



# annual report 2014

ABN AMRO  
Clearing Bank N.V.

# notes to the reader

This is the Annual Report for the year 2014 of ABN AMRO Clearing Bank N.V. The Annual Report consists of the Managing Board report, Supervisory Board report, the Annual Financial Statements and other information.

The financial information contained in this Annual Report has been prepared in accordance with International Reporting Standards (IFRS) as adopted by the European Union (EU).

This Annual Report is presented in euros (EUR).

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

For more information please visit us at [abnamroclearing.com](http://abnamroclearing.com)





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# ABN AMRO Clearing at a glance

ABN AMRO Clearing Bank N.V. (AACB) is a wholly owned subsidiary of ABN AMRO Bank N.V. The financial statements of AACB are incorporated in the consolidated financial statements of ABN AMRO Group N.V. (AAG). The legal entity AACB is part of the business unit ABN AMRO Clearing.

The AACB operating model is, where possible, self-supporting due to the nature of business, where speed and responsiveness are critical and regulators and clients expect separation of clearing activities from general banking activities. The clearing activities are therefore undertaken out of AACB; a dedicated legal entity that has a banking licence and is regulated under the Single Supervisory Mechanism implemented in November 2014. As of that date the European Central Bank is responsible for AACB's supervision.

AACB plays an important facilitating and processing role in the global capital markets, creating efficiency in the value chains of everyday products and making the financial system more efficient, transparent and robust.

## History

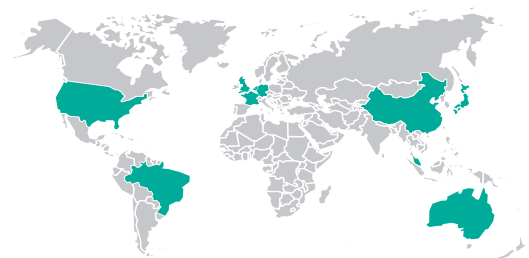
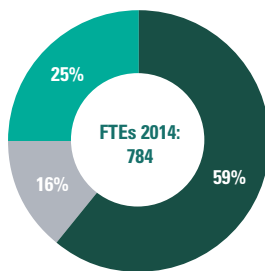
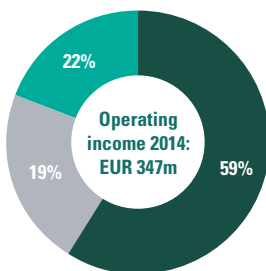
The AACB concept was established in 1982 in Amsterdam. At a later stage clearing sites were opened in London, Hong Kong, Sydney, Chicago, Singapore, Tokyo and Sao Paulo among other locations.

## Business model

AACB covers the full market chain from market access and execution services to clearing, settlement and multi-product asset servicing on a global basis. We offer 24-hour/5-day global services across multiple asset classes. In addition, we provide collateralised financing and securities borrowing and lending services to our clients. With a top-three ranking based on turnover and global market share, AACB plays a important role in supporting the global financial infrastructure.



Proprietary Traders  
Clearing Firm  
of the year 2014



Europe
  Asia
  America

### Americas

Chicago  
São Paulo

### Europe

Amsterdam  
Frankfurt  
London  
Paris

### Asia & Pacific

Hong Kong  
Singapore  
Sydney  
Tokyo



# letter from the Managing Board

2014 was a good year for AACB, with record high operating income, largely due to the sale of the majority stake in Holland Clearing House to Intercontinental Exchange. But even normalised for the latter, AACB had a favourable year as a result of strong interest results and stable fee and commission income.

In 2014 we saw a continuing trend of declining interest rates and initially a lowering of cleared volumes on most exchanges. However, in the second half of the year market activity picked up driven by a rise in volatility due to the Ukraine conflict, democracy protests in Hong Kong, concerns over the Eurozone economic outlook, the rouble crisis and increased tensions in the Middle East.

Cost increased, in large part due to the need to keep pace with regulatory change, improved customer due-diligence and enhanced risk controls. Cost discipline and ensuring that we operate as effectively as possible is key for the long term success of our company. As a result, AACB initiated the operations offshoring program in 2013, aimed at improving of our (custody) operations, which was rolled out during 2014. This restructuring affected a large part of our staff in the Netherlands and finalisation is foreseen in the second quarter of 2015. Also, after reviewing our legal operating structure, we decided to cease our activities in our Brussels branch.

During the year we further strengthened our internal control framework and risk monitoring capabilities and tightened our systems and processes in order to protect our clients and to create an even safer financial infrastructure. AACB participated in several consultations and implemented new regulatory requirements on a global basis. This put considerable strain on our operations and involved a great deal of additional work and costs.

Commercially, our focus in Europe was on retaining market leadership, while in the United States and Asia further growth was achieved. We rolled out our energy

and commodities clearing product worldwide and started up a presence in Brazil in order to expand our service model and provide new opportunities to our clients. We introduced a new product management organisation, dedicated to expand and improve our products and service offering, such that we are even better equipped for further facilitating our clients.

As a consequence of the intensified focus on risk Management and product development, we decided to expand the managing board of AACB by welcoming both B. Duinstra and A. Bolkovic in their roles of, respectively, Chief Risk Officer and Head of Products & Services. Both have extensive experience, and their valuable knowledge will help us further in achieving the strategic goals of AACB.

## Future developments

Unpredictable developments arising from ongoing geopolitical tensions, additional regulatory costs, Eurozone membership uncertainties, currency and commodity price alignments and interest rates moves could all affect the economic performance of our company. However, we will continue to build on the progress made in 2014. Strict cost and risk control combined with greater focus on new (product) initiatives, together with further growth in our principal trading groups and the corporate hedges segment and a gradual build-up in the prime market, should ensure sustainable growth. We have our sights set on the future and are working to make our clients globally competitive.

Our focus on streamlined processes will continue to be key in 2015. This will entail implementing and migrating towards a single multi-asset clearing platform providing consistent product capabilities globally and further improving our efficiency. In addition, we will start rolling out Customer Excellence (CE) across the organisation, combining customer focus with operational excellence. CE is based on Lean Management principles and helps



improve the satisfaction of both clients and employees. Moreover, our efforts to standardise and globalise our IT landscape and the implementation of a new product management organisation are designed to improve client servicing and boost the profitability of our business, although the benefits of these measures are only expected to emerge from 2016 onwards.

We have once again achieved a great deal in 2014 – and none of it would have been possible without the dedication and hard work of our highly motivated employees. We would like to thank them for their ongoing commitment and vital contribution to our success.

We would also like to thank our customers for their continuing trust and loyalty in our bank.

