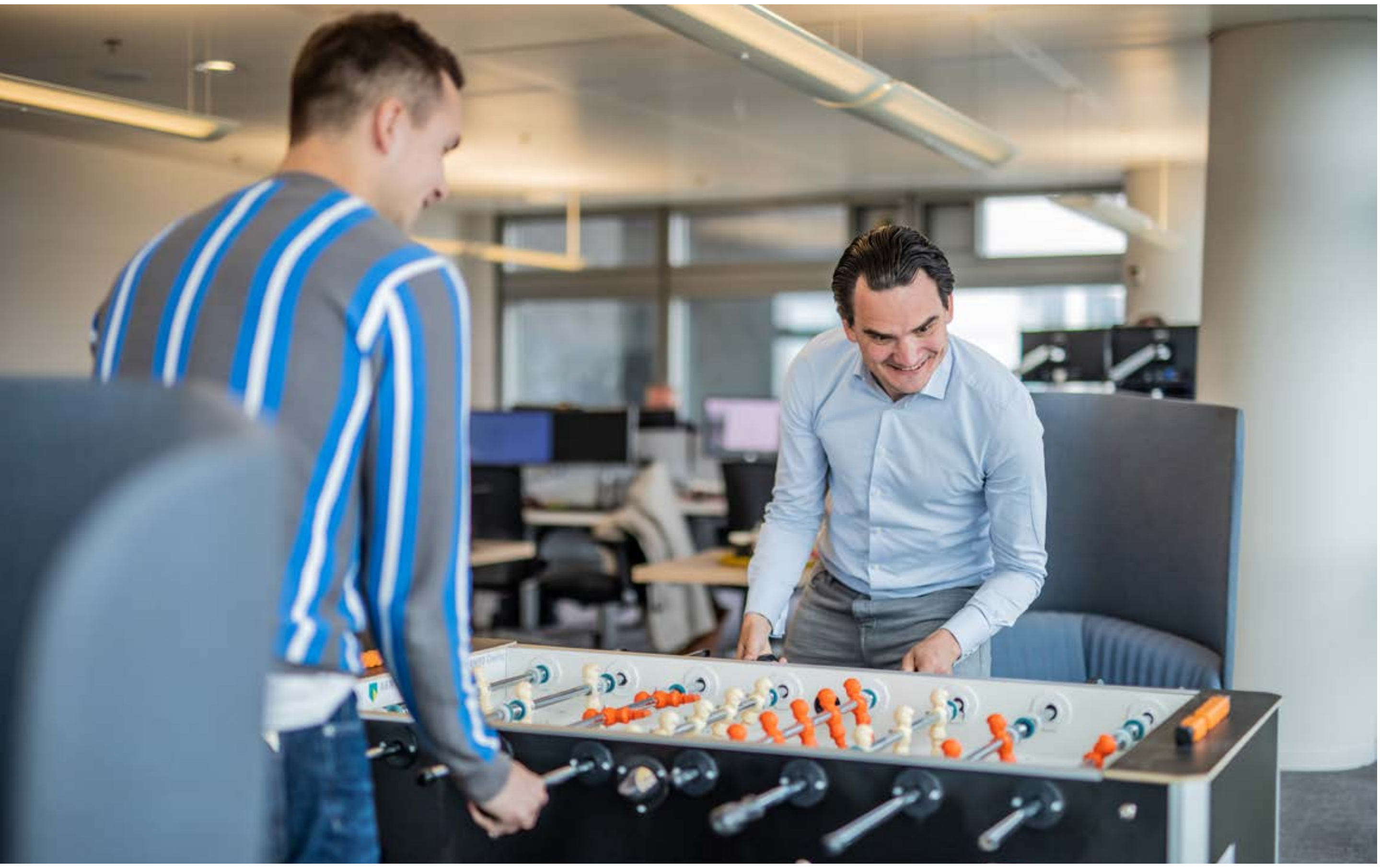
The following tables present the gross carrying amount of loans and the contractual amount of undrawn loan commitments, classified by internal rating and risk stage. In order to classify a client as Stage 2, several qualitative triggers are needed, which are not necessarily dependent on internal ratings. Reference is made to the credit risk management section for more information on internal ratings and stage determination. Standard supervisory methods are used for measurement of the exposure value of AACB's client portfolio. This exposure value is used for regulatory and internal risk-calculation purposes. In 2021, the approach AACB used for risk weights was the Standardised Approach (SA) for credit risk with regard to our client portfolio.

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

Zachary Gidding - Chicago office.

Internal rating scale mapped to external ratings

	UCR (internal rating)	Low PD%	High PD%	Standard & Poor's equivalent	Moody's equivalent	Fitch equivalent
Investment grade	UCR 1	0	0.03	AAA to A+	Aaa to Aa3	AAA to AA-
	UCR 2+	0.03	0.05	A+	A1	AA
	UCR 2	0.05	0.07	A	A1	A+
	UCR 2-	0.07	0.13	A-	A3	A
	UCR 3+	0.13	0.2	BBB+	Baa1	BBB+
	UCR 3	0.2	0.3	BBB	Baa2	BBB
	UCR 3-	0.3	0.46	BBB-	Baa3	BBB-
Sub-investment grade	UCR 4+	0.46	0.78	BB+	Ba1	BB+
	UCR 4	0.78	1.29	BB	Ba2	BB
	UCR 4-	1.29	2.22	BB-	B1	BB-
	UCR 5+	2.22	4.24	B+	B2	B
	UCR 5	4.24	8.49	B-	Caa1	B-
	UCR 5-	8.49	16.97	CCC/C	Caa2	CCC/C
	UCR 6+	16.97	100	CCC/C	Caa-C	CCC/C
Default	UCR 6-8			D	D	D



Aleksandr Suchanov, Yury Kondratyev - Amsterdam office.

Credit quality by internal rating scale mapped to stages

(x EUR 1,000)

	Internal rating scale	PD scale	UCR range	Stage 1	Stage 2	Stage 3	Total
Loans and advances banks							
	Investment grade	0.0000 - < 0.0346	1	270,980			270,980
		0.0346 - < 0.1265	2	297,597			297,597
		0.1265 - < 0.4648	3				
	Sub-investment grade	0.4648 - < 2.2249	4	49,752			49,752
		2.2249 - < 19.9706	5				
		16.9706 - < 100	6+	284			284
	Default	100	6-8				
Total Loans and advances banks				**618,613**			**618,613**
Corporate loans							
	Investment grade	0.0000 - < 0.0346	1	6,416,183	67,080		6,483,262
		0.0346 - < 0.1265	2	6,432			6,432
		0.1265 - < 0.4648	3				
	Sub-investment grade	0.4648 - < 2.2249	4				
		2.2249 - < 19.9706	5				
		16.9706 - < 100	6+				
	Default	100	6-8			5,214	5,214
Total Corporate loans				**6,422,615**	**67,080**	**5,214**	**6,494,908**
Other loans and advances							
	Investment grade	0.0000 - < 0.0346	1	14,594,852			14,594,852
		0.0346 - < 0.1265	2				
		0.1265 - < 0.4648	3				
	Sub-investment grade	0.4648 - < 2.2249	4				
		2.2249 - < 19.9706	5				
		16.9706 - < 100	6+				
	Default	100	6-8				
Total Other loans and advances				**14,594,862**			**14,594,852**
Loan commitments and financial guarantee contracts							
	Investment grade	0.0000 - < 0.0346	1	115,394			115,394
		0.0346 - < 0.1265	2				
		0,1265 - < 0.4648	3				
	Sub-investment grade	0.4648 - < 2.2249	4				
		2.2249 - < 19.9706	5				
		16.9706 - < 100	6+				
	Default	100	6-8				
Total Loan commitments and financial guarantee contracts				**115,394**			**115,394**
Total							
	Investment grade	0.0000 - < 0.0346	1	21,397,419	67,080		21,464,498
		0.0346 - < 0.1265	2	304,030			304,030
		0.1265 - < 0.4648	3				
	Sub-investment grade	0.4648 - < 2.2249	4	49,752			49,752
		2.2249 - < 19.9706	5				
		16.9706 - < 100	6+	284			284
	Default	100	6-8				
Total				**21,751,484**	**67,080**		**21,818,564**

Audited

Offsetting, netting, collateral and guarantees

(x EUR 1,000) — 31 December 2021

Assets	Carrying amount before balance sheet netting	Balance sheet netting with gross liabilities	Carrying amount	Master netting agreement	Collateral	Total risk mitigation	Surplus collateral	Received guarantees	Net exposure
Cash and balances at central banks	5,247,732		5,247,732						5,247,732
Financial assets held for trading	1,134		1,134						1,134
Financial investments	145,098		145,098						145,098
Securities financing	7,082,729		7,082,729	11,208	6,167,204	6,178,412	90,428		994,745
Loans and advances banks	618,613		618,613	71,518	926,573	998,091	923,326		543,848*
Corporate loans at amortised cost	6,494,908		6,494,908	1,722,264	15,223,445	16,945,709	10,516,072		65,271
Other loans and advances	14,594,862		14,594,862						14,594,862*
Other	140,140		140,140						140,140
Total assets	**34,325,216**	**-**	**34,325,216**	**1,804,990**	**22,317,223**	**24,122,212**	**11,529,826**	**-**	**21,732,830**
Financial guarantees given	34,340								34,340
Committed credit facilities	115,394								115,394
Total assets	**34,474,950**								**21,882,564**

Liabilities	Carrying amount before balance sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement	Collateral	Total risk mitigation	Surplus collateral	Received guarantees	Net amount
Securities financing	5,479,123		5,479,123	8,816					5,470,307
Due to banks	12,535,330		12,535,330	71,518					12,463,812
Due to customers	13,889,929		13,889,929	1,724,655					12,165,274
Other	918,036		918,036						918,036
Total liabilities	**32,822,418**	**-**	**32,822,418**	**1,804,990**	**-**	**-**			**31,017,428**

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

(x EUR 1,000) — 31 December 2020

Assets	Carrying amount before balance sheet netting	Balance sheet netting with gross liabilities	Carrying amount	Master netting agreement	Collateral	Total risk mitigation	Surplus collateral	Received guarantees	Net exposure
Cash and balances at central banks	1,051,540		1,051,540						1,051,540
Financial assets held for trading	22		22						22
Financial investments	432,063		432,063						432,063
Securities financing	8,008,080		8,008,080	2,383	6,679,004	6,681,387	112,617		1,439,310
Loans and advances banks	721,932		721,932	131,538	87,084	218,622	79,035		582,345*
Corporate loans at amortised cost	5,403,092		5,403,092	1,219,831	12,684,979	13,904,810	8,527,630		25,912
Other loans and advances	6,660,183		6,660,183						6,660,183*
Other	136,624		136,624						136,624
Total assets	**22,413,536**	**-**	**22,413,536**	**1,353,752**	**19,451,068**	**20,804,820**	**8,719,283**	**-**	**10,327,999**
Financial guarantees given	32,805								32,805
Committed credit facilities	570,135								570,135
Total assets	**23,016,476**								**10,930,939**

Liabilities	Carrying amount before balance sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement	Collateral	Total risk mitigation	Surplus collateral	Received guarantees	Net amount
Securities financing	778,359		778,359	799					777,560
Due to banks	11,016,675		11,016,675	131,538					10,885,137
Due to customers	9,000,566		9,000,566	1,221,415					7,779,151
Other	346,189		346,189						346,189
Total liabilities	**21,141,789**	**-**	**21,141,789**	**1,353,752**	**-**	**-**			**19,788,037**

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

Stress testing

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

- Internal risk analysis and monitoring: the outcome of stress testing is used for setting and monitoring risk appetite limits and checkpoints as well as for daily risk analysis purposes.
- Capital stress testing: stress testing is performed to gain insight into the resilience of our capital position under adverse changes in the economic environment and regulatory landscape, as well as into AACB-specific circumstances. As part of capital planning, this stress testing is performed semi-annually.
- Liquidity stress testing: various stress tests are performed on a regular basis (daily and quarterly) to determine the impact of market circumstances and client behaviour on AACB's liquidity position. In 2021, historical market-risk stress testing has been included as part of daily liquidity stress testing.
- The annual and quarterly stress testing of capital and liquidity, respectively, form an integral part of the regular internal capital and liquidity adequacy-assessment process (ICLAAP).

Credit risk capital

AACB's regulatory capital model ensures that client credit exposures are covered by sufficient capital. In relation to capital-requirement calculations, also known as risk weighted assets (RWAs), AACB has reverted to SA for the counterparty credit risk (CCR) part on the client side, which went into effect on June 2021, as described in Regulation (EU) No 575/2013 (CRR). In 2022, AACB will continue to report credit exposures accordingly.

Liquidity risk

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

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

Liquidity risk management

In general, liquidity risk management seeks to ensure that AACB can continue business activities under normal and adverse (market) conditions. Within AACB, liquidity risk management is an integral part of our business activities. Treasury, which is a central function within AACB (as part of Finance), is responsible for cash and funding management. AACB Treasury has several liquidity sources to manage AACB's funding needs. These include:

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

Liquidity risk management framework

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

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

This framework is designed to measure and monitor identified liquidity risks at the required frequency (intraday). It is implemented across AACB internationally. In order for our LRMF to remain up to date, AACB Finance (1st line) and AACB Global Market & ALM/T Risk (2nd line) analyse and stress test material contingency-liquidity situations that AACB experiences, so as to be aware of changes in AACB's liquidity risks. This is imperative for ensuring that the insights necessary for efficient decision-making are available. Moreover, it allows AACB to meet internal and external (regulatory) requirements at all times.

In 2021, LRMFs were strengthened, with regional CFPs being further developed and implemented, in close cooperation between the regions and AACB Global Market & ALM/T Risk. This ensures consistent LRMF implementation.

ILAAP

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

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

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

Monitoring liquidity risk

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

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

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

As of June 2021, AACB implemented the net stable funding ratio (NSFR) as a part of CRR II, which measures the stability of a bank's funding profile over a one-year time horizon and is complementary to the liquidity coverage ratio (LCR). This additional ratio has been actively managed by AACB Global Finance and monitored by AACB Global Market & ALM/T Risk, and has remained above regulatory limit.

To further strengthen AACB's liquidity risk monitoring, the Global Market & ALM/T Risk Management team developed and implemented a number of daily risk reports. These provide a comprehensive overview of market risk concentration as well as client behaviour trends, which underlie and drive AACB liquidity risk, and have enabled more-detailed insight into liquidity risk.

Liquidity-sensitivity gaps

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

Erkin Özdemir - Amsterdam office.

Audited Liquidity-sensitivity gap statement

(x EUR 1,000) — **31 December 2021**

	On demand	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and three years	Total
Cash and balances at Central banks	5,247,732						5,247,732
Financial assets held for trading	1,134						1,134
Financial investments	79,754		65,344				145,098
Securities financing assets	7,082,729						7,082,729
Loans and advances banks	471,530	147,082					618,613
Corporate loans	5,617,266	873,774	76	3,793			6,494,908
Other loans and advances	13,179,711		1,415,151				14,594,862
Other assets	136,882	893	2,366				140,140
Total assets	**31,816,736**	**1,021,749**	**1,482,938**	**3,793**			**34,325,216**
Securities financing liabilities	1,300,210					4,178,913	5,479,123
Due to banks	785,305	3,487,511		4,262,513		4,000,000	12,535,330
Due to customers	13,497,506	380,668	567	11,187			13,889,929
Issued debt						600,000	600,000
Other liabilities	309,248	164	3,427		5,198		318,036
Total liabilities	**15,892,269**	**3,868,343**	**3,995**	**4,273,701**	**5,198**	**8,778,913**	**32,822,418**
Net liquidity surplus / gap	**15,924,467**	**-2,846,594**	**1,478,943**	**-4,269,907**	**-5,198**	**-8,778,913**	**1,502,798**

(x EUR 1,000)							31 December 2020
	On demand	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and three years	Total
Cash and balances at Central banks	1,051,540						1,051,540
Financial assets held for trading	22						22
Financial investments	367,437		64,626				432,063
Securities financing assets	8,008,080						8,008,080
Loans and advances banks	721,932						721,932
Corporate loans	4,846,827	550,157	527	5,581			5,403,092
Other loans and advances	5,559,648		1,100,535				6,660,183
Other assets	134,226	507	1,891				136,624
Total assets	**20,689,712**	**550,664**	**1,167,579**	**5,581**			**22,413,536**
Securities financing liabilities	778,359						778,359
Due to banks	1,112,702	3,961,589	2,475,993	1,980,795	1,485,596		11,016,675
Due to customers	8,142,265	838,308	82	19,910			9,000,566
Issued debt			40,693				40,693
Other liabilities	303,197	381	1,919				305,496
Total liabilities	**10,336,522**	**4,800,278**	**2,518,688**	**2,000,704**	**1,485,596**		**21,141,789**
Net liquidity surplus / gap	**10,353,190**	**-4,249,615**	**-1,351,109**	**-1,995,123**	**-1,485,596**		**1,271,747**

Market risk

In 2021, AACB's synthetic product offering was established, for which AACB took on a trading book. As a result, AACB now maintains both a banking book and a trading book and is therefore subject to relevant solvency regulations. Consequently, market risk stemming from both books needs to be managed and monitored.