Amsterdam, 21 May 2015

## Managing Board

**M.C. Jongmans, Chairman**

**J.B.M. de Boer, Chief Commercial Officer**

**A. Bolkovic, Global Head Products & Services**

**B. Duinstra, Chief Risk Officer**

**L.M.R. Vanbockrijck, Chief Financial Officer**

ABN AMRO Clearing Bank N.V.,  
registered in Amsterdam.

Gustav Mahlerlaan 10, 1082 PP Amsterdam,  
The Netherlands

Trade Register entry no. 33170459

From left to right:  
M.C. Jongmans,  
J.B.M. de Boer (behind),  
B. Duinstra,  
L.M.R. Vanbockrijck,  
A. Bolkovic.



# supervisory board report

## Composition of the Supervisory Board

A description of the duties and responsibilities of the Supervisory Board including the procedures for appointment, suspension and dismissal is provided in the Governance section of this report.

The Supervisory Board generally assesses its composition as adequate especially with regard to expertise. The Supervisory Board believes that, as a whole, it possesses sufficient knowledge, expertise and experience to adequately perform its duties.

All members of the Supervisory Board hold senior executive positions within ABN AMRO. The composition of the Supervisory Board changed in 2014, as two members (J. Ketelaar and F. Woelders) stepped down and were replaced by two new members (A. Rahusen and F.M.R. van der Horst). As of 19 February 2015 J. ter Avest has stepped down as Chairman of the Supervisory Board and has been replaced by R.V.C. Schellens. An overview of the current composition of the Supervisory Board is provided under the heading 'Composition of the Supervisory Board' on page 80.

## Supervisory Board meetings

The Supervisory Board met on four occasions in 2014 in plenary scheduled meetings. All plenary scheduled meetings were held in the presence of the members of the Managing Board and the Company Secretary. Other members of senior management were regularly invited to present specific topics.

Two plenary meetings were attended by all members of the Supervisory Board, two meetings were attended by four members.

Outside the Supervisory Board meetings, members of the Supervisory Board and the Managing Board were in contact on a regular basis. The Chairman and the Company Secretary prepared the agenda for the plenary



scheduled meetings of the Supervisory Board in 2014. Regular agenda items included financial performance, risk management, compliance and regulation, audit findings, market and regulatory developments and strategy. A more detailed description of the matters discussed is provided below.

The company's financial performance was discussed during the Supervisory Board meetings at the end of each quarter. Information provided by the Managing Board with the assistance of internal and external auditors gave the Supervisory Board a picture of the company's risks, results, and capital and liquidity positions. During its meeting in May 2015, the Supervisory Board reviewed the Annual Report 2014 and the Financial Statements 2014. The Supervisory Board evaluated and discussed these documents with the Managing Board, ABN AMRO Group Audit and KPMG (the independent external auditor) and took note of the independent auditor's report issued by KPMG on the Financial Statements 2014.

Throughout the year, the Supervisory Board monitored the implementation of the strategy going forward and supported the Managing Board in its effort to put clients' interests first, maintain a moderate risk profile and implement the long-term strategy. The Supervisory Board challenged the Managing Board on AACB's performance, audit findings, risk management and strategic plans. AACB's RAG Risk Management Report, which is provided to the Supervisory Board on a regular basis, served as the basis for a number of discussions on the key risks run by AACB.

The Managing Board regularly informed the Supervisory Board about intended organisational changes, strategic initiatives and incidents that had occurred.

## Corporate governance

Corporate governance was further strengthened in 2014. The new members of the Supervisory Board took the Bankers' Oath in 2014. The oath is a confirmation of ABN AMRO's existing policy, which is fully in line with the business principles and core values of ABN AMRO.

Permanent education for the Supervisory Board has been put in place and is designed to keep its members' expertise up to date and to broaden and deepen their knowledge where necessary. As all members of the Supervisory Board are members of the Management Group of ABN AMRO (being a group of Senior Managers positioned in the management layers below the Managing Board level of ABN AMRO), Supervisory Board members are invited to participate in the lifelong learning programme of ABN AMRO. In addition, AACB regularly organises informative workshops for Supervisory Board members to ensure a balanced programme that covers relevant aspects of AACB's performance and takes into account current developments in the clearing industry.

ABN AMRO applies the Banking Code's principles on risk appetite, risk policy and risk management on a consolidated basis. Consequently, AACB does not have separate committees of the Supervisory Board (i.e. audit, Risk or remuneration committee). At least once a year, ABN AMRO Group Audit and the external auditor attend a meeting of the Supervisory Board.

Amsterdam, 21 May 2015

## Supervisory Board

**R.V.C. Schellens (chairman)**

**J.R. Dijst**

**F.M.R. van der Horst**

**A.J.B.M. Peek**

**A. Rahusen**



# governance and ownership

## Corporate structure

AACB is a public company with limited liability incorporated on 25 November 1982 under Dutch Law and is a fully owned subsidiary of ABN AMRO, which is in turn fully owned by AAG. The financial statements of AACB are incorporated in the consolidated financial statements of AAG.

AAG had issued a 403 Statement regarding AACB. A 403 Statement is a statement of a parent company in which it assumes joint and several liability for all liabilities arising from legal acts of its subsidiaries. A 403 Declaration refers to section 2:403 of the Dutch Civil Code and must be filed with the Trade Register of the Chamber of Commerce.

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

The responsibilities and activities of the Managing Board and the Supervisory Board are governed by Dutch company law and AACB's Articles of Association. Furthermore, AACB has established rules for the Managing Board and Supervisory Board regarding their activities and responsibilities.

## Managing Board

### Responsibilities of the Managing Board

The members of the Managing Board collectively manage AACB and are responsible for its strategy, structure and performance, including the assessment and management of the risks related to AACB's activities. In carrying out their duties, the members of the Managing Board are guided by the interests and continuity of AACB and its affiliated entities taking into consideration the interests of all of AACB's stakeholders and of society at large.

The Managing Board is accountable for the performance of its duties to the Supervisory Board and the General Meeting of Shareholders.

The Managing Board must share with the Supervisory

Board, AACB's operational and financial objectives, annual accounts, strategy and the parameters applied in relation to the strategy.

### Appointment, suspension and dismissal

The members of the Managing Board are appointed by the General Meeting of Shareholders (being ABN AMRO). The Supervisory Board and the General Meeting of Shareholders may at any time suspend a member of the Managing Board.

Members of the Managing Board can only be dismissed by the General Meeting of Shareholders.

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

### Remuneration

AACB's Managing Board members are subject to ABN AMRO's remuneration policy. This policy has been approved by the shareholder(s) of ABN AMRO and governs principles and policies for Management Group members and identified staff.

ABN AMRO strives to position the level of total direct compensation for Management Group members just below market median levels. With effect from 2014, the variable compensation for Management Group members in the Netherlands was capped at 20% of base salary in anticipation of the new Dutch bonus cap included in the Act on Remuneration Policies of Financial Undertakings (Wet beloningsbeleid financiële ondernemingen, or Wbfo by its Dutch acronym).

The remuneration packages for identified staff have been structured in accordance with the regulations for the financial sector and consist of the following components:

- ▶ Annual base salary
- ▶ Annual variable remuneration (with deferred pay-out)
- ▶ Benefits and other entitlements.



## Supervisory Board

### Responsibilities of the Supervisory Board

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

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

The Supervisory Board must meet at least four times each year and on so many further occasions as any of the members of the Supervisory Board may deem it necessary.

### Appointment, suspension and dismissal

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

All members of the Supervisory Board are employed by ABN AMRO and do not receive separate compensation for being member of AACB's Supervisory Board. Members of the Supervisory Board are formally appointed and may be suspended or dismissed by the General Meeting of Shareholders.

### Diversity

The Managing Board and the Supervisory Board consists of individuals only. According to the Act on Management and Supervision (Wet Bestuur en Toezicht) members of each Board must be at least 30% male or female.

At the end of 2014 the Managing Board of AACB consisted of 20% female members and the Supervisory Board of 100% male members. The composition of the Supervisory Board changed in 2014, as two members stepped down and were replaced by two new members. When replacing members of or expanding the Managing Board or Supervisory Board, female candidates will be preferred.

### Dutch Banking Code

The Dutch Banking Code came into effect on 1 January 2010. The Code sets out principles that banks should adhere to in terms of corporate governance, risk management,

audit and remuneration. The Banking code applies to AACB as a licensed bank under the Act on Financial Supervision (Wft). AACB is part of the ABN AMRO group of companies. The principles of the Banking Code are applied by ABN AMRO in full to all relevant entities within its group of companies on a consolidated basis. In accordance with ABN AMRO's management framework, all members of the group are an integral part of the ABN AMRO organisation. The management framework entails that the bank's policies and standards related to compliance with internal and external regulations and best practises are applicable to the full group and consequently are defined at group level for implementation within the different parts of the organisation.

AACB 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 2010 is published on [abnamro.com](http://abnamro.com)

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

## Shareholders

### General Meetings of Shareholders

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



Shareholders of AACB was held on 22 July 2014. The general Meeting of Shareholders adopted the Annual Accounts 2013 and granted discharge to the members of the Managing Board and the Supervisory Board.

**Legal structure**

AACB is 100% owned by ABN AMRO, a company incorporated in the Netherlands.

AAG owns all shares (100%) in ABN AMRO. On 29 September 2011 the Dutch State transferred its shares in AAG to ‘Stichting administratiekantoor beheer financiële instellingen’ (‘NLFI’).

This Governmental body, with an Independent Board, has been set up to manage the financial interests held by the Dutch State in Dutch financial institutions. NLFI issued exchangeable depositary receipts in return for acquiring the shares held by the Dutch State in ABN AMRO. NLFI is responsible for managing these shares and exercising all rights associated with these shares under Dutch law, including voting rights. Material decisions require the prior approval of the Minister of Finance. NLFI holds all ordinary shares in AAG, representing 100% of the voting rights (2013: 100%).

ABN AMRO Clearing provides its clearing and related services in Europe through AACB Amsterdam and through

AACB’s branches in Frankfurt and London. AACB has been a fully licensed bank since 30 September 2003. Under the Single Supervisory Mechanism (SSM) implemented in November 2014, prudential supervision over AACB is transferred from the Dutch Central Bank (DNB) to the European Central Bank (ECB).

AACB provides its services outside Europe through its 100% subsidiaries ABN AMRO Clearing Chicago, ABN AMRO Clearing Sydney, ABN AMRO Clearing Tokyo, ABN AMRO Clearing Hong Kong, and ABN AMRO Clearing Singapore and through AACB Singapore Branch. On 28 February, 2011 AACB created Holland Clearing House N.V. (HCH). HCH is a public limited company incorporated under the laws of the Netherlands. HCH delivers derivatives CCP services to the multilateral trading facility TOM MTF in the Netherlands.

At year-end 2013, AACB owned 100% of the shares in HCH. On 3 December 2014, AACB sold 75% of its shares to Intercontinental Exchange (ICE). AACB retained the remaining 25% of shares in HCH. See also Note 18 to the Financial Statements.