Market risk in the trading book

AACB's market risk within our trading book arises due to the synthetic portfolio swap offering for clients, resulting in insignificant market risk exposure for AACB. This market risk is tightly managed and is either fully hedged or insignificant: the equity exposure is fully hedged; the foreign exchange risk is fully hedged due to the matching currency funding; and the interest rate risk is insignificant due to the overnight term of the risk-free interest-rate index underpinning the product. As the market risk is flat, no market-risk-related capital requirements are generated. AACB applies the standardised method for market risk capital requirement calculation.

Market risk in banking book

Within the banking book, market risk for AACB principally arises in two areas of risk: foreign exchange risk and interest rate risk.

Foreign exchange risk

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

As AACB finances assets in matching currencies, the resulting FX risk is minimal. Furthermore, the FX risk borne as a result of day-to-day operating activities is mitigated by entering into FX transactions with other ABN AMRO companies. As a result, AACB's overall net open position in foreign currency is near zero. The foreign currency translation reserve presented in the statement of other comprehensive income relates to foreign currency translation exposure upon consolidation.

Introduction
Governance
Our Business
Risk Management
Financial Statements
Other Information

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

Interest rate risk

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

Capital risk

AACB is subject to the European capital regulation (CRD and CRR) and, therefore, is required to hold capital to cover financial risks. On a sub-consolidated basis, AACB must meet the minimum regulatory capital requirements expressed as a percentage of RWA.
For a more detailed breakdown of EU regulatory capital requirements, please refer to the ABN AMRO Bank Financial Statements.

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

Capital risk management

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

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

Capital risk monitoring

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

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

Florine van Benthem - Amsterdam office.

Contingency capital management

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

Regulatory risk

AACB operates in a highly regulated environment. Our home regulators are the ECB, DNB and AFM. Other AACB offices interact with local regulators such as the UK's Financial Conduct Authority, the Securities and Exchange Commission and Commodity Futures Trading Commission in the US, and Singapore's MAS, among others. AACB also deals with numerous exchanges and central clearing houses that mandate their own rules and regulations.

Local Compliance and Legal departments ensure compliance with regulations and liaise with regulators to safeguard AACB from regulatory risk. Our Global Regulatory Affairs department also actively engages with principal regulators and policymakers to protect our interests as well as those of our clients.

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

Operational risk

AACB is exposed to operational risk arising from business processes and IT infrastructure. Operational risk is the risk of losses resulting from inadequate or failed internal processes, systems or human error, caused by internal or external events. Some examples of operational risk are: wrongful execution of an order; fraud; litigation for legal non-compliance; natural disasters; and cybercrime.

Operational risk within AACB is monitored and controlled by three complementary departments, in line with ABN AMRO's three lines of defence model as described earlier under 'Risk governance'. AACB, like ABN AMRO, embedded a full operational-risk-control framework exposed to operational risk arising from business processes and information and IT security. This framework is aligned with the regulatory technical standards of the Advanced Measurement Approach (AMA) and based on best market practices. AACB does not apply AMA for capital calculation on a stand-alone basis.

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

Business continuity management

Availability of business processes is a key aspect for the internal and external operations of clearing activities. Therefore, business continuity management (BCM) is embedded throughout AACB and complies with ABN AMRO BCM policies and procedures and following the ISO 22301 standards.

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

Within AACB there is a strong focus on Information risk management, which captures both the IT risk like change management and IT operations (more internally focussed) as well as cyber security (more externally focussed). Safeguarding the availability of the infrastructure for our clients, as well as maintaining the confidentiality and integrity of the data, remains our main priority.

AACB is enhancing its Global Information risk control framework based on the National Institute of Standards and Technology to ensure continuous improvements of AACB's security best practices, in line with the involvement of AACB's infrastructure, key vendors and threat landscape. A recent worldwide event like Log4J showed how vulnerable the industry can be to cyber-threats, which calls for continuous improvements in one's cyber-security capability and expertise.

Main developments in capital position

As of June 2021, AACB has implemented SA-CCR, which has had a significant impact on the calculation of risk weighted assets and exposure at default, with both increasing materially. In turn, this is affecting the CET1 capital ratio.

Meilan Byrne - Sydney office.

(x EUR 1,000)	31 December 2021	31 December 2020
Capital		
IFRS capital	1,502,799	1,271,754
Composition of regulatory capital:		
- Common Equity Tier 1 (CET1)	1,486,468	1,262,523
Total regulatory capital	**1,486,468**	**1,262,523**
Total Risk Exposure Amount (RWA)	5,819,753	4,941,982
CET1 ratio	25.54%	25.55%
Fully loaded leverage ratio (SA-CCR)	7.0%	5.3%

(x EUR 1,000)	31 December 2021	31 December 2020
Geographic breakdown RWA		
Europe	59%	67%
US	27%	21%
APAC	13%	12%
Total	**100%**	**100%**

(x EUR 1,000)	31 December 2021	31 December 2020
RWA breakdown per counterparty		
Clients	54%	56%
Central counterparties (CCPs)	9%	10%
Other*	37%	34%
Third party exposures	100%	100%
AAB intra-group	0%	0%
Total	**100%**	**100%**

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

(x EUR 1,000)	31 December 2021	31 December 2020
Liquidity ratio's		
Liquidity Coverage Ratio (LCR)	>100%	>100%
Net Stable Funding Ratio (NSFR)	>100%*	>100%

*The NSFR is based on CRR II regulation since June 2021

Annual Financial Statements

Consolidated statements

Accounting policies

Notes

Company financial statements

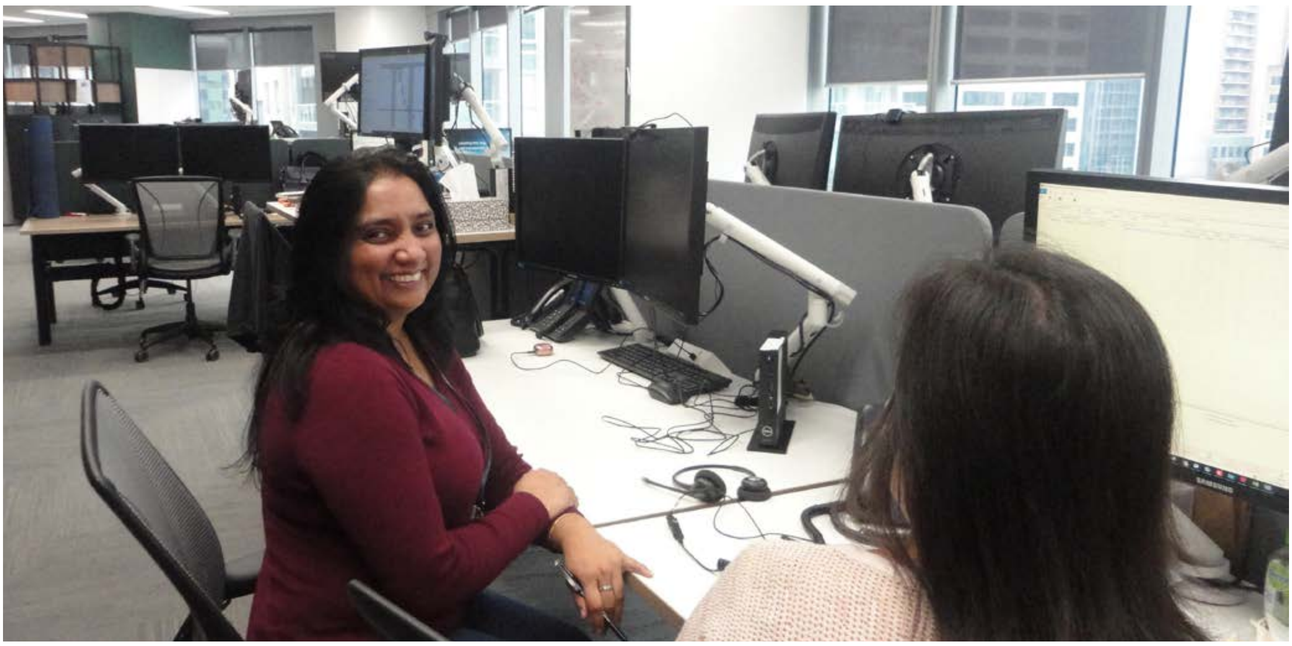
Consolidated income statement

(x EUR 1,000)	Note	2021	2020
Income			
Interest income calculated using the effective interest method		385,662	357,575
Interest expenses calculated using the effective interest method		171,821	176,329
Net interest income	1	**213,841**	**181,246**
Fee and commission income		412,595	399,808
Fee and commission expenses		111,781	105,324
Net fee and commission income	2	**300,814**	**294,484**
Share of result in equity accounted investments	3	9	82
Other operating income	4	13,012	4,366
Operating income		**527,676**	**480,178**
Expenses			
Personnel expenses	5	129,264	109,966
General and administrative expenses	6	171,380	167,547
Depreciation and amortisation of (in)tangible assets	7	6,894	9,239
Operating expenses		**307,538**	**286,752**
Impairment charges on financial instruments	8	556	205,797
Total expenses		**308,094**	**492,549**
Operating profit / (loss) before taxation		**219,582**	**-12,371**
Income tax expense	9	47,512	-26,656
Profit (loss) for the year		**172,070**	**14,285**
Attributable to:			
Owner of the company		172,070	14,285

Introduction Governance Our Business Risk Management Financial Statements Other Information

Consolidated statement of comprehensive income

(x EUR 1,000)	Note	2021	2020
Profit for the period		**172,070**	**14,285**
Other comprehensive income:			
Items that will not be reclassified to the income statement			
Income tax relating to items that will not be reclassified to the income statement	29	340	1,405
Items that will not be reclassified to the income statement after taxation		**340**	**1,405**
Items that may be reclassified to the income statement			
(Un)realised gains/(losses) currency translation	29	58,612	-56,458
(Un)realised gains/(losses) fair value through OCI	29	-4	34
Other comprehensive income for the period before taxation		**58,608**	**-56,424**
Income tax relating to items that may be reclassified to the income statement	29	32	-4,292
Other comprehensive income for the period after taxation		**58,640**	**-60,716**
Total comprehensive income/(expense) for the period after taxation		**231,050**	**-45,026**
Total comprehensive income attributable to:			
Owner of the company		**231,050**	**-45,026**



Jyotika Suryakant, Jenny Tran - Sydney office.

Introduction
Governance
Our Business
Risk Management
Financial Statements
Other Information

Consolidated statement of financial position

Before profit appropriation

(x EUR 1,000)	Note	31 December 2021	31 December 2020
Assets			
Cash and balances at central banks	10	5,247,732	1,051,540
Financial assets held for trading	11	1,134	22
Financial investments	12	145,098	432,063
Securities financing	14	7,082,729	8,008,080
Loans and advances banks	15	618,613	721,932
Corporate loans at amortised cost	16	6,494,908	5,403,092
Other loans and advances	16	14,594,862	6,660,183
Equity accounted investments	19	267	251
Property and equipment	20	20,789	22,150
Intangible assets	21	1,734	1,938
Tax assets	22	70,999	65,928
Other assets	23	46,351	46,357
Total assets		**34,325,216**	**22,413,536**
Liabilities			
Securities financing	14	5,479,123	778,359
Due to banks	24	12,535,330	11,016,675
Due to customers	25	13,889,929	9,000,566
Issued debt	26	600,000	40,693
Provisions	27	322	2,245
Tax liabilities	22	38,598	31,449
Other liabilities	28	279,116	271,802
Total liabilities		**32,822,418**	**21,141,789**
Equity			
Share capital		15,000	15,000
Share premium		5,363	5,363
Other reserves (incl. retained earnings/profit for the period)		1,425,509	1,253,439
Accumulated other comprehensive income		56,927	-2,054
Equity attributable to owner of the company	**29**	**1,502,799**	**1,271,748**
Total Equity		**1,502,799**	**1,271,748**
Total Liabilities and Equity		**34,325,217**	**22,413,537**
Committed credit facilities	30	115,394	570,135
Commitments and contingent liabilities	30	40,072	37,400

Consolidated statement of changes in equity

(x EUR 1,000)

			Other reserves		Accumulated other comprehensive income (note 30)			
	Share capital	Share Premium	Retained earnings	Unappropriated result of the year	Fair value reserve	Currency translation reserve	Net investment hedging reserve	Total Equity
Balance at 1 January 2020	**15,000**	**55,363**	**1,128,681**	**111,590**	**-40**	**106,775**	**-49,478**	**1,367,892**
Total comprehensive income				14,285	29	-60,745	1,405	-45,026
Transfer		-50,000	111,590	-111,590				-50,000
Other			-1,118					-1,118
Balance as at 31 December 2020	**15,000**	**5,363**	**1,239,153**	**14,285**	**-11**	**46,030**	**-48,073**	**1,271,748**
Balance at 1 January 2021	**15,000**	**5,363**	**1,239,153**	**14,285**	**-11**	**46,030**	**-48,073**	**1,271,748**
Total comprehensive income				172,070	-3	58,643	341	231,051
Transfer			14,285	-14,285				-
Other								0
Balance as at 31 December 2021	**15,000**	**5,363**	**1,253,438**	**172,070**	**-14**	**104,673**	**-47,732**	**1,502,799**

Brian Ciborowski - Chicago office.

Consolidated statement of cash flows

(x EUR 1,000)	Note	2021	2020
Profit after taxation		**172,070**	**14,285**
Adjustments on non-cash items included in profit:			
Net (un)realised gains/losses		-2,484	471
Income of equity associates and partnerships	3	-9	-82
Depreciation, amortisation of (in)tangible assets	7	6,894	9,239
Provisions and impairments		-1,374	206,464
Income tax expenses	9	47,512	-26,656
Other non cash adjustments		-199	
Changes in operating assets and liabilities:			
Loans and advances banks		2,576	4,817
Corporate loans		-939,272	1,080,065
Other loans and advances		-7,732,782	-1,920,291
Financial instruments held for trading and securities transactions		4,494,428	-1,127,779
Due to banks		1,508,036	1,349,160
Due to customers		4,683,608	1,158,695
Net changes in all other operational assets and liabilities		1,029,196	195,628
Income taxes paid		-42,204	-15,117
Cash flow from operating activities		**3,225,996**	**928,899**
Investing activities:			
Purchases of financial investments	12	-8,646	-9,589
Proceeds from sales, maturities and redemptions	12	320,256	57,078
Dividend from financial investments	12	3,877	796
Purchases of property and equipment	20	-525	-395
Sale of property and equipment	20	6	
Purchases of other (in)tangible assets	21	-753	-3,111
Other changes		-10,000	
Cash flow from investing activities		**304,215**	**44,779**
Financing activities:			
Issuance of debt certificates	26	600,000	43,798
Payment of debt certificates	26	-42,278	-60
Payment of lease liabilities		-3,508	-3,486
Payment of capital contribution			-50,000
Cash flow from financing activities		**554,214**	**-9,748**
Net increase (decrease) of cash and cash equivalents		**4,084,425**	**963,930**
Cash and cash equivalents as at 1 January		**1,726,013**	**778,016**
Effect of exchange rate variance on cash and cash equivalents		11,052	-15,933
Cash and cash equivalents as at 31 December	**33**	**5,821,490**	**1,726,013**
Supplementary disclosures of operating cash flow information			
Interest income received		379,577	358,889
Interest expense paid		-166,384	-174,427

The cash position increased with EUR 4.1 billion, including EUR 11.1 million related to foreign currency translation differences. The non-cash activities were mostly impacted by movements in the fair value reserves, depreciation and amortization and provisions. The operating activities fluctuated as a result of changes in securities financing and due to customers and banks. The variance in the investing activities was mostly attributable to the sale of financial investments, primarily government bonds. And the financing activities changed as a result of lease payments and the issuance and payment of debt certificates.