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

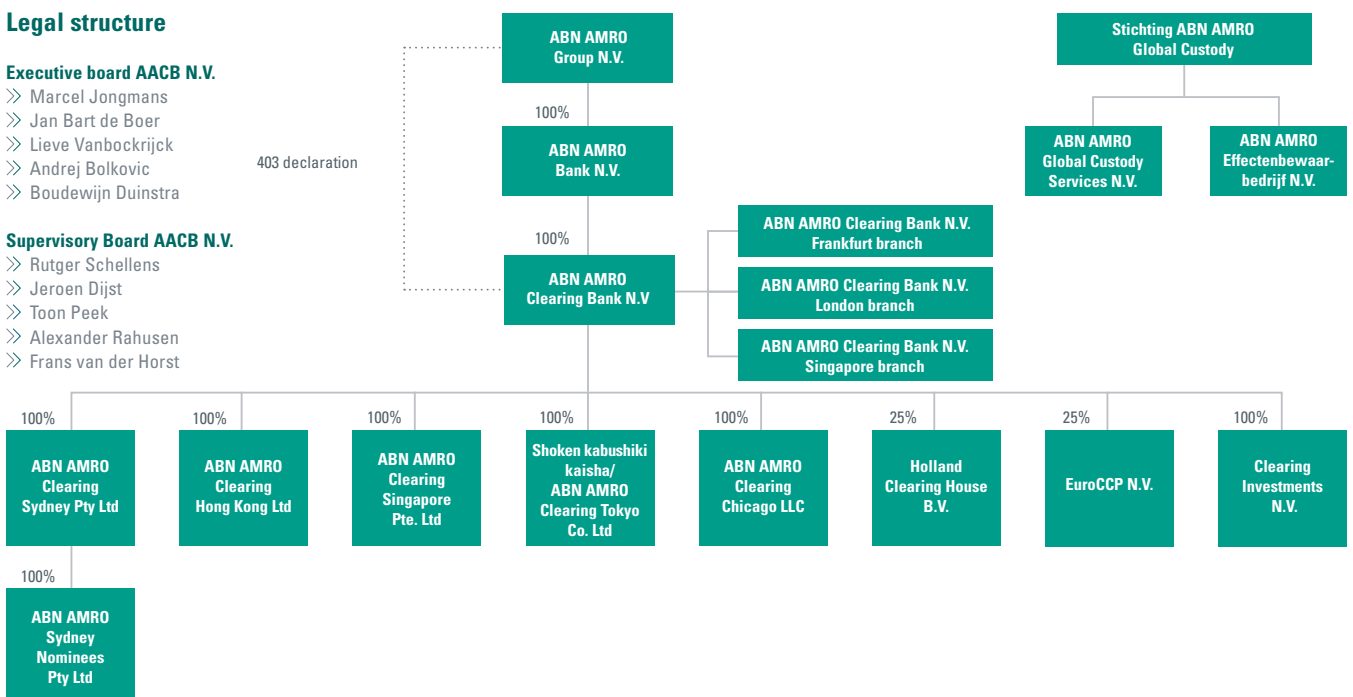
**Legal structure**

**Executive board AACB N.V.**

- >> Marcel Jongmans
- >> Jan Bart de Boer
- >> Lieve Vanbockrijck
- >> Andrej Bolkovic
- >> Boudewijn Duinstra

**Supervisory Board AACB N.V.**

- >> Rutger Schellens
- >> Jeroen Dijkstra
- >> Toon Peek
- >> Alexander Rahusen
- >> Frans van der Horst



# managing board report

## Regulatory developments

New regulatory proposals are constantly being introduced at global, European and national level. AACB continuously monitors developments and prepare for upcoming regulatory changes. Implementing measures to address new laws and regulations is costly and impacts AACB's business. Given the quantity of new laws and regulations that are relevant to us, we focus here on the main regulatory changes that are expected to impact AACB. More information can be found under the heading Regulatory environment.

## Risk management

In its daily operational activities AACB is confronted with various risks such as market, credit, liquidity, operational, and reputational risks. Credit risk and market risk are most important for AACB given the nature of its business. Accurate identification and control of these risks constitutes an important part of AACB day-to-day operations.

The risk appetite of AACB is aligned with ABN AMRO's corporate strategy and thus set with a view to creating a moderate risk profile. It is monitored on a monthly basis by benchmarking actual and expected risk profiles.

In 2014 AACB had two defaults and a default rate of 0,27 bps (2013: 0,00 bps) on the overall outstanding credit lines of EUR 27,1 billion (2013: EUR 25,1 billion).

More information on AACB's risk management, risk framework and the main risks it faces can be found in the risk management section on page 16.

## Financial review 2014

The year 2014 proved to be successful with a net profit of EUR 74 million and a return on assets of 28 bps.

Initially, a persistent downtrend in traded volumes was seen on most exchanges as volatility reached levels equalling the bottoms in AACB's 24 year history.

In particular the Eurozone economy continued to face high unemployment rates, low levels business activity and weak consumer confidence. However, in the second half market activity picked up due to the pro-democracy demonstrations in Hong Kong and the Ukraine conflict which lead to economic sanctions on Russia and consequently the rouble crisis. Other factors that weighed in were the continuing unstable situation in the Middle East. Together, these resulted in a peak in commission income in the last quarter of the year. Compared to 2013, fee income increased by EUR 2 million. This represents approximately 1% and is largely in line with the developments seen in the number of traded derivatives on the exchanges worldwide.

Due to the fragile economic environment interest rates consistently trended down leading to tightening of spreads. Nevertheless, AACB managed to report the strongest interest result in its history thanks to high client financing needs, growth in Securities Borrowing & Lending and favourable netting opportunities.

Finally, the key driver in AACB's strong results was the strategic sale of its majority interest in Holland Clearing House to Intercontinental Exchange in December 2014. Without this result the total profit of AACB would have been EUR 39 million.

Improving AACB's efficiency was one of the main focuses in 2014. This was reflected partly in the further optimisation of our global IT infrastructure through the launch of initiatives to implement the same clearing system in the Chicago subsidiary as is used by all the other AACB offices. We are pleased to report that the activities relating to the offshoring to India are in their final stages and expected to be finished within the second quarter of 2015. These strategic projects took a significant amount of investment and called for a high level of external hiring to ensure successful integration and continuity of the day-to-day business.



Additionally, the decision was taken to close AACB's office in Belgium and to reduce the operations team in the UK. Both these measures resulted in restructuring costs.

Despite the strong cost focus, AACB experienced a rise in regulatory expenses regarding the Dutch Banking Tax of almost EUR 1 million, which is fully correlated with the growth in AACB's balance sheet. In the coming years further increases in regulatory expenses are expected as a result of the introduction of the European Resolution Fund for which contribution will be mandatory from 2015.



# regulatory environment

In 2014, a myriad of new regulatory initiatives were introduced at national, European, and global level. The majority of these regulations have an impact on AACB's products & services, as well as its business- and operating model.

At the same time, despite their mandatory character, some regulations may also offer commercial and strategic opportunities. AACB is committed to meeting all its regulatory obligations while seeking to minimise the impact on its clients, products and services. We are therefore proactively monitoring and anticipating new developments, while remaining well-prepared for upcoming regulatory changes. AACB is closely aligned with, local, European and global, regulators on new

regulatory developments. In addition, we are in constant dialogue with and actively involved in the proceedings of a number of market and industry groups at the local, European and global levels.

During 2014 AACB remained focused on the ongoing implementation of legislation introduced in the wake of the G20 commitments following the financial crisis, most notably on derivative market transparency and the reduction of systemic risk.

Given the quantity of new laws and regulations, this section provides an overview of key regulatory initiatives, regulatory developments and supervisory focuses affecting AACB globally.

## Regulatory Environment Europe

### Systemic Risk

CRD IV / CRR  
(Basel III)

### Market Transparency & Behaviour

EMIR

REMIT

Securities  
Financing  
Transparency

Market Abuse  
Regulation

### Market Infrastructure

MiFID ii / MiFIR

EMIR

### Supervision & Resolution

Single Supervisory  
Mechanism

Single Resolution  
Mechanism

CCP Recovery &  
Resolution  
(Expected)



### **CRDIV and the reduction of systemic risk**

One of the most significant ongoing implementations aimed at reducing systemic risk is the EU-wide implementation of Basel III, collectively known as the Capital Requirements Directive IV (CRD IV) and the Capital Requirements Regulation (CRR). CRDIV and CRR lay down new capital, leverage and liquidity standards to strengthen the regulation, supervision and risk management of the banking industry.

### **EMIR – Derivative market transparency & mandatory clearing**

The European Markets Infrastructure Regulation (EMIR) requirements on derivative market transparency entered into force in February 2014 as the centrepiece of the European market transparency initiatives. The rules mandate the reporting of OTC and exchange traded derivatives to an authorised trade repository. The reporting obligation is currently largely implemented across the market, resulting in the majority of market participants facing operational, logistical and administrative challenges.

In November 2014, the European Securities and Markets Authority (ESMA) published proposals to resolve certain issues related to reporting with a review of the entire EMIR framework being scheduled for the second half of 2015.

The clearing obligation for certain OTC derivative products is expected to commence in 2015 for interest rate swaps (IRS).

Significant progress on EMIR has been made with the drafting of the provisions for the central clearing of a range of OTC derivatives. In 2014 the European Securities Markets Authority (ESMA) published a number of draft secondary legislation documents setting out the initial classes of derivatives it proposes to make subject to mandatory clearing, including interest rate derivatives and credit derivatives. ESMA has halted the legislative process for FX forwards.

### **MiFID II Market infrastructure reform**

The main reform affecting market infrastructure remains the revised Markets in Financial Instruments Directive / Regulation (MiFID II and MiFIR). The MiFID II and MiFIR framework will entail a complete overhaul of the market infrastructure and existing trading practices aimed at increasing investor protection, mandatory on-exchange

trading of certain OTC derivatives, and a range of new transparency requirements. The primary legislation was published in April 2014, with draft proposals for secondary legislation proposals being opened for consultation in July and December.

### **SSM / SRM – Single Supervisory & Resolution Mechanism**

2014 saw some significant changes in the supervisory framework with the formation of the European Banking Union. In November 2014, banking supervision for the most significant banks in the eurozone (including ABN AMRO and AACB) was transferred to the Single Supervisory Mechanism (SSM) governed by the European Central Bank in Frankfurt. The SSM is one of the two pillars of the European Banking Union, along with the Single Resolution Mechanism (SRM). The latter aims to ensure an orderly resolution of failing banks with minimal costs for taxpayers and the real economy. Both the United States and the European Union have indicated that they aim to introduce similar recovery and resolution frameworks for central counterparties in 2015.



# risk management

## Risk Appetite

A bank's risk appetite determines the level and nature of risk that it is willing to take in order to pursue its strategy, taking all stakeholders into consideration. The risk appetite clarifies the use of risk capacity across the different risk types, businesses and operating entities, in this way optimising risk and return. AACB's risk appetite is aligned with ABN AMRO's corporate strategy and thus set with a view to create a moderate risk profile. It takes into account all risk types of the risk taxonomy relevant for AACB, more particularly the main risk types – credit, market, operational, liquidity and business risk – and sets limits on AACB's overall risk-taking capacity. It is monitored monthly by benchmarking actual and expected risk profiles so that corrective actions can be defined. This risk appetite is reviewed annually and approved by all relevant committees within the bank.

## Risk governance

As a 100% subsidiary of ABN AMRO, AACB is part of ABN AMRO's governance, i.e. its Three Lines of Defence model, its risk decision framework, and its product approval process.

The First Line of Defence – risk ownership – resides in each business (e.g. AACB), whereby management in each business (e.g. AACB management) is primarily responsible for the risks they take, the results, execution, compliance and the effectiveness of risk control.

The Second Line of Defence – risk control – is formed by the risk control functions that are responsible for setting frameworks, rules and advice, and monitoring and reporting on execution, management, and risk control. The second line ensures that the first line takes risk ownership and has approval authority on credit proposals above a certain threshold. Various departments of ABN AMRO such as Compliance, Sustainability, Legal, Tax and Finance (including ALM) service AACB in exerting the required risk control.

The Third Line of Defence – risk assurance – is the internal audit function. ABN AMRO's Group Audit department evaluates the effectiveness of the governance, risk management and control processes and recommends solutions to optimise the Group Audit coordinates matters with the external auditor, the Dutch Central Bank and the European Central Bank.

The risk decision framework of AACB is integrated in that of ABN AMRO. For example, AACB credit proposals need approval by the Central Credit Committee of ABN AMRO, or a subsidiary committee / following the credit delegation framework of ABN AMRO and advised by second line credit risk functions.

Moreover AACB does not engage in any proprietary trading as this is not part of its mandate. It operates at arm's length from ABN AMRO and provides a clearing service as an independent market participant with a focus on third parties.

The risk models used by AACB require formal approval by a subsidiary committee of the ABN AMRO Group Risk Committee (GRC) and are reviewed and validated at least annually.

## Management of risks

Sound risk management is a cornerstone of AACB's business model. Risk centres are operated in every time zone, and these local risk centres are supported and governed by various risk functions at headquarters in Amsterdam. The local risk management staff monitors client activity on a daily and intraday basis to ensure that all clients stay within the agreed market and credit risk parameters.

Although AACB does not run market risk on its own, it will encounter market risk as a result of its credit activities: (i) AACB explicitly guarantees, as a third party clearing member, the fulfilment of obligations towards





clearing houses and other third parties arising from customers' transactions. In the event of a client defaulting, AACB has the legal obligation to settle all the client's positions with the relevant clearing houses, possibly at a loss. Additionally, (ii) AACB provides credit lines to clients to leverage business opportunities.

To manage the above, all client exposures are fully collateralised. For the potential exposures that result from client portfolios, clients need to deposit collateral with AACB which is assessed on a daily basis. These so called margin requirements are based both on realised changes in the value of the client portfolios and on potential changes based on very conservative scenario analyses and stress tests that are conducted on a daily and intraday basis.

From a legal perspective both in the case of clearing and financing and of securities borrowing and lending services, all portfolios are fully pledged to AACB with the margin requirements that apply, and these exposures and portfolios are over-collateralised at all times. In addition, ABN AMRO Clearing has the contractual ability to immediately seize and liquidate the client's portfolio should the client fail to meet the collateral requirements. Hence, in the event of a violation, a client is requested to deposit additional collateral and / or reduce the risk in the portfolio. In case of default, the portfolio of the client can be taken over by AACB and be liquidated.

In addition to managing market and thus credit risk, the AACB risk departments conduct market surveillance activities on clients for which AACB acts as the executing broker that brings their orders to the exchanges. Also, they ensure that the exposures towards brokers, clearing houses, financial institutions and other counterparties that AACB faces in its capacity of General Clearing Member, stay within the limits that are approved within ABN AMRO's risk committees.

Due to the nature of AACB's activities, its financial assets and liabilities are generally of a short term nature. Primarily non-committed credit facilities with short tenors are provided to clients. One overall global liquidity funding line is obtained from ABN AMRO. Internally the liquidity is managed around the clock by three dedicated Treasury centres; one in each time zone.

Virtually all client inventories consist of liquid exchange traded securities and derivatives. Consequently the book values do not differ materially from the market values and everything is very transparent when it comes to valuation of portfolios.