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

Accounting policies

The Annual Financial Statements were prepared by the Management Board and authorised for issue by the Supervisory Board and Management Board on 17 May 2022.

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

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

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

Statement of compliance

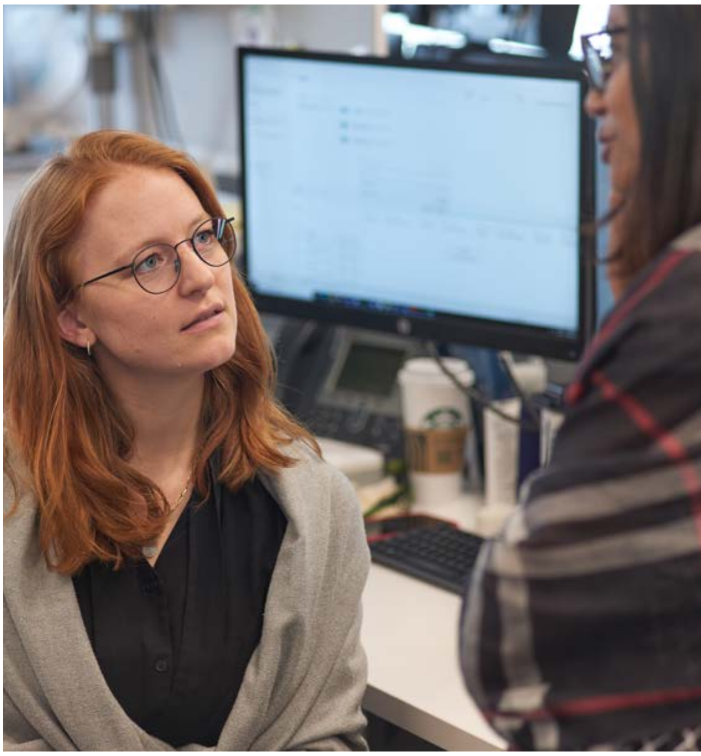
The consolidated Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). They also comply with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code, as far as applicable.

Basis of presentation

The Consolidated Annual Financial Statements are prepared on a historical cost basis, except for derivative financial instruments, financial assets and liabilities held for trading or designated as measured at fair value through profit or loss, financial instruments not held in a 'hold to collect' business model, debt instruments that do not meet the solely payments of principal and interest (SPPI) test, and equity investments in associates of a private equity nature, all of which are measured at fair value. Associates and joint ventures are accounted for using the equity method.

Management has considered the consequences of Covid-19 and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon the bank's ability to continue as a going concern.

Marleen Meier and Sharmin Islam - Chicago office.



Introduction
Governance
Our Business
Risk Management
Financial Statements
Other Information

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

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

Disclosures

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

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

Certain of the disclosures in the Risk Management section on pages 43 to 57 are labelled as 'audited'. These disclosures are an integral part of the Consolidated Annual Financial Statements and are covered by the Audit opinion.

Changes in accounting policies

The following new standards were endorsed by the EU and became effective for the reporting period beginning 1 January 2021.

- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9

Only the amendments related to the Interest Rate Benchmark Reform have resulted in a change in ABN AMRO's accounting policies.

Interest Rate Benchmark Reform

In response to the IBOR reform, the IASB has issued two sets of amendments to IFRS Standards. The amendments provide practical relief for companies from certain requirements when changes are made to contractual cash flows or hedging relationships because of IBOR reforms, and provide additional disclosure requirements. With effect from 1 January 2020, AACB applies the first set of amendments made to IFRS 9, IAS 39 and IFRS 7 that address the pre-replacement phase or phase 1 issues introduced by the IBOR reform. The phase 1 amendments allow a company to apply temporary reliefs to all hedging relationships that are directly affected by the IBOR reform. Applying the relief prevents the disruption of hedging relationships as a result of uncertainty caused by the IBOR reform. The adoption of the amendments has not resulted in any impact on profit or loss or on the statement of financial position. In August 2020, the IASB issued the second set of amendments to address the issues caused by the replacement phase of the IBOR reform. Amendments have been made to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The phase 2 amendments took effect on 1 January 2021 and are applied by ABN AMRO as of that date. These amendments focus on replacement issues, i.e. when an interest rate benchmark is replaced with an alternative, and comprise reliefs regarding to accounting for changes and hedge accounting.

While AACB operates in global financial markets, the majority of its financial instruments are linked to the euro area key interest rate benchmarks EONIA and EURIBOR. EONIA is being replaced by €STR and was discontinued on 3 January 2022. Since October 2019, EONIA has been calculated as €STR plus a fixed spread of 8.5 basis points. EURIBOR has been calculated using a hybrid methodology since 2019 and will not be reformed in the short-term. The IBOR reform in the euro area did not affect the basis of contractual cash flows or hedging relationships in 2021. Other key financial benchmarks are also being reformed, most notably the London InterBank Offered Rates (LIBOR) in the five LIBOR currencies: USD, GBP, EUR, JPY and CHF. In March 2021, it was announced by the administrator of LIBOR and the FCA that LIBOR would not be published after 31 December 2021. This applies with the exception of USD LIBOR, which is expected to be phased out after 30 June 2023.

Introduction
Governance
Our Business
Risk Management
Financial Statements
Other Information

New standards, amendments and interpretations not yet endorsed

In February and May 2021, the International Accounting Standards Board issued a number of amendments to existing standards, which are to take effect on 1 January 2023. The standards amended are IAS 1 Presentation of Financial Statements, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and IAS 12 Income Taxes. The amendments have not yet been endorsed by the EU and are therefore not open to early adoption. The expected impact of these changes on the consolidated financial statements is insignificant.

Critical accounting estimates and judgements

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

- Impairments of Financial investments – Notes 8 and 17
- Income tax expense, tax assets and tax liabilities – Notes 9, 22 and 29
- Fair value of financial instruments – Notes 13 and 17
- Provisions – Note 27

Assessment of risks, rewards and control

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

Significant accounting principles

Basis of consolidation

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

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

Name	Entitlements	Established in the year	Consolidated in the year	Place registered office	Country
ABN AMRO Clearing Chicago LLC	100%	1994	2009	Chicago	United States
ABN AMRO Clearing Hong Kong Ltd	100%	1995	2008	Hong Kong	Hong Kong
ABN AMRO Clearing Sydney Pty Ltd	100%	1998	2008	Sydney	Australia
ABN AMRO Clearing Bank London Branch	N/A	2004	2004	London	United Kingdom
ABN AMRO Clearing Singapore Pte Ltd	100%	2005	2005	Singapore	Singapore
ABN AMRO Clearing Tokyo Co Ltd	100%	2007	2007	Tokyo	Japan
ABN AMRO Clearing Bank Singapore Branch	N/A	2009	2009	Singapore	Singapore
ABN AMRO Clearing Investments BV	100%	2014	2014	Amsterdam	The Netherlands
ABN AMRO Clearing Bank London Ltd	100%	2018	2018	London	United Kingdom

Srivathsa Rao, Prasenjit Hazarika - Sydney office.

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

Foreign currency

AACB applies IAS 21, The Effect of Changes in Foreign Exchange Rates. Transactions in foreign currencies are translated into euros at the rate prevailing on the transaction date. Foreign currency balances of monetary items are translated into euros at the period end exchange rates. Exchange gains and losses on such balances are recognised in the income statement.

The Consolidated Financial Statements are stated in euros, which is the presentation and functional currency of AACB. AACB's foreign operations could have different functional currencies. The functional currency is the currency that best reflects the economic substance of the underlying event and circumstances relevant to that entity. Prior to consolidation, the assets and liabilities of non-euro operations are translated at the closing rate and items of the income statement and other comprehensive income are translated into euros at the rate prevailing on the transactions dates. Exchange differences arising on the translation of foreign operations are included in the currency translation reserve within equity.

These are transferred to the income statement when AACB loses control, joint control or significant influence over the foreign operation.

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

	Rates at year end		Average rates	
	2021	2020	2021	2020
1 Euro =				
Pound Sterling	0.84	0.90	0.86	0.89
Singapore Dollar	1.53	1.62	1.59	1.57
Japanese Yen	130.43	126.64	129.87	121.82
Hong Kong Dollar	8.84	9.53	9.19	8.85
Australian Dollar	1.56	1.59	1.57	1.66
US Dollar	1.13	1.23	1.18	1.14

Financial assets and liabilities

Classification and measurement of financial assets

Financial assets are classified based on the business model in which they are held with IFRS 9. The business model is determined at a portfolio level. Portfolios are based on how AACB as a group manages financial assets in order to achieve a particular business objective.
The business model assessment is based on the level of sales, risk management, performance evaluation, and management compensation. Derecognition is used as condition in order to determine whether a transaction results in a sale.

Three business models are distinguished:

- A ‘hold to collect’ business model, in which cash flows are primarily generated by collecting contractual cash flow until maturity of the financial instrument. Sales can occur, as long as they are incidental, infrequent and insignificant. The assessment of frequency and significance of sales is determined based on comparison with sales in the underlying portfolio. Sales that result from increases in credit risk of the counterparty or take place close to maturity do not contradict the ‘hold to collect’ business model.
- A ‘hold to collect and sell’ business model, in which the selling of financial assets is integral to achieving the business objective. In this business model, sales take place more frequently and have a greater value than in a business model with an objective to hold to collect.
- ‘Other’ business models not meeting the criteria of the business models mentioned before, for example business models in which financial assets are managed with the objective of realising cash flows through sales (trading book) are managed on a fair value basis. Under these business models, the financial assets are measured at FVTPL.

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

Based on the business model determined and the SPPI assessment, the following measurement categories are identified under IFRS 9:

- Amortised cost - Financial instruments measured at amortised cost are debt instruments within a hold to collect business model with fixed or determinable payments which meet the SPPI criteria.

Oscar Calderon and Ethan Brown - Chicago office.

  These instruments are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest rate method, with the periodic amortisation recorded in the income statement. This category includes financial instruments reported in Cash and balances at central banks, Securities financing and Loans and advances. Financial instruments at amortised cost are presented net of credit loss allowances in the statement of financial position.
- FVTPL - Financial instruments measured at FVTPL include instruments held for trading, derivatives, equity instruments for which the FVOCI option has not been elected and instruments whose cash flows do not meet the SPPI requirements. Changes in the fair value of these instruments are directly recognised in the income statement. FVTPL instruments are reported

in Financial assets held for trading, Derivatives, Financial investments and Corporate loans.
- FVOCI - Financial instruments measured at FVOCI are debt instruments which are held in a 'hold to collect and sell' business model and which meet the SPPI criteria. They are initially measured at fair value, with subsequent unrealised changes recognised in other comprehensive income. Equity instruments for which the fair value option is elected are also measured at FVOCI. FVOCI instruments are reported in Financial investments, of which the majority is measured in this category.

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

Classification of assets and liabilities held for trading

In both the current and prior reporting period a financial asset or financial liability is classified as held for trading if it is:
- Acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- A trading derivative (except for a derivative that is a designated and effective hedging instrument).

Classification and measurement of financial liabilities

Financial liabilities are initially recognised at their fair value. Under IFRS 9, financial liabilities are classified as subsequently measured at amortised cost, except for the following instruments:
- Financial liabilities held for trading are measured at fair value through profit or loss;
- Financial liabilities that AACB has irrevocably designated at initial recognition as held at fair value through profit or loss when the instruments are held to reduce an accounting mismatch are managed on the basis of their fair value or include terms that have derivative characteristics in nature.

Under IFRS 9, the changes in fair value attributable to changes in the credit risk of financial liabilities designated at FVTPL are presented in other comprehensive income. The cumulative amount of changes in fair value attributable to credit risk of such liabilities is presented as liability own credit risk reserve in equity.
Financial liabilities are never reclassified after initial recognition.

Recognition and derecognition

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

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

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

If the modification of the financial asset does not result in derecognition, the gross carrying amount of the financial asset is recalculated, based on the present value of the renegotiated or modified contractual cash flows, discounted at the financial asset's original effective interest rate. The effect will be recognised and disclosed as a modification loss in the income statement. Credit related modification gains or losses (i.e. due to forbearance measures) are recognised in the income statement and presented under impairment charges on financial instruments. Non-credit related modification gains or losses are recognised in the income statement and presented under interest income calculated using the effective interest method.

Financial liabilities are derecognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms, qualitatively and quantitatively (a 10% difference in the present value of the cash flows) is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the former amortised cost and the consideration paid is recognised in the income statement. Any subsequent resale is treated as a new issuance.

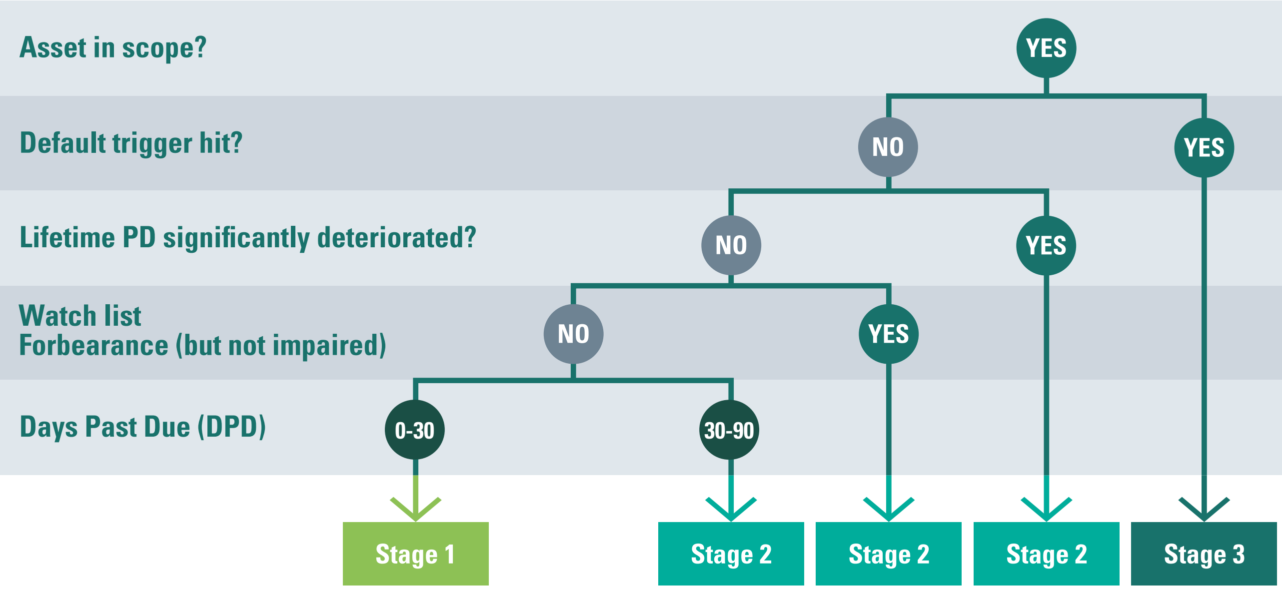
Impairments

AACB recognises loss allowances based on the Expected Credit Loss model (ECL) of IFRS 9, which is designed to be forward-looking. The IFRS 9 impairment requirements are applicable to financial assets measured at amortised cost or fair value through other comprehensive income (FVOCI), loans commitments and financial guarantee contracts. These financial instruments are divided into three groups, depending on the stage of credit quality deterioration:

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

AACB has chosen to apply the same default definition under IFRS 9 as it has always used for credit risk management purposes. A default is considered to have occurred when the counterparty is past due by more than 90 days on any material financial credit obligation to the bank; or the bank considers the borrower to be unlikely to meet its contractual obligations. When a financial instrument meets one of the following qualitative trigger, the bank transfers the instrument to stage 2:

- Watch status of a borrower. AACB assigns the watch status to individual counterparties with an increased risk. This process allows for intensive monitoring, early detection of deterioration in the credit portfolio and appropriate follow-up measures.
- Forborne status of a borrower.
- The client has become non-performing (but is not in default).
- A delinquency-based regulatory backstop is in place, such that the credit risk of financial assets that are more than 30 days past due will be assumed to have significantly increased.