Next to the intense focus on the market and credit risks on both client and street side, AACB pays specific attention to the operational risk component of its business model. Dedicated operational risk staff constantly monitor the operational risk profile of the global firm by keeping track of up-to-date operating procedures, potential operational losses, proper follow up of audit points, security management, business continuity testing and many other aspects that contribute to a safe working environment and optimal protection of clients' assets.

Finally ABN AMRO Clearing is also exposed to regulatory risk as it is operating in a highly regulated environment. Home regulators are ECB, DNB and AFM while the other locations around the world AACB also interact with local regulators such as the Bundesanstalt für Finanzdienstleistungsaufsicht ( BaFin, Germany), the Financial Conduct Authority (FCA, United Kingdom), the Securities and Exchange Commission (SEC, United States), the Monetary Authority of Singapore (MAS) and several others. In addition AACB deals with many different exchanges and central clearing houses that mandate their own rules and regulations. New regulations such Dodd-Frank, EMIR, MiFID II and Basel III also have a profound impact on AACB and its client base. Local Compliance departments in every country ensure constant compliance with all these regulations and maintain communications with the various regulators to protect the firm from regulatory risk.

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

EUR billion	2014	2013
Total outstanding client credit facilities	27,12	25,13
Total utilisation	11,17	10,46
Total debit cash utilisation	5,88	6,74
Total short stock utilisation	5,29	3,72

In 2014 AACB had two defaults and a default rate of 0,27 bps (2013: 0,00 bps) on overall outstanding credit lines of EUR 27,1 billion (2013: 25,1 billion).



**Audited** **Credit risk mitigation**

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

**Collateral management and guarantees**

The clients of AACB deposit funds and liquid marketable securities with AACB. These assets serve as collateral for credit facilities or market risk of these clients. In the event of default and subsequent liquidation AACB has priority rights on the proceeds of the clients asset because the collateral is pledged to AACB or we have a lien or other type of security right. Collateral is a way to mitigate or reduce credit risk associated with a credit facility or exposure. In addition, under certain predefined conditions, collateral can also result in a reduction in both regulatory capital and economic capital. All types of collateral should comply with pre-defined eligibility criteria. Collateral is monitored regularly to ensure eligibility and sufficient value.

**Audited** **Offsetting financial assets and liabilities**

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

**Enforceable master netting agreements or similar instruments**

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

**Audited** Offsetting, netting and collateral & guarantees

(x EUR 1.000)

**31 December 2014**

<b>Assets</b>	<b>Carrying amount before balance sheet netting</b>	<b>Balance sheet netting with gross liabilities</b>	<b>Carrying amount</b>	<b>Master Netting agreement</b>	<b>Collateral</b>	<b>Total Risk mitigation</b>	<b>Surplus Collateral</b>	<b>Net exposure</b>
Cash and balances at central banks	21.166		21.166			-		21.166
Financial assets held for trading	26.017.504		101.504			-		101.504
Financial investments	47.457		47.457			-		47.457
Securities financing	9.604.377		9.604.377	47.858	9.992.145	10.040.003	971.101	535.475
Loans and receivables – banks	5.716.483		5.716.483	4.195.280	330.030	4.525.310		1.191.173*
Loans and receivables – customers	11.045.959	25.916.000	11.045.959	2.152.633	14.129.230	16.281.863	8.312.780	3.076.876*
Equity accounted investments	21.280		21.280			-		21.280
Other	62.067		62.067			-		62.067
<b>Total assets</b>	<b>52.536.293</b>	<b>25.916.000</b>	<b>26.620.293</b>	<b>6.395.771</b>	<b>24.451.405</b>	<b>30.847.176</b>	<b>9.283.881</b>	<b>5.056.998</b>

<b>Liabilities</b>	<b>Carrying amount before balance sheet netting</b>	<b>Balance sheet netting with gross assets</b>	<b>Carrying amount</b>	<b>Master Netting agreement</b>	<b>Net amount</b>
Financial liabilities held for trading	100.365		100.365		100.365
Securities financing	1.135.840		1.135.840	47.858	1.087.982
Due to banks	43.355.055	25.916.000**	17.439.055	4.195.280	13.243.775
Due to customers	6.923.713		6.923.713	2.152.633	4.771.080
Issued debt	325		325		325
Other	190.169		190.169		190.169
<b>Total liabilities</b>	<b>57.705.467</b>	<b>25.916.000</b>	<b>25.789.467</b>	<b>6.395.771</b>	<b>19.393.696</b>

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

\*\* This amount reflect the Interest Rate Swap position of ABN AMRO Sales and Trading.



(x EUR 1.000)

31 December 2013

<b>Assets</b>	<b>Carrying amount before balance sheet netting</b>	<b>Balance sheet netting with gross liabilities</b>	<b>Carrying amount</b>	<b>Master Netting agreement</b>	<b>Collateral</b>	<b>Total Risk mitigation</b>	<b>Surplus Collateral</b>	<b>Net exposure</b>
Cash and balances at central banks	124.608		124.608			-		124.608
Financial assets held for trading	51.738		51.738			-		51.738
Financial investments	46.233		46.233			-		46.233
Securities financing	6.981.947		6.981.947	52	6.981.895	6.981.947		-
Loans and receivables – banks	4.980.240		4.980.240	3.426.372	1.663.328	5.089.700	3.536.369	3.426.909*
Loans and receivables – customers	10.945.620		10.945.620	1.323.289	14.742.443	16.065.732	7.064.513	1.944.401*
Equity accounted investments	7.503		7.503			-		7.503
Other	64.044		64.044			-		64.044
<b>Total assets</b>	<b>23.201.933</b>	<b>-</b>	<b>23.201.933</b>	<b>4.749.713</b>	<b>23.387.666</b>	<b>28.137.379</b>	<b>10.600.882</b>	<b>5.665.436</b>

<b>Liabilities</b>	<b>Carrying amount before balance sheet netting</b>	<b>Balance sheet netting with gross assets</b>	<b>Carrying amount</b>	<b>Master Netting agreement</b>	<b>Net amount</b>
Financial liabilities held for trading	53.207		53.207	52	53.155
Securities financing	1.024.497		1.024.497		1.024.497
Due to banks	15.997.422		15.997.422	3.194.372	12.803.050
Due to customers	5.275.333		5.275.333	1.521.289	3.754.044
Other	156.470		156.470		156.470
<b>Total liabilities</b>	<b>22.506.929</b>	<b>-</b>	<b>22.506.929</b>	<b>4.715.713</b>	<b>17.791.216</b>

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

### Audited Stress Testing

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

### Audited Liquidity Risk

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

### Liquidity Risk Management

Liquidity risk management is integrated in AACB's business activities. AACB's Treasury department monitors its actual and expected cash movements on an intraday basis.