Calculation method

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

Individual LECL for credit-impaired (stage 3) financial. If significant doubts arise regarding a client's ability to meet its contractual obligations and/or one of the default triggers is met. And;
12M ECL and LECL for (stage 1, 2 and 3) financial instruments are individually assessed for impairment losses. AACB has introduced new models to quantify the Probability of Loss (PL), Loss Given Loss (LGL) and Exposure at Loss (EAL) for calculating the individual 12M ECL and LECL for these financial assets. The stage is determined per individual financial instrument.Due to the short term and nature of the exposures and the collateralised business model, a credit loss allowance is only calculated on the exposure related to Nostro accounts and debt securities at fair value through OCI and the 12M ECL and LECL are assumed to be equal.

Lifetime expected credit loss

AACB defines the lifetime of credit as the maximum contractual period over which the bank is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice. For some contracts, such as overdraft facilities or credit cards, no end date is specified or amounts can be contractually withdrawn by the lender at short notice. In these cases, AACB uses behavioural maturity models that rely on historical client behaviour to determine future expected exposures.

Forward-looking information

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

Tim Connors and Jim Gregory - Chicago office.

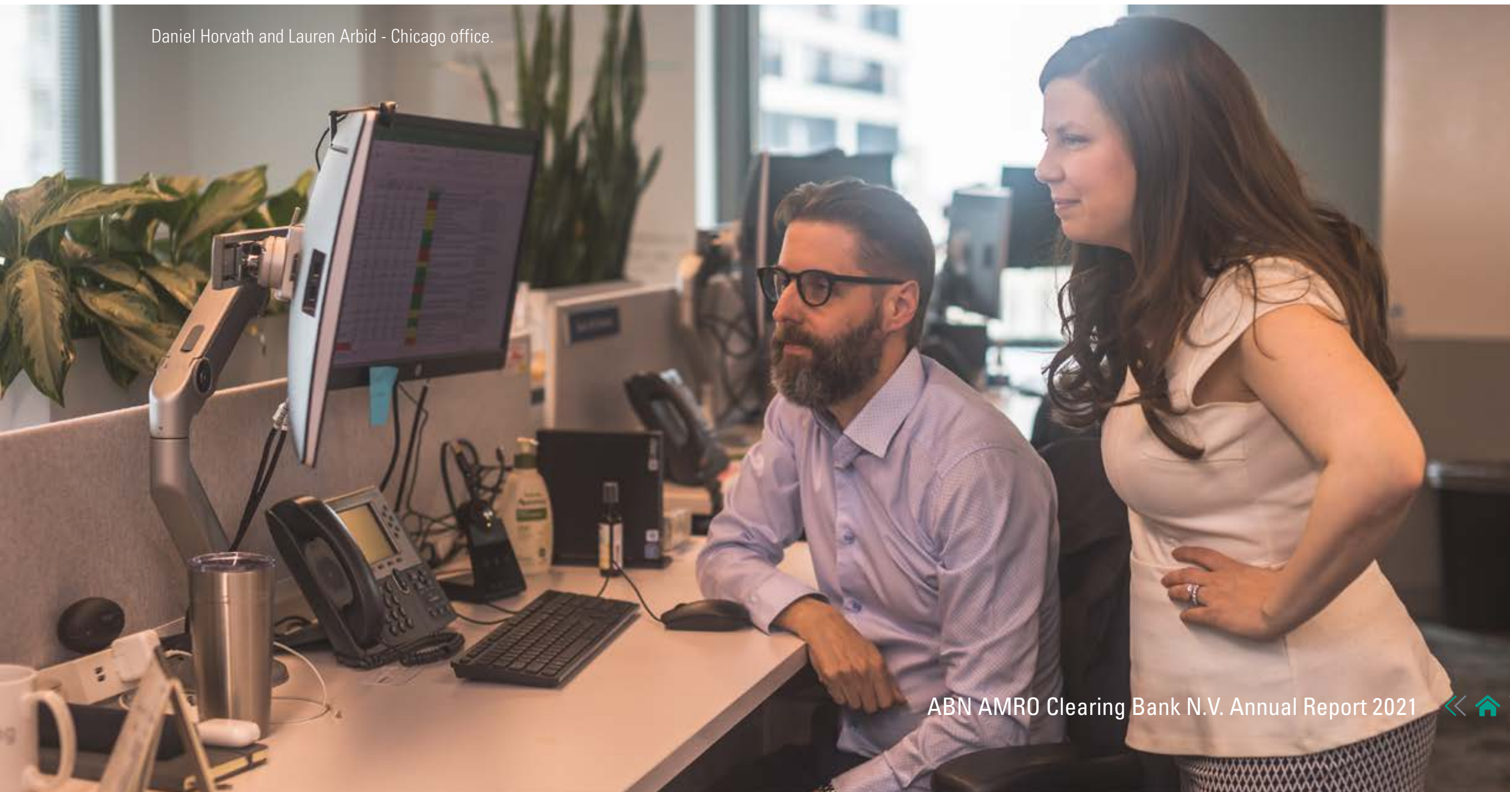
Change in credit quality since initial recognition

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

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

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

For the purpose of scenario analysis, the forecasts are extended to a five-year period. It is assumed that MEVs gradually move to their potential or equilibrium values


Daniel Horvath and Lauren Arbid - Chicago office.

Introduction
Governance
Our Business
Risk Management
Financial Statements
Other Information

after the second year. For each specific portfolio, a selection of variables is made for calculating the expected credit loss, based on statistical relevance and expert judgment.

Non-performing versus default and impaired

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

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

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

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

Cured financial assets

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

Write-off

A loan is written off against the related loan loss allowance if the likelihood of repayment falls below a certain point or the financial asset reaches a certain stage of delinquency.
- For non-programme lending, a write-off must be taken if all possible means of recovery have been exhausted and it has become clear that there is a low probability of recovering the debt, either in part or full.
- Most of the programme lending facilities are automatically written-off after 1,080 days in default.

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

Client clearing derivatives

As a general clearing member, AACB provides clearing and settlement services to its clients for, among other things, exchange traded derivatives (ETDs).

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

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

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


Martijn Boots - Amsterdam office.

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

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

Overview of financial assets and liabilities by measurement base

(x EUR 1,000)					31 December 2021
	Amortised cost	Fair value through profit or loss - trading	Fair value through profit or loss - other	Fair value through other comprehensive income	Total
Financial Assets					
Cash and balances at central banks	5,247,732				5,247,732
Financial assets held for trading		1,134			1,134
Financial investments			57,717	87,381	145,098
Securities financing	7,082,729				7,082,729
Loans and advances banks	618,613				618,613
Corporate loans	6,494,908				6,494,908
Other loans and advances	14,594,862				14,594,862
Total financial assets	**34,038,844**	**1,134**	**57,717**	**87,381**	**34,185,076**
Financial Liabilities					
Securities financing	5,479,123				5,479,123
Due to banks	12,535,330				12,535,330
Due to customers	13,889,929				13,889,929
Issued debt	600,000				600,000
Total financial liabilities	**32,504,382**				**32,504,382**

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

Notes

Notes to the consolidated income statement

1. Net interest income and interest expense

Accounting policy for net interest income and interest expense

Interest income and expenses is recognised in the income statement on an accrual basis for financial instruments using the effective interest rate method, except for those financial instruments measured at fair value through profit or loss. The effective interest rate method allocates interest, amortisation of any discount or premium, or other differences including transaction costs and qualifying fees and commissions over the expected lives of the assets and liabilities. The effective interest rate is the rate that exactly discounts estimated future cash flows to the net carrying amount of the asset.

Interest paid on assets with a negative interest yield is classified as interest expense. Interest received from liabilities with a negative interest yield is classified as interest income.

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

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

(x EUR 1,000)	2021	2020
Interest Income		
Of the interest income items the following amounts were related to:		
Interest income from ABN AMRO group companies	48,874	38,032
Interest income from third party customers/banks	336,788	319,543
Total interest income	**385,662**	**357,575**

The interest income of 2021 includes an amount of EUR 228 thousand (2020: EUR 464 thousand) concerning financial instruments that are at fair value through other comprehensive income. The remaining EUR 385,433 thousand (2020: EUR 357,111 thousand) relates to financial instruments carried at amortised cost. No interest income amounts relate to financial instruments measured at fair value through profit or loss.

	2021	2020
Interest Expense		
Of the interest expense items the following amounts were related to:		
Interest expense to ABN AMRO group companies	35,130	55,206
Interest expense to associates		3,285
Interest expense to third party customers/banks	136,691	117,838
Total interest expense	**171,821**	**176,329**

All interest expense amounts in 2021 and 2020, relate to financial instruments carried at amortised cost. No interest expense amounts relate to financial instruments measured at fair value through profit or loss.

	2021	2020
Net interest income	**213,841**	**181,246**

2. Net fee and commission income

Accounting policy for net fee and commission income

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

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

(x EUR 1,000)	2021	2020
The components of net fee and commission income are:		
Net fees and commissions related to payment services	-6,968	-3,939
Net fees and commissions related to securities and derivatives	307,644	298,356
Other net fees and commissions	138	67
Total net fee and commission income	**300,814**	**294,484**
Of the net fees and commissions item, the following amounts were with:		
Net fee and commission with ABN AMRO group companies	746	1,441
Net fee and commission with associates		-931
Net fee and commission with third party customers/banks	300,068	293,974
Total net fee and commission income	**300,814**	**294,484**

All fee and commission amounts in 2021 and 2020 relate to financial instruments carried at amortised cost and fair value through profit or loss.

3. Share of result in equity accounted investments

(x EUR 1,000)	2021	2020
Total realised result on equity accounted investments	**9**	**82**

Refer to note 19 for more information on the equity accounted investments.

4. Other operating income

Accounting policy for other operating income

Other operating income includes all other activities such as, foreign exchange transaction result, market access services and results on disposal of assets. It also includes the fair value changes relating to assets and liabities measured at fair value through profit or loss.
Financial investments which are not quoted at market are assessed at each reporting date as to whether there is any objective evidence that the financial asset is impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

(x EUR 1,000)	2021	2020
Foreign exchange transaction result*	528	-105
Dividend	3,981	796
Realised gain on financial transactions**	4,886	1,429
Other***	3,617	2,246
Total other operating income	**13,012**	**4,366**

* Foreign exchange transaction result consists of gains and losses on foreign currency balances of monetary items that are translated into euros at the period-end exchange rates.
** This realised gain on financial transactions is related to realised result on equity securities.
*** Other consists of income related to activities that are not considered core activities of AACB, such as collective investment undertakings and charges to clients for direct market access.

5. Personnel expenses

Accounting policy for personnel expenses

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

Defined contribution plans

For defined contribution plans, AACB pays annual contributions that have been determined by a fixed method and has no legal or constructive obligation to pay any further contributions. Contributions are recognised directly in the income statement in the year to which they relate. Actuarial and investment risk are for the account of the participants in the plan.

(x EUR 1,000)	2021	2020
Personnel expenses are specified as follows:		
Salaries and wages	100,791	80,721
Social security charges	10,766	10,309
Pension expenses	11,987	10,890
Other	5,720	8,046
Total personnel expenses	**129,264**	**109,966**

On a monthly basis the personnel expenses (including pension costs), concerning the employees of the Netherlands, are accrued and aligned with ABN AMRO. On a quarterly basis the payable amounts are settled. In 2021 this amount was EUR 58,646 thousand (2020: EUR 51,809 thousand).

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

The Dutch defined contribution plan is a Collective Defined Contribution (CDC) plan, based on an average salary plan. The normal retirement age is set at 68 years. The contribution payable by pension fund participants is 5.5% (2020: 5.5%).

For the disclosure of the remuneration of the Managing and Supervisory Board Members, refer to the note 32 on related parties.

	2021	2020
The average number of FTEs:		
Netherlands*	414	366
United Kingdom	90	92
Germany*	9	19
Belgium*	1	1
France*		1
Singapore	58	51
Japan	18	18
Australia	65	59
Hong Kong	25	22
United States	189	199
Brazil*	10	9
Total	**879**	**837**

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

6. General and administrative expenses

Accounting policy general and administrative expenses

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

Banking tax

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

(x EUR 1,000)	2021	2020
General and administrative expenses can be broken down as follows:		
Information technology costs	54,977	52,270
Agency staff, contractors and consultancy costs	46,946	45,031
Recharges from ABN AMRO group companies	35,362	42,291
Dutch banking tax	16,953	10,511
Staff related costs	1,421	1,120
Financial statement audit fees	1,344	1,340
Housing	1,054	1,117
Post, telephone and transport	915	773
Marketing and public relations costs	256	283
Audit related fees	87	104
Other	12,065	12,707
Total general and administrative expenses	**171,380**	**167,547**

* Audit related fees consists of fees paid for the audit of financial statements and other assurance engagements. No non-assurance services were provided to AACB by their auditors in 2021 and 2020.

7. Depreciation and amortisation of (in)tangible assets

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

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

(x EUR 1,000)	2021	2020
Leasehold improvements - depreciation	796	802
Equipment - depreciation	96	217
IT equipment - depreciation	380	1,460
Purchased software - amortisation	128	212
Internal software - amortisation	968	1,726
Right of use assets - depreciation	2,924	3,587
Depreciation and amortisation expenses	**5,292**	**8,005**
Equipment - depreciation rebilled by ABN AMRO group	9	12
IT equipment - depreciation rebilled by ABN AMRO group	407	355
Purchased software - amortisation rebilled by ABN AMRO group	477	677
Right of use assets - depreciation rebilled by ABN AMRO group	219	190
Internal software - amortisation rebilled by ABN AMRO group	490	
Total depreciation and amortisation expenses	**6,894**	**9,239**

8. Impairment charges on financial instruments

For details on the impairments, refer to the loans and advances from banks and customers items in the balance sheet, notes 15 and 16.

(x EUR 1,000)	2021	2020
Stage 1 - twelve month expected credit loss	1,196	208
Stage 2 - lifetime expected credit loss		
Stage 3 - lifetime expected credit loss	-640*	205,589*
Total impairment charges on financial instruments	**556**	**205,797**

* The impairment charges in stage 3 are related to the top up of the Default Fund contribution of AACB at Nasdaq Clearing AB. The 2021 amount is a recovery of EUR 640 thousand of the Nasdaq Clearing AB Default Fund contribution (2020: 1,693 thousand).
The 2020 Stage 3 credit loss was caused by the default of a US client in March 2020.

9. Income tax expenses

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

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

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

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

(x EUR 1,000)	2021	2020
The details of the current and deferred income tax expense are presented below:		
Current tax	56,225	-24,502
Deferred tax	-8,712	-2,153
Total income tax expenses	**47,512**	**-26,656**

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	219,593	-12,371
Weighted applicable tax rate	23.06%	94.46%
Expected income tax expense	**50,633**	**-11,686**
Change in taxes resulting from:		
Tax exemptions	-5,960	1,478
Tax loss utilization	2,478	2,454
Adjustments for tax of prior periods	247	-19,015
Change in tax rate	764	
Other	-649	113
Actual income tax expenses	**47,513**	**-26,656**
Effective tax rate	**21.64%**	**215.47%**

See also tax note 22 in the notes to the consolidated statement of financial position.

Country by Country reporting 2021

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.	263,137	414	53,826	13,108	40,717
International activities						
Great Britain	ABN AMRO Clearing Bank London Branch	3,283	90	6,207	1,386	4,821
United States	ABN AMRO Clearing Chicago LLC	139,899	189	80,926	19,808	61,117
Singapore	ABN AMRO Clearing Bank Singapore Branch	51,339	58	38,000	5,116	32,883
Japan	ABN AMRO Clearing Tokyo Co Ltd	19,539	18	8,556	2,694	5,863
Hong Kong	ABN AMRO Clearing Hong Kong Ltd	39,130	25	29,363	4,452	24,911
Australia	ABN AMRO Clearing Sydney Pty Ltd	11,349	65	2,705	948	1,756
Other			19			
Total		**527,676**	**879**	**219,582**	**47,512**	**172,070**

Country by Country reporting 2020

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

Introduction
Governance
Our Business
Risk Management
Financial Statements
Other Information

Notes to the consolidated statement of financial position

Assets

10. Cash and balances at central banks

Accounting policy for cash and balances at central banks

Cash and balances at central banks are held at amortised cost. This item includes cash on hand and available demand balances with central banks. Mandatory reserve deposits are disclosed in note 15, loans and receivables - banks.

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

(x EUR 1,000)	31 December 2021	31 December 2020
Total cash and balances at central banks	**5,247,732**	**1,051,540**

Increase is mainly caused by an increased cash liquidity buffer at the Dutch Central Bank.

11. Financial assets held for trading

Accounting policy for financial assets held for trading

In accordance with IFRS 9, all assets held for trading are held at fair value through profit or loss, with gains and losses in the changes of the fair value taken to 'net trading income' in the income statement.

Financial assets held for trading

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

(x EUR 1,000)	31 December 2021	31 December 2020
The trading assets consists of the following financial instruments:		
Equity instruments held for trading*	1,134	22
Total financial assets held for trading	**1,134**	**22**

* These shares are used for hedging CFD's and Portfolio swaps.

12. Financial investments

Accounting policy for financial investments

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

Accounting policy for instruments at fair value through other comprehensive income

Unrealised gains and losses of FVOCI assets are recognised directly in other comprehensive income, net of applicable taxes. Interest earned, premiums, discounts and qualifying transaction costs of interest earning FVOCI assets are amortised to income on an effective interest rate basis. When FVOCI assets are sold, collected or impaired, the cumulative gain or loss recognised in other comprehensive income is transferred to other operating income in the income statement. Fair value changes of equity instruments which are irrevocably designated at FVOCI upon initial recognition are recognised in other comprehensive income and not subsequently reclassified to the income statement.

Accounting policy for instruments at fair value through profit and loss

Financial investments at fair value through profit or loss are either designated upon initial recognition or are mandatorily required to be measured at fair value applying IFRS 9. Financial investments managed on a fair value through profit or loss basis are at initial recognition designated at fair value through profit or loss when the instruments:

- are held to reduce an accounting mismatch; or
- are managed on the basis of its fair value.

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

See also Note 13 for the accounting policy relating to the fair value of financial instruments for more information about the measurement of financial investments.

(x EUR 1,000)	2021	2020
Debt securities held at fair value through other comprehensive income	87,381	227,388
Held at fair value through profit or loss	57,717	204,675
Total financial investments	**145,098**	**432,063**

(x EUR 1,000)	2021	2020
Movements in the financial investments were as follows:		
Opening balance as at 1 January	**432,063**	**516,488**
Sales to third parties	-320,256	-57,078
Additions	8,646	9,589
Impairments		
Gross revaluation to equity	-3	32
Gross revaluation to income	8,867	2,097
Dividends received	-3,877	-796
Exchange rate differences	19,658	-38,269
Closing balance as at 31 December	**145,098**	**432,063**

(x EUR 1,000)	2021	2020
Interest-earning securities:		
United States	22,036	162,761
European Union	65,344	64,626
Non-financial institutions		162,774
Subtotal	**87,381**	**390,161**
Equity instruments	57,717	41,902
Closing balance as at 31 December	**145,098**	**432,063**

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

(x EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 January 2021	227,388			227,388
Change in carrying amount due to purchase and repayment (excluding write offs)	-151,148			-151,148
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	11,141			11,141
At 31 December 2021	**87,381**			**87,381**

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

(x EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 January 2020	295,631			295,631
Change in carrying amount due to purchase and repayment (excluding write offs)	-47,307			-47,307
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	-20,937			-20,937
At 31 December 2020	**227,388**			**227,388**

13. Fair value of financial instruments carried at fair value

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

Accounting policy for fair value of financial instruments

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

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

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

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

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

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

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

Valuation techniques

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

Derivatives

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

Government debt securities

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

Equity instruments

Equity instruments that are actively traded on public stock exchanges are valued using the readily available quoted prices and therefore classified as Level 1. For equity instruments that are not actively traded a valuation model is used and are classified as Level 3.

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

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

(x EUR 1,000)

At 31 December 2021	Quoted prices in active market	Valuation technique observable market data	Valuation technique unobservable market data	Total
Financial assets held for trading	1,134			1,134
Financial investments	120,851		24,247	145,098
Total financial assets	**121,985**		**24,247**	**146,232**

(x EUR 1,000)

At 31 December 2020	Quoted prices in active market	Valuation technique observable market data	Valuation technique unobservable market data	Total
Financial assets held for trading	22			22
Financial investments	412,688		19,375	432,063
Total financial assets	**412,710**		**19,375**	**432,085**

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

Transfers between levels 1 and 2

There were no material transfers between levels 1 and 2.

Transfers from levels 1 and 2 into 3

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

Movements in level 3 financial instruments measured at fair value

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

(x EUR 1,000)

Balance at 1 January 2020	**27,182**
Purchases	805
Dividends	-720
Gains/(losses) recorded in profit and loss	1,672
Unrealised gains/(losses)	-914
Other movements*	-8,650
Balance at 31 December 2020	**19,375**
Purchases	2,874
Dividends	-3,781
Gains/(losses) recorded in profit and loss	4,742
Other movements	1,037
Balance at 31 December 2021	**24,247**

*Other movements contains the sale of EuroCCP shares in 2020.

14. Securities financing

Accounting policy for securities financing

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

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

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

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

(x EUR 1,000)	31 December 2021	31 December 2020
Assets		
Reverse repurchase agreements	926,794	882,865
Securities borrowing transactions	5,366,355	5,897,792
Transactions related to securities*	789,580	1,227,424
Total securities financing	**7,082,729**	**8,008,080**
Liabilities		
Repurchase agreements	4,178,913	-
Securities lending transactions	1,629	367,773
Transactions related to securities**	1,298,582	410,585
Total securities financing	**5,479,123**	**778,359**

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

Of the securities financing the following counterparties were involved:

(x EUR 1,000)	31 December 2021	31 December 2020
Assets		
ABN AMRO group companies	668,971	1,431,612
Banks	3,322,197	3,136,203
Customers	3,091,561	3,440,265
Total securities financing	**7,082,729**	**8,008,080**
Liabilities		
ABN AMRO Group companies	4,178,913	-
Banks	103,861	364,987
Customers	1,196,349	413,372
Total securities financing	**5,479,123**	**778,359**

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

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 January 2021	8,008,080			8,008,080
Change in carrying amount due to origination and repayment (excluding write offs)	-1,175,751			-1,175,751
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	250,401			250,401
At 31 December 2021	**7,082,729**			**7,082,729**

During the year, there were no transfers from Stage 1. The ECL for 2021 is nil.

(x EUR 1,000)

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

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

15. Loans and advances banks

The accounting policy for loans and advances

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

Impairment losses on loans and advances

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

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

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

As of 31 December 2021, no amount has a maturity of more than 12 months (2020: nil).

(x EUR 1,000)	31 December 2021	31 December 2020
Loans and advances - banks consists of the following:		
Demand receivables	590,720	718,928
Interest bearing deposits	94	291
Mandatory reserve deposits with central banks	29,369	3,079
Less: loan impairment allowance	-1,570	-366
Net loans and advances - banks	**618,613**	**721,932**

None of the amounts in the loans and advances - banks items were subordinated in 2021 or 2020.

(x EUR 1,000)	31 December 2021	31 December 2020
Of the loans and advances - banks item the following amounts were due from:		
ABN AMRO group companies	186,467	356,466
Third parties	432,146	365,466
Total loans and advances - banks	**618,613**	**721,932**

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

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 January 2021	721,932			721,932
Change in carrying amount due to origination and repayment (excluding write offs)	-115,549			-115,549
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	12,229			12,229
At 31 December 2021	**618,613**			**618,613**

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2021	-366			-366
New assets originated or purchased				
Assets derecognised or repaid (excluding write offs)	-1,196			-1,196
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	-8			-8
At 31 December 2021	**-1,570**			**-1,570**

(x EUR 1,000)

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

(x EUR 1,000)

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

16. Loans and advances customers

The accounting policy for loans and advances is included in note 15

As of 31 December 2021, EUR 3,793 thousand has a maturity of more than 3 months but less than one year (2020: EUR 5,581 thousand).

(x EUR 1,000)	31 December 2021	31 December 2020
Loans and advances customers consists of the following:		
Corporate loans, gross	6,494,908	5,403,092
Less: loan impairment allowances - corporate loans		
Corporate loans	**6,494,908**	**5,403,092**
Government and official institutions	5,732	4,595
Receivables from Central Counter Parties	14,591,100	6,658,198
Less: loan impairment allowances - other	-1,970	-2,610
Other loans and advances	**14,594,862**	**6,660,183**
Loans and advances customers	**21,089,770**	**12,063,275**

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

(x EUR 1,000)	31 December 2021	31 December 2020
Of the loans and advances customers item, the following amounts were due from:		
ABN AMRO group companies	-	94
Third parties	21,089,770	12,063,181
Loans and advances customers	**21,089,770**	**12,063,275**

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

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 January 2021	5,163,101	239,991		5,403,092
Change in carrying amount due to origination and repayment (excluding write offs)	941,418	1,440		942,858
Transfers to Stage 1	195,947	-195,947		
Transfers to Stage 2	-21,595	21,595		
Transfers to Stage 3	-5,214		5,214	
Amounts written off				
Foreign exchange adjustments	148,958			148,958
At 31 December 2021	**6,422,616**	**67,079**	**5,214**	**6,494,908**

(x EUR 1,000)

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

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

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 January 2021	6,657,573		2,610	6,660,183
Change in carrying amount due to origination and repayment (excluding write offs)	7,734,062			7,734,062
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off			-640	-640
Foreign exchange adjustments	201,256			201,256
At 31 December 2021	**14,592,892**		**1,970**	**14,594,862**

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2021			-2,610	-2,610
New assets originated or purchased				
Assets derecognised or repaid (excluding write offs)				
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off			640	640
Foreign exchange adjustments				
At 31 December 2021			**-1,970**	**-1,970**

(x EUR 1,000)

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

(x EUR 1,000)

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

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

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

Valuation methodologies

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

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

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

(x EUR 1,000) **2021**

At 31 December 2021	Carrying Value	Quoted prices in active market	Valuation technique observable market data	Valuation technique unobservable market data	Total fair value
Cash and balances at central banks	5,247,732	5,247,732			5,247,732
Securities financing	7,082,729		7,082,729		7,082,729
Loans and advances - banks	618,613		618,613		618,613
Corporate loans	6,494,908		6,491,115	3,793	6,494,908
Other loans and advances customers	14,594,862		14,594,862		14,594,862
Total financial assets	**34,038,844**	**5,247,732**	**28,787,319**	**3,793**	**34,038,844**
Securities financing	5,479,123		5,479,123		5,479,123
Due to banks	12,535,330		4,272,816	8,262,513	12,535,330
Due to customers	13,889,929		13,878,742	11,187	13,889,929
Issued debt	600,000	600,000			600,000
Total financial liabilities	**32,504,382**	**600,000**	**23,630,682**	**8,273,701**	**32,504,382**

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

At 31 December 2020	Carrying Value	Quoted prices in active market	Valuation technique observable market data	Valuation technique unobservable market data	Total fair value
Cash and balances at central banks	1,051,540	1,051,540			1,051,540
Securities financing	8,008,080		8,008,080		8,008,080
Loans and advances - banks	721,932		721,932		721,932
Corporate loans	5,403,092		5,397,511	5,581	5,403,092
Other loans and advances customers	6,660,183		6,660,183		6,660,183
Total financial assets	**21,844,828**	**1,051,540**	**20,787,707**	**5,581**	**21,844,828**

Securities financing	778,359		778,359		778,359
Due to banks	11,016,675		7,550,284	3,466,391	11,016,675
Due to customers	9,000,566		8,980,656	19,910	9,000,566
Issued debt	40,693	40,693			40,693
Total financial liabilities	**20,836,292**	**40,693**	**17,309,299**	**3,486,300**	**20,836,292**

18. Group structure

Accounting policy for business combinations

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

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

There were no acquisitions or divestments during 2021 and 2020

Accounting policy for subsidiaries

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

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

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

Accounting policy for associates and joint ventures

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

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

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

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

Restrictions on assets

Significant restrictions on assets may arise from statutory, contractual or regulatory requirements, such as:
- those that restrict the ability of the parent or its subsidiaries to transfer cash or other financial assets to (or from) other entities within the group; or
- guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid to other entities within the group.

19. Equity accounted investments

Accounting policy for equity accounted investments

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

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

Refer to note 18 for more accounting policies on equity accounted investments.

(x EUR 1,000)	31 December 2021	31 December 2020
Equity accounted investments consist of the following:		
ABN AMRO Investments USA LLC	267	251
Total equity accounted investments	**267**	**251**

ABN AMRO Investments USA LLC (AAIU)

On 13 January 2016, ABN AMRO Bank N.V. (AAB) and ABN AMRO Clearing Chicago LLC (AACC), a wholly owned subsidiary of ABN AMRO Clearing Bank N.V. (AACB), each acquired 50% of the investment in AAIU. The two entities together have joint control over AAIU and its relevant activities as a Digital Asset House incorporated in the State of Delaware, the United States of America. The shareholding has not changed in the 2021 financial year.

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

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

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

(x EUR 1,000)	31 December 2021	31 December 2020
	Joint ventures	Joint ventures
Financial investments	487	449
Other assets	94	87
Total assets	**581**	**536**
Accrued interest, expenses and other liabilities	47	35
Total liabilities	**47**	**35**
Total Equity	534	501
Net revenue	-	-
Expenses	9	11
Total comprehensive income	**-9**	**-11**

(x EUR 1,000)	31 December 2021	31 December 2020
	Joint ventures	Joint ventures
Equity accounted investment	**267**	**251**

20. Property and equipment

Accounting policy for property and equipment and leases

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

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

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

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

(x EUR 1,000)	31 December 2021	31 December 2020
Total property and equipment	**20,789**	**22,150**

The table below shows the categories of property and equipment at 31 December 2021 against net book value.

2021	Leasehold improvements	IT equipment	Other property and equipment	Right of use assets	Total
Acquisition costs as at 1 January 2021	**9,802**	**27,506**	**1,653**	**21,093**	**60,054**
Additions	82	379	65	1,442	1,968
Disposals		-710		-23	-733
Foreign exchange differences	659	1,545	87	1,451	3,742
Acquisition costs as at 31 December 2021	**10,543**	**28,720**	**1,804**	**23,962**	**65,030**
Accumulated depreciation as at 1 January 2021	**-6,547**	**-25,343**	**-1,155**	**-4,859**	**-37,904**
Depreciation expense	-796	-380	-96	-2,924	-4,195
Disposals		172		41	213
Foreign exchange differences	-436	-1,556	-50	-312	-2,354
Accumulated depreciation as at 31 December 2021	**-7,779**	**-27,107**	**-1,301**	**-8,054**	**-44,241**
Property and equipment as at 31 December 2021	**2,765**	**1,613**	**504**	**15,908**	**20,789**

2020

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

No impairments to property and equipment have been recorded in 2021 or 2020.

Leasing

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

(x EUR 1,000)	2021	2020
Where AACB is the lessee, the future minimum lease payments under IFRS 16 are as follows:		
Within 3 months	783	855
More than 3 months but within 1 year	2,351	2,009
More than 1 year but within 5 years	9,427	9,466
More than 5 years	8,202	8,587
Total operating lease agreements	**20,763**	**20,917**

21. Intangible assets

Accounting policy for intangible assets

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

Introduction Governance Our Business Risk Management Financial Statements Other Information

(x EUR 1,000)	2021	2020
Acquisition costs as at 1 January	**15,351**	**17,553**
Additions	766	3,111
Disposals	-726	-3,972
Foreign exchange differences	1,140	-1,341
Acquisition costs as at 31 December	**16,530**	**15,351**
Accumulated amortisation 1 January	**-13,413**	**-16,688**
Amortisation expense	-1,096	-1,939
Disposals	726	3,972
Foreign exchange differences	-1,013	1,242
Accumulated amortisation as at 31 December	**-14,796**	**-13,413**
Total intangible assets as at 31 December	**1,734**	**1,938**

No impairments to intangible assets have been recorded in 2021 or 2020.