In 2014 AACB set up a liquidity risk control framework in order to update and improve its liquidity management framework. The control framework sets the principles for prudent liquidity risk management and describes

- ▶ liquidity risk appetite;
- ▶ liquidity risk governance;
- ▶ day-to-day liquidity management (procedures),
- ▶ liquidity stress testing scenarios and outcomes, the contingency funding plan;
- ▶ liquidity monitoring and reporting framework;
- ▶ AACB's liquidity buffer requirement.

In accordance with its role as a general clearing member, AACB provides collateralised financing to its clients. Short term funding is provided to finance clients' positions and meet payment obligations (e.g. margin calls from central counterparties and settlements). In principle the short-term funding is uncommitted (overnight and legally documented) and collateralised. Exceptions have to be agreed upon as matched (term) funding has to be arranged in order to be in line with AACB's liquidity risk appetite. For its own funding requirements AACB predominantly relies on funding from ABN AMRO.

### Monitoring liquidity risk

AACB's Treasury department monitors actual and expected cash movements on an intraday basis. The operating systems notify AACB's Treasury department on a daily basis concerning flow of funds.

Using this information, AACB's Treasury department keeps an intraday surveillance on the bank's liquidity position and ensures that sufficient collateral is on deposit. The liquidity position of AACB is communicated to ABN AMRO several times a day.

Liquidity stress tests are regularly performed in order to ensure the effectiveness of the liquidity management framework and the day-to-day liquidity management procedures. AACB analyses the impact that different scenarios may have on the bank and the environment in which it operates.

Scenario analysis is seen as an adequate tool as it enables AACB to assess its resistance to stressed environments or scenarios to be tested, as well as providing insight into measures that could reduce the overall risk profile. Thanks to this tight control, exposure to liquidity risk is low.

The (monthly) frequency with which AACB's Management Board meets ensures focused participation by senior management in the daily management of liquidity risks, as well as agility in identifying potential issues, and taking decisions.

### *Audited* 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's activities. Financial assets and liabilities are stated at fair value and non-financial assets and liabilities are stated at book value. The amounts include the accrued interest as stated in the balance sheet.

Operationally AACB has sufficient access to liquidity to cover normal course of business.

**Liquidity sensitivity gap statement** (x EUR 1.000)

<b>At 31 December 2014</b>	<b>0-1 months</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Total</b>
Fixed rate financial instruments	672.761	2.854.996	-	-	3.527.757
Variable rate financial instruments	20.688.231	782.961	-	-	21.471.192
Non-interest bearing financial instruments	1.496.838	34.497	18.330	8.713	1.558.378
Non-financial assets	62.957	-	-	-	62.957
<b>Total Assets</b>	<b>22.920.787</b>	<b>3.672.454</b>	<b>18.330</b>	<b>8.713</b>	<b>26.620.284</b>
Fixed rate financial instruments	19.454.829	2.992.889	-	-	22.447.718
Variable rate financial instruments	2.098.641	61.625	-	-	2.160.266
Non-interest bearing financial instruments	941.893	22.053	18.330	8.713	990.989
Non-financial liabilities	190.158	11	-	325	190.494
<b>Total Liabilities</b>	<b>22.685.521</b>	<b>3.076.578</b>	<b>18.330</b>	<b>9.038</b>	<b>25.789.467</b>
Net liquidity surplus/gap	235.266	595.876	-	-325*	830.817

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

**Liquidity sensitivity gap statement** (x EUR 1.000)

<b>At 31 December 2013</b>	<b>0-1 months</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Total</b>
Fixed rate financial instruments	1.450.758	1.945.724	34.000	-	3.430.482
Variable rate financial instruments	17.387.859	493.330	-	-	17.881.189
Non-interest bearing financial instruments	1.784.593	26.877	23.914	-	1.835.384
Non-financial assets	54.878	-	-	-	54.878
<b>Total Assets</b>	<b>20.678.088</b>	<b>2.465.931</b>	<b>57.914</b>	<b>-</b>	<b>23.201.933</b>
Fixed rate financial instruments	16.326.825	1.874.884	17.000	-	18.218.709
Variable rate financial instruments	3.328.248	-	17.000	-	3.345.248
Non-interest bearing financial instruments	20.583	8.710	23.914	-	53.207
Non-financial liabilities	889.765	-	-	-	889.765
<b>Total Liabilities</b>	<b>20.565.421</b>	<b>1.883.594</b>	<b>57.914</b>	<b>-</b>	<b>22.506.929</b>
Net liquidity surplus/gap	112.667	582.337	-	-	695.004



## Operational risk

AACB is exposed to operational risk arising from the uncertainty inherent to its business undertakings and decisions. Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems, human error or external events. Some examples of operational risk are wrongful execution of an order, fraud, litigation for non-compliance with law, natural disasters and terrorism.

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

In November 2014, AACB stated in its management self-assessment (MSA) that it complies with the advanced measurement approach (AMA) regarding implementation and embedment criteria for operational risk management as defined on ABN AMRO level. This compliance statement was based on a thorough substantiation of the level of implementation and embedment regarding all the operational risk instruments that form part of the AMA framework and reflects the level of operational risk control within the firm. The statement has been validated by both the Second Line of Defence as well as the Third Line of Defence. The new AMA framework has been implemented within AACB, with the Dutch Central Bank expected to approve the ABN AMRO framework in the course of 2015.

## Internal control

Operational risk management is promoted through the AACB internal control framework. Procedures and work instructions are in place to safeguard a controlled operational environment. The organisational structure of AACB ensures separation of duties and clearly defines decision-making powers and the allocation of responsibilities, including powers of representation.

## Business continuity management

Business continuity management (BCM) provides a framework to respond to all possible crises endangering the continuity of business activities. BCM is embedded throughout AACB and AACB complies with ABN AMRO BCM policies and procedures.

Availability of business processes is a key aspect for the internal and external operations of clearing activities.

Business continuity plans (BCPs) are in place for each individual AACB site and aim to limit the impact of unexpected events on the continuity of services. Each BCP describes the procedures to be followed in order to maintain critical activities of the bank in the case of an emergency leading to the loss of one of the critical products/services or systems.

Training is provided on a continuous basis to Business Crisis Team members. Staff members are obliged to participate in BCP awareness sessions and receive BCP up-dates and e-learning sessions.