22. Tax assets and liabilities

Accounting policy for tax assets and liabilities

AACB applies IAS 12 Income Taxes in accounting for taxes on income. Deferred tax is recognised for qualifying temporary differences. Temporary differences represent the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts utilised for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect accounting profit or taxable profit.

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

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

(x EUR 1,000)	31 December 2021	31 December 2020
Total current tax assets	**47,301**	**47,415**
The deferred tax assets can be categorised into:		
Net investment hedge	10,987	10,646
Property and equipment	2,028	2,422
Financial investments	2	1
Deferred income, accrued expenses and other	2,809	1,896
Right of use assets	1,526	1,267
Carryforward benefits	6,345	2,280
Total deferred tax assets	**23,697**	**18,513**
Of the deferred tax assets as per 2021 an amount of EUR 12,708 thousand is recorded through the income statement and an amount of EUR 10,989 thousand is recorded through equity.		
Total tax assets	**70,999**	**65,928**

(x EUR 1,000)	As at 1 January 2021	Income statement	Equity	Other	As at 31 December 2021
Deferred tax assets					
Financial Investments	1		1		2
Net investment hedges - forex contracts	10,646		341		10,987
Loans and advances	93	-33			60
Deferred income, accrued expenses and other	1,803	946			2,749
Property and equipment	2,422	-394			2,028
Right of use assets	1,267	259			1,526
Carryforward Benefits	2,280	4,065			6,345
Total deferred tax assets	**18,512**	**4,843**	**342**		**23,697**

(x EUR 1,000)	As at 1 January 2020	Income statement	Equity	Other	As at 31 December 2020
Deferred tax assets					
Financial Investments	5		-4		1
Net investment hedges - forex contracts	9,241		1,405		10,646
Loans and advances	41	52			93
Deferred income, accrued expenses and other	3,480	-1,677			1,803
Property and equipment	1,152	1,270			2,422
Right of use assets	1,410	-143			1,267
Carryforward Benefits	-	2,280			2,280
Total deferred tax assets	**15,329**	**1,782**	**1,401**		**18,512**

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

(x EUR 1,000)	31 December 2021	31 December 2020
Total current tax liabilities	**32,012**	**26,651**
The deferred tax liabilities can be categorised into:		
Property and equipment	198	438
Financial investments	5,960	4,317
Other	429	42
Total deferred tax liabilities	**6,586**	**4,798**
Total tax liabilities	**38,598**	**31,449**

(x EUR 1,000)	As at 1January 2021	Income statement	Equity	Other	As at 31 December 2021
Deferred tax liabilities					
Financial Investments	4,317	1,643			5,960
Property and equipment	438	-240			198
Other	42	387			429
Total deferred tax liabilities	**4,797**	**1,790**			**6,587**

(x EUR 1,000)	As at 1 January 2020	Income statement	Equity	Other	As at 31 December 2020
Deferred tax liabilities					
Financial Investments	3,944	373			4,317
Property and equipment	858	-420			438
Other	-25	67			42
Total deferred tax liabilities	**4,777**	**20**			**4,797**

23. Other assets

(x EUR 1,000)	31 December 2021	31 December 2020
The table below shows the components of other assets at 31 December:		
Related to securities transactions*	19,527	29,734
VAT and other tax receivable	8,716	5,942
Prepayments	5,642	4,989
Accrued other income	4,684	3,936
Other	7,782	1,756
Total other assets	**46,351**	**46,357**

* These include transitory amounts related to securities transactions.

24. Due to banks

Accounting policy for due to banks and due to customers

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

(x EUR 1,000)	31 December 2021	31 December 2020
The table below shows the components of due to banks:		
Demand deposits	594,280	782,462
Time deposits	11,941,050	10,234,213
Total due to banks	**12,535,330**	**11,016,675**

Of the due to banks item the following amounts were with:		
Demand deposits due to banks ABN AMRO group	132,456	151,573
Time deposits due to banks ABN AMRO group	11,941,006	10,216,160
Total ABN AMRO Group companies	**12,073,462**	**10,367,733**
Demand deposits due to third party banks	461,824	630,889
Time deposits due to third party banks	44	18,053
Total third party banks	**461,868**	**648,942**
Total due to banks	**12,535,330**	**11,016,675**

As of 31 December 2021, an amount of EUR 8,263 million has a maturity of more than 3 months (2020: EUR 3,466 million).

25. Due to customers

The accounting policy for due to customers is included in note 24

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

(x EUR 1,000)	31 December 2021	31 December 2020
The table below shows the components of due to customers:		
Demand deposits	12,689,648	7,323,644
Time deposits	1,200,281	1,676,921
Total due to customers	**13,889,929**	**9,000,566**
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	16,008	65,512
Total ABN AMRO group companies	**16,008**	**65,512**
Demand deposits due to customers third party	12,673,640	7,258,132
Time deposits due to customers third party	1,200,281	1,676,921
Total third party customers	**13,873,921**	**8,935,053**
Closing balance as at 31 December	**13,889,929**	**9,000,566**

As at 31 December 2021, an amount of EUR 11,187 thousand has a maturity of more than 3 months but less than one year (2020: 19,910 thousand).

26. Issued debt

Accounting policy for issued debt

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

(x EUR 1,000)	31 December 2021	31 December 2020
The issued debt consists of the following:		
Bonds and notes issued	600,000*	40,693**
Total issued debt	**600,000**	**40,693**

* This debt was issued on 21 December 2021 for regulatory reasons and has an expiration date of 1 July 2024.
** A subordinated loan was issued in 2020 in the US to strengthen the local capital position after the client loss in March 2020. This loan was repaid in 2021.

27. Provisions

Accounting policy for provisions

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

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

(x EUR 1,000)	31 December 2021	31 December 2020
Total provisions	**322**	**2,245**

The provision amount mainly relates to a restructuring provision. On the basis of information currently available, AACB determines with reasonable certainty that the full amount represents the expected cash outflow of the provisions for the 2021 financial year.

(x EUR 1,000)	31 December 2021	31 December 2020
Opening balance as at 1 January	**2,245**	**2,096**
Additions		930
Used	-1,455	-776
Currency translation result	7	-5
Release	-474	
Closing balance as at 31 December	**322**	**2,245**

28. Other liabilities

(x EUR 1,000)	31 December 2021	31 December 2020
The table below shows the components of other liabilities at 31 December:		
Related to securities transactions*	135,365	146,731
Rebilling cost by ABN AMRO group	52,972	48,651
Accounts payable	24,546	19,495
Lease liabilities	20,763	20,917
Accrued expenses	17,512	16,325
VAT and other tax payable	458	418
Other	27,500	19,265
Total other liabilities	**279,116**	**271,802**

* These include transitory amounts related to securities transactions.

29. Equity attributable to owner of the company

Accounting policy for equity
Share capital and other components of equity

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

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

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

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

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

The issued and paid-up share capital of AACB did not change in the 2021 financial year. Authorised share capital amounts to EUR 50,000,000 distributed over 50,000 shares each having a par value of EUR 1,000. Of this authorised share capital, 15,000 shares have been issued at a par value of EUR 1,000. At year-end 2021, all shares were held by ABN AMRO.

(x EUR 1,000)	31 December 2021	31 December 2020
Share capital	15,000	15,000
Share premium	5,363	5,363
Other reserves (incl. retained earnings/profit for the period)	1,425,509	1,253,439
Other comprehensive income	56,927	-2,054
Equity attributable to owner of the company	**1,502,799**	**1,271,748**

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 2021	31 December 2020
Gross fair value reserve	-16	-12
Related tax	2	1
Fair value reserve	-14	-11
Gross currency translation reserve	108,736	50,124
Related Tax	-4,063	-4,094
Currency translation reserve	104,673	46,030
Gross net investment hedge reserve	-64,229	-64,229
Related tax	16,496	16,156
Net investment hedge reserve	-47,733	-48,073
Total other comprehensive income	**56,927**	**-2,054**

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

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

The tax on revaluation reserve can be split in two categories. From the total amount of EUR 16.5 million an amount of EUR 11 million is related to the deferred tax asset of the NIH (see note 22). The remaining amount of EUR 5.5 million is related to the changes in the NIH up to and including 2009. Until that year the tax amount of the NIH was already settled with the tax authorities.

(x EUR 1,000)	2021	2020
Unrealised gains as at 1 January	-2,054	57,257
Unrealised gains during the year	-3	34
Unrealised currency translation differences	58,643	-60,750
Related tax	341	1,405
Other comprehensive income as at 31 December	**56,927**	**-2,054**

30. Commitments and contingent liabilities

Accounting policy for commitments and contingent liabilities

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

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

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

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

(x EUR 1,000)	31 December 2021	31 December 2020
The committed credit facilities consist of the following:		
Total committed credit facilities	**115,394**	**570,135**
The guarantees and other commitments consist of the following:		
Guarantees	34,340	32,805
Irrevocable payment commitment	5,732	4,595
Total guarantees and other commitments	**40,072**	**37,400**

The guarantees have been given to third parties and are divided as follows:		
Guarantees given to exchanges	34,340	32,805
Total Guarantees	**34,340**	**32,805**

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

(x EUR 1,000) **31 December 2021**

	Less than one year	Between one and three years	Between three and five years	After five years	Total
Guarantees given to exchanges				34,340	34,340
Total Guarantees				**34,340**	**34,340**

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

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

Other contingencies

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

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

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

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 January 2021	566,799	3,336		570,135
Change in carrying amount due to origination and repayment (excluding write offs)	-458,404	-3,367		-461,771
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	6,999	31		7,030
At 31 December 2021	**115,395**			**115,395**

(x EUR 1,000)

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

31. Pledged and encumbered assets

Accounting policy for pledged, encumbered and restricted assets

Pledged assets are assets pledged as collateral for liabilities or contingent liabilities and the terms and conditions relating to its pledge. Encumbered assets are those that are pledged or other assets which we believed to be restricted to secure, credit-enhance or collateralise a transaction.

In principle, pledged assets are encumbered assets.

Significant restrictions on assets can arise from statutory, contractual or regulatory requirements such as:
- Those that restrict the ability of the parent or its subsidiaries to transfer cash or other assets to (or from) other entities within AACB.
- Guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid to other entities within AACB.
- Protective rights of non-controlling interests might also restrict the ability of AACB to access and transfer assets freely to or from other entities within AACB and to settle liabilities of AACB.

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

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

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

(x EUR 1,000)	31 December 2021	31 December 2020
Assets pledged:		
Securities financing assets	6,293,149	6,780,656
Financial assets held for trading	1,134	22
Loans and advances - banks	259,796	152,217
Other loans and advances customers	14,594,862	6,660,183
Total assets pledged as security	**21,148,941**	**13,593,078**

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

Introduction
Governance
Our Business
Risk Management
Financial Statements
Other Information

32. Related parties

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

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

Labour contract employees Amsterdam
Every employee of AACB in the Netherlands has a labour contract with ABN AMRO. The total salary costs including pensions and social security charges in 2021 was EUR 58.65 million (2020: EUR 51.81 million). The salary costs are paid by ABN AMRO and rebilled to AACB.

Balances with related parties

(x EUR 1,000)

For the period ending 31 December 2021	Associates	Parent	Other Related Parties
Assets		856,674	57,286
Liabilities		16,905,400	16,173
Irrevocable facilities			
Collateral received		277,355	
2021			
Income received		49,671	519
Expenses paid		202,818	696

For the period ending 31 December 2020	Associates	Parent	Other Related Parties
Assets		1,406,295	116,482
Liabilities		8,099,519	134,080
Irrevocable facilities			
Collateral received		419,295	
2020			
Income received	1,436	18,559	10,629
Expenses paid	5,670	298,790	2,773

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

There were no transactions between AACB and the joint venture, ABN AMRO Investments USA LLC during 2020 or 2021.

Remuneration of the Management Board and Supervisory Board

The remuneration of the Management board members, which consists of 4 FTE's (2020: 4 FTE's) is stated in the table below. The remuneration of the Supervisory Board members in 2021 was EUR 78 thousand (2020: 98 thousand).

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

(x EUR 1,000)

	Base salary	Total pension related contributions	Total
Total in 2021	1,400	330	1,730
Total in 2020	1,370	348	1,718

33. Cash flow statement

Accounting policy for Cash flow statement

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

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

(x EUR 1,000)	31 December 2021	31 December 2020
Cash and balances at central banks	5,247,732	1,051,540
Loans and advances banks*	573,759	674,473
Total cash and cash equivalents	**5,821,491**	**1,726,013**

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

34. Share-based payment

Accounting policy for share-based payment

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

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

The carrying amount of the liability relating to the non-cash award at 31 December 2021 was EUR 118 thousand (2020: EUR 57 thousand)

The expense recognised for the variable compensation plan during 2021 is EUR 111 thousand (2020: EUR 98 thousand).

(number of DRs)	2021		2020	
Outstanding at 1 January		14,291		18,189
Granted during the year				15,878
Forfeited during the year	3,099		5,273	
Bad leavers			14,503	
Less: total paid out/forfeited		-3,099		-19,776
Outstanding at end of period		**11,192**		**14,291**

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

(number of DRs)	Up to one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Total
31 december 2021						
Number of granted DRs by vesting period	6,151	2,259	1,670	1,112	0	11,192
31 december 2020						
Number of granted DRs by vesting period	3,099	6,151	2,259	1,670	1,112	14,291

35. Post-balance sheet date events

Russia-Ukraine war

In light of the recent developments in respect of the conflict between Russia and Ukraine, ABN AMRO Clearing has assessed the impact of this political event on its operations and its customers. For as far as ABN AMRO Clearing had exposures linked to ultimately sanctioned names, mostly related to assets of Russian clients outside Russia and to short-term interest rate transactions, this has been mitigated.

Further escalation of the conflict could also have indirect consequences for the bank's customers in the form, for example, of higher gas prices, sanctions on trade with Russia and increased cybersecurity concerns as a result of a probable increase in criminal activities. These indirect consequences are difficult to quantify, but ABN AMRO Clearing's management closely monitors any developments.

Legal procedures

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

Company Financial Statements

Company income statement

(x EUR 1,000)	Note	2021	2020
Income			
Interest income calculated using the effective interest method		332,345	292,114
Interest expenses calculated using the effective interest method		178,585	163,967
Net interest income	**1**	**153,760**	**128,147**
Fee and commission income		254,257	222,996
Fee and commission expense		101,228	75,222
Net fee and commission income	**2**	**153,029**	**147,774**
Share of result in equity accounted investments	3	97,988	-43,493
Other operating income	4	5,293	2,032
Operating income		**410,070**	**234,460**
Expenses			
Personnel expenses	5	80,255	69,111
General and administrative expenses	6	135,904	129,566
Depreciation and amortisation of (in)tangible assets	7	3,180	3,956
Operating expenses		**219,339**	**202,633**
Impairment charges on financial instruments	8	402	-1,473
Total expenses		**219,741**	**201,160**
Operating profit / (loss) before taxation		**190,329**	**33,300**
Income tax expense	9	18,259	19,017
Profit (loss) for the year		**172,070**	**14,283**
Attributable to:			
Owner of the company		172,070	14,283

Company statement of financial position

(x EUR 1,000)	Note	31 December 2021	31 December 2020
Assets			
Cash and balances at Central banks	10	5,247,732	1,051,540
Financial assets held for trading	11	1,134	22
Financial investments	12	84,817	83,110
Securities financing	13	4,267,234	5,282,321
Loans and advances banks	14	337,190	507,069
Corporate loans at amortised cost	15	9,407,444	8,017,016
Other loans and advances	15	11,318,963	4,520,131
Participating interest in group companies	16	890,813	834,033
Property and equipment	17	1,456	2,072
Intangible assets	18	784	1,112
Tax assets	19	12,200	11,512
Other assets	20	38,221	38,965
Total assets		**31,607,988**	**20,348,903**
Liabilities			
Securities financing	13	4,912,069	296,996
Due to banks	21	12,419,022	10,981,764
Due to customers	22	12,015,279	7,634,612
Issued debt	23	600,000	
Provisions	24	322	2,245
Tax liabilities	19	27,402	20,735
Other liabilities	25	131,095	140,803
Total liabilities		**30,105,189**	**19,077,155**
Equity			
Share capital		15,000	15,000
Share premium		5,363	5,363
Other reserves (incl. retained earnings/profit for the period)		1,425,509	1,253,439
Accumulated other comprehensive income		56,927	-2,054
Total Equity	26	**1,502,799**	**1,271,748**
Total Liabilities and Equity		**31,607,988**	**20,348,903**
Committed credit facilities	27	71,206	85,728
Net guarantees and other commitments	27	896,189	388,592

Company statement of changes in equity

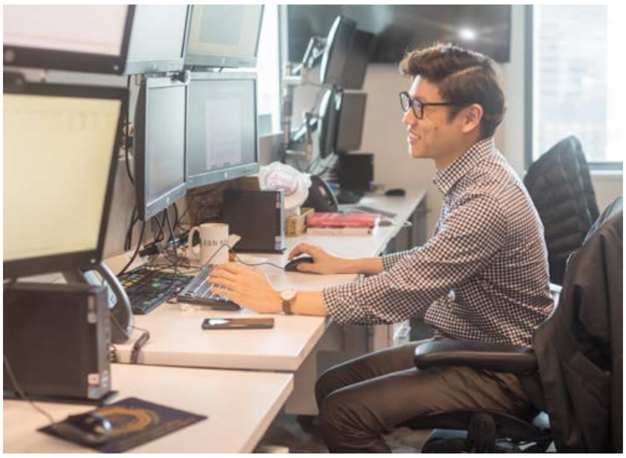
(x EUR 1,000)

			Other reserves		Accumulated other comprehensive income			
	Share capital	Share Premium	Retained earnings	Unappropriated result of the year	Fair value reserve	Currency translation reserve	Net investment hedging reserve	Total Equity
Balance as at 1 January 2020	**15,000**	**55,363**	**1,128,681**	**111,590**	**-40**	**106,775**	**-49,478**	**1,367,892**
Total comprehensive income				14,285	29	-60,745	1,405	-45,026
Transfer		-50,000	111,590	-111,590				-50,000
Other			-1,118					-1,118
Balance as at 31 December 2020	**15,000**	**5,363**	**1,239,153**	**14,285**	**-11**	**46,030**	**-48,073**	**1,367,893**
Balance as at 1 January 2021	**15,000**	**5,363**	**1,239,153**	**14,285**	**-11**	**46,030**	**-48,073**	**1,367,893**
Total comprehensive income				172,070	-3	58,643	341	231,051
Transfer			14,285	-14,285				
Balance as at 31 December 2021	**15,000**	**5,363**	**1,253,438**	**172,070**	**-14**	**104,673**	**-47,732**	**1,502,797**

Accounting principles for the company statement

Basis of preparation

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



Erich Pan - Chicago office.

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

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

Notes
to the company income statement

1. Net interest income and interest expense

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

(x EUR 1,000)	2021	2020
Interest Income		
Of the interest income items the following amounts were related to:		
Interest income from ABN AMRO group companies	67,273	64,347
Interest income from third party customers/banks	265,072	227,767
Total interest income	**332,345**	**292,114**

The interest income of 2021 includes an amount of EUR 228 thousand (2020: EUR 464 thousand) concerning financial investments that are at fair value through other comprehensive income. The remaining EUR 332,116 thousand (2020: EUR 291,650 thousand) relates to financial investments carried at amortised cost. No interest income amounts relate to financial instruments measured at fair value through profit or loss.

Interest Expense		
Of the interest expense items the following amounts were related to:		
Interest expense paid to ABN AMRO group companies	60,377	72,166
Interest expense paid to associates	-	3,285
Interest expense paid to third party customers/banks	118,208	88,516
Total interest expense	**178,585**	**163,967**

All interest expense amounts in 2021 and 2020, relate to financial investments carried at amortised cost. No interest expense amounts relate to financial instruments measured at fair value through profit or loss.

Net interest income	**153,760**	**128,147**

2. Net fee and commission income

(x EUR 1,000)	2021	2020
The components of net fee and commission income are:		
Net fees and commissions for payment services	-6,903	-3,879
Net fees and commissions for securities and derivatives	158,331	150,512
Other net fees and commissions	1,601	1,141
Total net fee and commission income	**153,029**	**147,774**
Of the net fees and commissions amount, the following amounts were with:		
Net fees and commissions with ABN AMRO group companies	-30,337	-13,672
Net fees and commissions with associates	-	-931
Net fees and commissions with third party customers/banks	183,366	162,377
Total net fee and commission income	**153,029**	**147,774**

All fee and commission amounts in 2021 and 2020 relate to financial instruments carried at amortised cost and fair value through profit or loss.

3. Share of result in equity accounted investments

(x EUR 1,000)	2021	2020
Total realised result on equity accounted investments	**97,988**	**-43,493**

See note 16 for more information.

4. Other operating income

(x EUR 1,000)	2021	2020
Foreign exchange transaction result*	-222	253
Dividend	3,886	720
Realised gain on financial transactions**	857	952
Other***	772	108
Total other operating income	**5,293**	**2,032**

* Foreign exchange transaction result consists of gains and losses on foreign currency balances of monetary items that are translated into euros at the period-end exchange rates.
** This realised gain on financial transactions is related to realised result on equity securities.
*** Other consists of income related to activities that are not considered core activities of AACB, such as collective investment undertakings and charges to clients for direct market access.

5. Personnel expenses

(x EUR 1,000)	2021	2020
Personnel expenses are specified as follows:		
Salaries and wages	60,603	49,656
Social security charges	6,565	6,089
Pension expenses	9,848	8,633
Other	3,239	4,733
Total personnel expenses	**80,255**	**69,111**

6. General and administrative expenses

(x EUR 1,000)	2021	2020
General and administrative expenses can be broken down as follows:		
Agency staff, contractors and consultancy costs	39,481	37,410
Financial statement audit fees	176	182
Audit related fees	19	62
Staff related costs	1,063	763
Information technology costs	38,115	35,152
Housing	129	126
Post, telephone and transport	645	454
Marketing and public relations costs	232	267
Recharges from ABN AMRO group companies	29,746	34,970
Dutch banking tax	16,953	10,511
Other	9,345	9,669
Total general and administrative expenses	**135,904**	**129,566**

7. Depreciation and amortisation of (in)tangible assets

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

(x EUR 1,000)	2021	2020
Leasehold improvements - depreciation	180	181
Equipment - depreciation	7	11
IT equipment - depreciation	137	353
Purchased software - amortisation	116	198
Internal software - amortisation	570	1,236
Right of use assets - depreciation	569	743
Depreciation and amortisation expenses	**1,578**	**2,722**
Equipment - depreciation rebilled by ABN AMRO group	9	12
IT equipment - depreciation rebilled by ABN AMRO group	407	355
Purchased software - amortisation rebilled by ABN AMRO group	477	677
Internal software - amortisation rebilled by ABN AMRO group	490	
Right of use assets - depreciation rebilled by ABN AMRO group	219	190
Total depreciation and amortisation expenses	**3,180**	**3,956**

8. Impairment charges on financial instruments

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

(x EUR 1,000)	2021	2020
Stage 1 - twelve month expected credit loss	1,042	220
Stage 2 - lifetime expected credit loss		
Stage 3 - lifetime expected credit loss	-640*	-1,693*
Total impairment charges on financial instruments	**402**	**-1,473**

* The impairment charges in stage 3 are related to the top up of the Default Fund contribution of AACB at Nasdaq Clearing AB. The 2021 amount is a recovery of EUR 640 thousand of the Nasdaq Clearing AB Default Fund contribution (2020: 1,693 thousand).

9. Income tax expenses

(x EUR 1,000)	2021	2020
The details of the current and deferred income tax expense are presented below:		
Current tax	23,596	18,614
Deferred tax	-5,337	403
Total income tax expenses	**18,259**	**19,017**

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	190,329	33,300
Weighted applicable tax rate	10.45%	141.64%
Expected income tax expense	**19,892**	**47,164**
Change in taxes resulting from:		
Tax exemptions	-2,214	-27,750
Adjustments for current tax of prior periods	-572	-277
Change in tax rate	778	
Other	375	-120
Actual income tax expenses	**18,259**	**19,017**
Effective tax rate	9.59%	57.11%

Notes to the company statement of financial position

10. Cash and balances at central banks

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

(x EUR 1,000)	31 December 2021	31 December 2020
Total cash and balances at central banks	**5,247,732**	**1,051,540**

Increase is mainly caused by an increased cash liquidity buffer at the Dutch Central Bank.

11. Financial assets held for trading

Financial assets held for trading

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

(x EUR 1,000)	31 December 2021	31 December 2020
The trading assets consists of the following financial instruments:		
Equity instruments held for trading*	1,134	22
Total financial assets held for trading	**1,134**	**22**

* These shares are used for hedging CFD's and Portfolio swaps.

12. Financial investments

(x EUR 1,000)	31 December 2021	31 December 2020
Movements in the financial investments were as follows:		
Opening balance as at 1 January	**83,110**	**77,105**
Sales to third parties	-3,159	
Additions		9,590
Gross revaluation to equity	-3	32
Gross revaluation to income	4,742	1,671
Dividends received	-3,781	-720
Exchange rate differences	3,908	-4,568
Closing balance as at 31 December	**84,817**	**83,110**

(x EUR 1,000)	31 December 2021	31 December 2020
Interest-earning securities in the European Union	65,344	64,626
Equity instruments	19,473	18,484
Closing balance as at December 31	**84,817**	**83,110**

13. Securities financing

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

(x EUR 1,000)	31 December 2021	31 December 2020
Assets		
Repurchase agreements	21	
Securities borrowing transactions	3,689,300	4,379,230
Transactions related to securities*	577,912	903,092
Total securities financing	**4,267,234**	**5,282,321**
Liabilities		
Repurchase agreements	4,178,913	
Transactions related to securities**	733,155	296,996
Total securities financing	**4,912,069**	**296,996**

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

Of the securities financing the following counterparties were involved:

(x EUR 1,000)	31 December 2021	31 December 2020
Assets		
ABN AMRO group companies	723,826	1,507,160
Banks	2,813,995	2,617,473
Customers	729,413	1,157,688
Total securities financing	**4,267,234**	**5,282,321**
Liabilities		
ABN AMRO Group companies	4,178,913	
Banks	89,281	40,910
Customers	643,874	256,086
Total securities financing	**4,912,069**	**296,996**

14. Loans and advances banks

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

As of 31 December 2021 no amount has a maturity of more than 3 months (2020: nil).

(x EUR 1,000)	31 December 2021	31 December 2020
Loans and receivables banks consists of the following:		
Demand receivables	309,191	504,317
Mandatory reserve deposits with central banks	29,368	3,079
Less: loan impairment allowance	-1,369	-327
Net loans and receivable banks	**337,190**	**507,069**

None of the amounts in the loans and receivables - banks items were subordinated in 2021 or 2020.

(x EUR 1,000)	31 December 2021	31 December 2020
Of the loans and receivables banks item, the following amounts were due from:		
ABN AMRO group companies	185,737	355,736
Third parties	151,454	151,333
Total loans and receivables banks	**337,190**	**507,069**

15. Loans and advances customers

As of 31 December 2021, EUR 3,793 thousand has a maturity of more than 3 months but less than one year (2020: EUR 5,581 thousand).

(x EUR 1,000)	31 December 2021	31 December 2020
Loans and advances customers consists of the following:		
Corporate loans, gross	9,407,444	8,017,016
Less: loan impairment allowances - corporate loans		
Corporate loans	9,407,444	8,017,016
Government and official institutions	5,732	4,595
Receivables from Central Counterparties	11,315,200	4,518,146
Less: loan impairment allowances - other	-1,970	-2,610
Other loans and advances	11,318,963	4,520,131
Loans and advances customers	**20,726,406**	**12,537,147**

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

(x EUR 1,000)	31 December 2021	31 December 2020
Of the loans and advances customers item, the following amounts were due from:		
ABN AMRO group companies	4,131,515	3,377,579
Third parties	16,594,891	9,159,568
Total loans and advances customers	**20,726,406**	**12,537,147**

16. Participating interest in group companies

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

(x EUR 1,000)	31 December 2021	31 December 2020
Balance as at 1 January	**834,033**	**911,684**
Increase of capital		39,616*
Unrealised gains/losses		
Dividend paid out	-97,596	-18,436
Foreign exchange differences	56,387	-65,829
Result for the year	97,988	-33,002
Balance as at 31 December	**890,813**	**834,033**

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

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

2021

	Entitlements	Currency	Shareholders' equity 2021	Net result 2021	Shareholders' equity 2021
			(x 1,000)	(x 1,000)	(x EUR 1.000)
ABN AMRO Clearing Chicago LLC, registered office in Chicago, United States;	100%	USD	494,574	72,287	436,506
ABN AMRO Clearing Sydney Pty Ltd, registered office in Sydney, Australia;	100%	AUD	74,616	2,766	47,816
ABN AMRO Clearing Hong Kong Ltd, registered office in Hong Kong;	100%	HKD	2,535,872	228,995	287,012
ABN AMRO Clearing Tokyo Co Ltd, registered office in Tokyo, Japan;	100%	JPY	11,733,017	761,426	89,960
ABN AMRO Clearing Singapore Pte Ltd, registered office in Singapore;	100%	SGD	4,579	28	2,995
ABN AMRO Clearing Investments BV, registered office in Amsterdam, The Netherlands.	100%	EUR	25,794	4,323	25,794
ABN AMRO Clearing London Ltd., registered office in London, United Kingdom.	100%	EUR	730	-	730
					890,813

2020

	Entitlements	Currency	Shareholders' equity 2020	Net result 2020	Shareholders' equity 2020
			(x 1,000)	(x 1,000)	(x EUR 1.000)
ABN AMRO Clearing Chicago LLC, registered office in Chicago, United States;	100%	USD	522,287	-84,510	425,067
ABN AMRO Clearing Sydney Pty Ltd, registered office in Sydney, Australia;	100%	AUD	71,850	4,888	45,220
ABN AMRO Clearing Hong Kong Ltd, registered office in Hong Kong;	100%	HKD	2,306,148	247,109	242,103
ABN AMRO Clearing Tokyo Co Ltd, registered office in Tokyo, Japan;	100%	JPY	10,971,591	744,134	86,639
ABN AMRO Clearing Singapore Pte Ltd, registered office in Singapore;	100%	SGD	4,551	29	2,803
ABN AMRO Clearing Investments BV, registered office in Amsterdam, The Netherlands.	100%	EUR	31,471	-276	31,471
ABN AMRO Clearing London Ltd., registered office in London, United Kingdom.	100%	EUR	730	-	730
					834,033

17. Property and equipment

(x EUR 1,000)	31 December 2021	31 December 2020
Total property and equipment	**1,456**	**2,072**

The tables below shows the categories of property and equipment at 31 December 2021 against net book value, and the comparatives.

(x EUR 1,000) 2021	Leasehold improvements	IT equipment	Other property and equipment	Right of use assets	Total
Acquisition costs as at 1 January 2021	**525**	**5,827**	**293**	**2,409**	**9,053**
Additions				155	155
Foreign exchange differences	33	382	18	155	589
Acquisition costs as at 31 December 2021	**557**	**6,210**	**311**	**2,719**	**9,797**
Accumulated depreciation 1 January 2021	**-292**	**-5,602**	**-274**	**-813**	**-6,981**
Depreciation expense	-180	-137	-7	-569	-892
Disposals				18	18
Foreign exchange differences	-25	-371	-17	-72	-485
Accumulated depreciation as at 31 December 2021	**-497**	**-6,110**	**-299**	**-1,436**	**-8,341**
Property and equipment as at 31 December 2021	**61**	**100**	**12**	**1,283**	**1,456**

(x EUR 1,000) 2020	Leasehold improvements	IT equipment	Other property and equipment	Right of use assets	Total
Acquisition costs as at 1 January 2020	**1,438**	**21,063**	**315**	**1,947**	**24,763**
Impact of adopting IFRS 16	-	-	-	-	
Additions	-	127	-	734	861
Disposals	-838	-14,307		-117	-15,262
Foreign exchange differences	-75	-1,056	-22	-155	-1,309
Acquisition costs as at 31 December 2020	**525**	**5,827**	**293**	**2,409**	**9,053**
Accumulated depreciation 1 January 2020	**-998**	**-20,587**	**-284**	**-215**	**-22,084**
Depreciation expense	-181	-353	-11	-743	-1,289
Disposals	837	14,307		111	15,255
Foreign exchange differences	50	1,031	20	34	1,136
Accumulated depreciation as at 31 December 2020	**-292**	**-5,602**	**-274**	**-813**	**-6,981**
Property and equipment as at 31 December 2020	**232**	**225**	**19**	**1,596**	**2,072**

No impairments to property and equipment have been recorded in 2021 or 2020.

Leasing

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

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

(x EUR 1,000)	2021	2020
Where AACB is the lessee, the future minimum lease payments under IFRS 16 are as follows:		
Within 3 months	111	124
More than 3 months but within 1 year	321	367
More than 1 year but within 5 years	918	1,148
More than 5 years		
Total operating lease agreements	**1,350**	**1,640**

18. Intangible assets

(x EUR 1,000)	2021	2020
Acquisition costs as at 1 January	**3,564**	**5,301**
Additions	295	2,533
Disposals	-726	-3,972
Foreign exchange differences	195	-298
Acquisition costs as at 31 December	**3,327**	**3,564**
Accumulated amortisation 1 January	**-2,452**	**-5,266**
Amortisation expense	-686	-1,434
Disposals	726	3,972
Foreign exchange differences	-131	276
Accumulated amortisation as at 31 December	**-2,543**	**-2,452**
Total intangible assets as at 31 December	**784**	**1,112**

No impairments to intangible assets have been recorded in 2021 or 2020.

19. Tax assets and tax liabilities

Tax assets

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

(x EUR 1,000)	31 December 2021	31 December 2020
Total current tax assets	**133**	**86**
The deferred tax assets can be categorised into:		
Net investment hedge	10,987	10,646
Other assets	207	3
Financial investments	2	1
Fixed assets	871	776
Total deferred tax assets	**12,067**	**11,426**
Of the deferred tax assets an amount of EUR 1,078 thousand is recorded through the income statement and an amount of EUR 10,989 thousand is recorded through equity.		
Total tax assets	**12,200**	**11,512**

Introduction
Governance
Our Business
Risk Management
Financial Statements
Other Information

Tax liabilities

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

(x EUR 1,000)	31 December 2021	31 December 2020
Total current tax liabilities	**24,041**	**18,175**
The deferred tax liabilities can be categorised into:		
Fixed assets		102
Financial investments	3,361	2,477
Other assets		-19
Total deferred tax liabilities	**3,361**	**2,560**
Total tax liabilities	**27,402**	**20,735**

20. Other assets

(x EUR 1,000)	31 December 2021	31 December 2020
The table below shows the components of other assets at 31 December:		
Related to securities transactions*	16,904	26,805
Accrued other income	2,039	2,167
ABN AMRO group companies	3,977	2,682
Prepayments	3,130	2,645
VAT and other tax receivable	5,428	3,670
Other	6,743	996
Total other assets	**38,221**	**38,965**

* These include transitory amounts related to securities transactions.

21. Due to banks

(x EUR 1,000)	31 December 2021	31 December 2020
The table below shows the components of due to banks:		
Demand deposits	571,083	763,997
Time deposits	11,847,938	10,217,767
Total due to banks	**12,419,022**	**10,981,764**
Of the due to banks item the following amounts were with:		
Demand deposits due to banks ABN AMRO group	132,456	151,538
Time deposits due to banks ABN AMRO group	11,847,895	10,199,715
Total ABN AMRO Group companies	**11,980,351**	**10,351,253**
Demand deposits due to third party banks	438,627	612,459
Time deposits due to third party banks	43	18,052
Total third party banks	**438,670**	**630,511**
Total due to banks	**12,419,021**	**10,981,764**

As of 31 December 2021, an amount of EUR 8,263 million has a maturity of more than 3 months (2020: EUR 3,466 million).

22. Due to customers

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

(x EUR 1,000)	31 December 2021	31 December 2020
The table below shows the components of due to customers:		
Demand deposits	11,298,354	6,426,838
Time deposits	716,925	1,207,774
Total due to customers	**12,015,279**	**7,634,612**
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	688,737	606,137
Total ABN AMRO Group companies	**688,737**	**606,137**
Demand deposits due to customers third party	10,609,617	5,820,701
Time deposits due to customers third party	716,925	1,207,774
Total third party customers	**11,326,541**	**7,028,475**
Closing balance as at 31 December	**12,015,279**	**7,634,612**

As of 31 December 2021, an amount of EUR 11,187 thousand has a maturity of more than 3 months but less than one year (2020: 19,910).

23. Issued debt

This debt was issued on 21 December 2021 for regulatory reasons and has an expiration date of 1 July 2024.

(x EUR 1,000)	31 December 2021	31 December 2020
The issued debt consists of the following:		
Bonds and notes issued	600,000	
Total Issued debt	**600,000**	

24. Provisions

(x EUR 1,000)	31 December 2021	31 December 2020
Total Provisions	**322**	**2,245**

The majority of the provision relates to restructuring. On the basis of information currently available, AACB determines with reasonable certainty that the full amount represents the expected cash outflow of the provisions for the 2021 financial year.

(x EUR 1,000)	31 December 2021	31 December 2020
Opening balance as at 1 January	**2,245**	**2,096**
Additions		930
Used	-1,455	-776
Currency translation result	6	-5
Releases	-474	
Closing balance as at 31 December	**322**	**2,245**

25. Other liabilities

(x EUR 1,000)	31 December 2021	31 December 2020
The table below shows the components of other liabilities at 31 December:		
Related to securities transactions*	28,831	49,902
Accounts payable	22,343	17,983
Rebilling cost by ABN AMRO group	52,702	48,313
Accrued expenses	7,977	7,072
Lease liabilities	17,892	1,640
Other	1,350	15,893
Total other liabilities	**131,095**	**140,803**

* These include transitory amounts related to securities transactions.

26. Equity

(x EUR 1,000)	31 December 2021	31 December 2020
Total Equity	**1,502,799**	**1,271,748**

For more information, see the notes to the Consolidated Financial Statements, note 29, Equity.

27. Commitments and contingent liabilities

(x EUR 1,000)	31 December 2021	31 December 2020
The committed credit facilities consist of the following:		
Total committed credit facilities	**71,206**	**85,728**

The guarantees and other commitments consist of the following:		
Guarantees	890,457	383,997
Irrevocable payment commitment	5,732	4,595
Total guarantees and other commitments	**896,189**	**388,592**

The guarantees have been given to third parties and are divided as follows:		
Guarantees given to subsidiaries	856,117	351,192
Guarantees given to exchanges	34,340	32,805
Total Guarantees	**890,457**	**383,997**

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 2021.
Amsterdam, 17 May 2022

Management Board

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

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

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

Profit appropriation

The ABN AMRO group policy is to upstream dividends from subsidiaries where appropriate. The dividend 2021 will be based on our current and projected consolidated capital ratios and local regulatory and exchange requirements in combination with our growth strategy. AACB proposes not to pay any dividend due to higher regulatory capital requirements. The final dividend amount will be decided at the General Meeting of Shareholders in May 2022.

Other information

EY
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 2021 included in the annual report

Our opinion

We have audited the financial statements 2021 of ABN AMRO Clearing Bank N.V. based in Amsterdam. The financial statements comprise the consolidated and company financial statements.

In our opinion:
- the accompanying consolidated financial statements give a true and fair view of the financial position of ABN AMRO Clearing Bank N.V. as at 31 December 2021 and of its result and its cash flows for 2021 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 2021, and of its result for 2021 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 2021
- The following statements for 2021: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:
- The company statement of financial position as at 31 December 2021
- The company income statement for 2021
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

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

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

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

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

ABN AMRO Clearing Bank N.V. is a globally active general clearing member, providing execution, clearing, settlement, custody and financing services for listed derivatives, cash securities, over-the-counter products, exchange-traded funds, commodities, and foreign exchange transactions. These activities are mainly conducted in Europe, Asia-Pacific and the United States with coverage on major exchanges and execution venues. The Company is structured in components and we tailored our group audit approach accordingly.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain 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.

Materiality

Materiality	€11.2 million (2020: €9.7 million)
Benchmark applied	5% of operating profit before taxation
Explanation	Based on our professional judgment, a benchmark of 5% of operating profit before taxation is an appropriate quantitative indicator of materiality and it best reflects the financial performance of the Company. In 2020, we applied 'normalized' operating profit before taxation and excluded the significant impairment loss incurred in March 2020 related to a client default from operating profit before taxation.

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

We agreed with the supervisory board that misstatements in excess of €560.000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

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

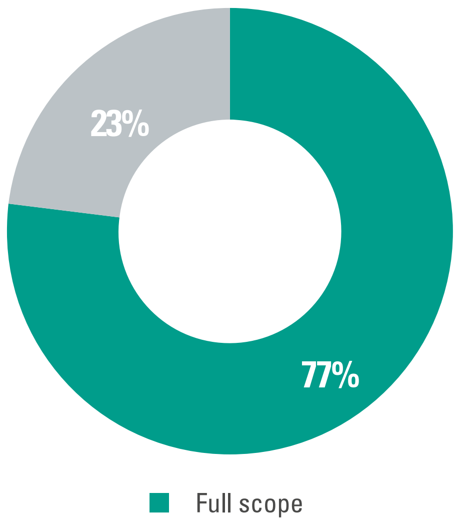
Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile 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.

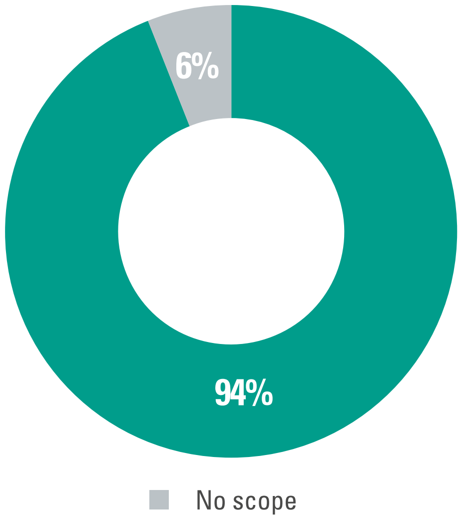
Our group audit mainly focused on significant group entities in the Netherlands, the United States, and Singapore. We have:

- performed audit procedures ourselves at group level and at component level in the Netherlands;
- used the work of other component auditors from EY Global member firm, operating under our coordination and supervision when auditing the group entities in the United States and Singapore;
- performed limited procedures at other group entities

On a regular basis, we interacted with the component teams during various stages of the audit. Based on our risk assessment, we had close contact with the component teams in the United States and Singapore and reviewed key local working papers and conclusions.

Through these procedures we covered in total 77% of profit before tax and 94% of total assets.





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

Teaming

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a clearing bank. We included team members with specialized knowledge in the areas of IT audit, forensics and tax.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the Company and its environment and the components of the system of internal control, including the risk assessment process and the management board's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes.
We refer to the section Risk Management as included in the integrated annual report of ABN AMRO Clearing Bank N.V. for the management board's (fraud) risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We also considered whether the Covid-19 pandemic gives rise to specific fraud risk factors with remote working, office closures or illness possibly diluting the effectiveness of internal controls. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls and when identifying and assessing fraud risks we presumed that there are risks of fraud in revenue recognition due to the complexity and diversity of fee schedules. For the risks related to management override of controls, we have used data analysis to identify and address high-risk journal entries. We have also performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates, as disclosed in Note 'Critical accounting estimates and judgements' in the notes to the financial statements.

We describe the audit procedures responsive to the presumed risk of fraud in revenue recognition in the description of our audit approach for the key audit matter complexity and diversity of fee schedules.

We considered available information and made enquiries of relevant members of the management board, management (including finance, risk, compliance, internal audit and legal) and the supervisory board.

The fraud risk we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes, inspection of internal audit and compliance reports, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

As disclosed in the 'basis of presentation' of the notes to the financial statements, the management board made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next 12 months.

We discussed and evaluated this specific assessment with the management board exercising professional judgment and maintaining professional scepticism. We considered whether the management board's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the company's ability to continue as a going concern and whether the company will continue to comply with the regulatory solvency and liquidity requirements. 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.

Based on our procedures performed, we did not identify serious doubts about the company's ability to continue as a going concern for the next 12 months. 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.

Our key audit matters

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

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

Complexity and diversity of fee schedules	
Risk	Clients' fee schedules are customized and depend on a variety of factors including the kind of transaction, the investment type and the related exchanges. Furthermore, both fixed fees and fees dependent on volume exist. These complex and diverse fee schedules, in combination with significantly increased volumes due to market volatility, lead to an increased risk of material misstatement in relation to recognition of fee and commission income, in the financial statements. As the larger clients typically have the most tailored fee schedules, we deem the risk to be inherent in the Company's main clients' fee schedules. Moreover, when identifying and assessing fraud risks we presumed that there are risks of fraud in revenue recognition. As the fee and commission income represents the majority of the Company's income and given the complexity and diversity of the schedules we consider this a key audit matter. Please refer to note 2 Net fee and commission income in the financial statements.
Our audit approach	Our audit procedures included, amongst others, evaluating the appropriateness of the company's accounting policies related to revenue recognition, determination of transaction prices and satisfaction of performance obligations in accordance with IFRS 15 'Revenue from contracts with customers' and whether the accounting policies have been applied consistently or whether changes, if any, are appropriate in the circumstances.

	We evaluated the design and implementation and tested operating effectiveness of the key controls over fee schedules origination and changes, data input and recording in source systems, automated calculation of fees and reconciliation controls with external parties. We applied data-analytics on a fee and commission income stemming from security transactions to recalculate the fees and commissions recorded, thereby verifying their completeness and accuracy. We tested appropriate recognition of fees from the source systems in the general ledger and on clients' clearing statements. In addition, we obtained confirmations from a selection of customers confirming their year-end cash balances in clearing accounts to which fees are charged.
Key observations	Based on our procedures performed we consider the fee and commission income to be reasonably stated.
IT reliability and continuity	
Risk	The continuity and reliability of the IT environment are crucial for ABN AMRO Clearing Bank N.V.'s operations and its financial reporting process. We consider this a key audit matter as the Company relies extensively on a relatively complex IT environment for trading, collateral management, reconciliations, and financial and risk reporting. The dependency on IT systems could lead to undetected misstatements in financial reporting. Further, complex identity and access management processes increase the risk of inappropriate access to applications and data and increase the risk of inappropriate segregation of duties. A summary of technology and the IT environment is included in the operational risk section of the risk management section of the management board report.
Our audit approach	IT audit specialists are an integral part of the engagement team and assess the reliability and continuity of the IT environment to the extent necessary for the scope of our audit of the financial statements. In this context, we evaluated the design of the IT processes and tested the operating effectiveness of general IT controls, as well as application controls over data processing, data feeds and interfaces, where relevant for the financial reporting. We evaluated the design and tested the operating effectiveness of IT general controls related to identity and access management, change management and we tested the relevant automated controls as embedded in the company's core transaction processing systems, where we relied upon for financial reporting. Based on our findings from the test of the IT general controls, in the identity and access management processes, we performed additional procedures to be able to conclude on the reliability of the information used in the financial reporting process. We performed the additional procedures on identity and access management for the infrastructure components involved and related applications. We also assessed the reliability and continuity of the IT environment and the possible impact of changes during the year. In addition, our audit procedures consisted of evaluating developments in the IT infrastructure and analyzing the impact on the IT organization as well as monitoring and evaluating upon parts of IT processes that have been outsourced.
Key observations	Our testing of the IT general controls and the substantive tests performed, provided sufficient evidence to enable us to rely on the adequate and continued operation of the IT systems relevant for our audit of the financial statements.

Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

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 for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code

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

The management board is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the supervisory board as auditor of ABN AMRO Clearing Bank N.V. on 11 September 2015 as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

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

Description of responsibilities regarding the financial statements

Responsibilities of the management board and the supervisory board for the financial statements

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion. Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board
- 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

Communication

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

In this respect we also submit an additional report to the audit, risk & compliance committee of the supervisory board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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

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

Amsterdam, 17 May 2022

Ernst & Young Accountants LLP

Signed by P. Sira

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