BCM AACB reports quarterly to ABN AMRO Second line of defence on the status of their framework

## Information risk management

The clearing business is a knowledge and information intense enterprise and ensuring confidentiality, integrity and availability of information being crucial to protect the business. In order to effectively manage the threats and risks, an information risk management framework has been implemented for all AACB locations. The effectiveness of this plan is reported quarterly to the risk committees within AACB and ABN AMRO.

Second Line of Defence functions validate the adequacy of evidencing of required controls by IT and Information Security functions.

Where necessary, improvements are identified and addressed in action plans to increase the level of monitoring over implemented controls.

## Information Technology risk

AACB's security metrics are based on a global information security framework. AACB has incorporated these controls to guarantee the accuracy and completeness of data processing. They are based on market standards (e.g. Control Objectives for Information and Related Technology) and regulatory frameworks. All projects and major changes are assessed via a risk change assessment (RCA) with cybersecurity being an integral part of the overall security framework.

In order to limit business risks related to the use of information technology (IT) to a minimum, several internal control measures have been implemented, such as deploying a Business Support department as

the intermediary between AACB's users and its IT development and business development functions. User access reviews take place on a regular basis.

Moreover, AACB's IT systems and networks are continuously monitored to assure availability, confidentiality and integrity. This is done for individual systems for AACB's critical business chains. There is strict control and separation of the IT environments used for developing, testing and production. Every year, AACB performs disaster recovery tests in every region for all the core systems to assure adequate functioning and identify aspects for further improvements.

### Systemic risk

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

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

### Audited Foreign exchange risk

AACB's activities in London, Singapore, Japan, Hong Kong, Sydney and Chicago mean that foreign exchange risk is borne on the net working capital of the London Branch and the equity positions of the Singapore, Japan, Hong Kong, Sydney and Chicago subsidiaries. Entering into foreign currency transactions with related parties financially mitigates this foreign exchange risk for AACB.

ABN AMRO is committed to providing immediate and sufficient access to funds. The Liquidity Management department calculates its intra-day and overnight cash position using internal cash forecasting systems. As AACB will have immediate access to funds when required based on the Master Clearing Agreement and all borrowings are posted in matching currency, the FX risk on funding is offset with the FX risk on borrowings, resulting in minimal foreign exchange risk.

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





**Audited Interest rate risk**

Interest rate risk is managed according to ABN AMRO's asset & liability management (ALM) framework as approved by ABN AMRO's ALCO Committee. This framework is designed primarily to transfer interest rate risk out of commercial business lines to central management of ABN AMRO, allowing for clear demarcation between commercial business results and results on unhedged interest rate positions. The execution of decisions and day-to-day management of positions is delegated to ABN AMRO's ALM/Treasury department.

**Audited Management of capital requirements**

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

As of 1 January 2014, parts of Basel III are implemented within European banks through CRD IV/CRR. Among other changes, for AACB acting as a clearing member this new legislation requires AACB to capitalise against CCP exposures. Under the Basel II regime, CCP exposures were exempted from capital calculations (2014: 848 million RWA, 2013: 0 million RWA).

(x EUR 1.000)

**31 December 2014      31 December 2013**

<b>Capital</b>		
IFRS Capital	830.827	695.004
Composition of Regulatory Capital:		
- Common Equity Tier 1 (CET1)	716.503	676.471
- Other Tier 1 Capital	-	-
- Tier 2 Capital	-	4.854
<b>Total Regulatory Capital</b>	<b>716.503</b>	<b>681.325</b>
Total Risk Exposure Amount (TREA)	4.126.847	2.796.900
Basel III / II ratio	17,36%	24,36%
Basel I floor ratio	8,86%	8,45%
<b>Geographic breakdown TREA</b>		
Europe	76%	70%
US	16%	16%
APAC	8%	14%
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>Credit Risk breakdown per counterparty</b>		
Clients	23%	30%
Central counterparties (CCPs)	24%	0%
Other	19%	31%
<b>Third party exposures</b>	<b>66%</b>	<b>61%</b>
AAB Intra-group	34%	39%
<b>Total</b>	<b>100%</b>	<b>100%</b>





# annual financial statements

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# consolidated income statement

## for the year ended 31 December 2014

(x EUR 1.000)	Note	2014	2013
<b>Income</b>			
Interest income		214.146	226.160
Interest expenses		119.742	139.926
<b>Net interest income</b>	<b>1</b>	<b>94.404</b>	<b>86.234</b>
Fee and commission income		877.203	862.129
Fee and commission expenses		677.396	664.105
<b>Net fee and commission income</b>	<b>2</b>	<b>199.807</b>	<b>198.024</b>
Net trading income	3	1.354	821
Share of result in equity accounted investments	4	887	-
Other income	5	47.877	9.038
<b>Operating income</b>		<b>344.329</b>	<b>294.117</b>
<b>Expenses</b>			
Personnel expenses	6	101.069	101.882
General and administrative expenses	7	143.681	130.682
Depreciation and amortisation of (in)tangible assets	8	9.683	11.482
<b>Operating expenses</b>		<b>254.433</b>	<b>244.046</b>
Impairment charges on loans and other receivables	9	-969	1.202
<b>Total expenses</b>		<b>253.464</b>	<b>245.248</b>
<b>Operating profit /(loss) before taxation</b>		<b>90.865</b>	<b>48.869</b>
Income tax expenses	10	16.586	13.877
<b>Profit for the year</b>		<b>74.279</b>	<b>34.992</b>
<i>Attributable to:</i>			
Owners of the company		74.279	34.871
Non-Controlling interests		-	121



# consolidated statement of comprehensive income

## for the year ended 31 December 2014

(x EUR 1.000)	2014	2013
<b>Profit for the period</b>	<b>74.279</b>	<b>34.871</b>
<i>Other Comprehensive income:</i>		
<b>Items that will not be reclassified to the income statement</b>		
Remeasurement gain / (losses) on DBO	-179	-216
Associates	-	-69
<b>Items that will not be reclassified to the income statement before taxation</b>	<b>-179</b>	<b>-285</b>
Income tax relating to items that will not be reclassified to the income statement	57	69
<b>Items that may be reclassified to the income statement</b>	<b>-122</b>	<b>-216</b>
<b>Items that may be reclassified to the income statement</b>		
Currency translation reserve	58.670	-38.147
Available for sale financial assets	3.915	6.122
<b>Other comprehensive income for the period before taxation</b>	<b>62.585</b>	<b>-32.025</b>
Income tax relating to components of other comprehensive income	-919	-242
<b>Other comprehensive income for the period after taxation</b>	<b>61.666</b>	<b>-32.267</b>
<b>Total comprehensive income (expense) for the period after taxation</b>	<b>135.823</b>	<b>2.388</b>
<i>Total comprehensive income attributable to:</i>		
<b>Owners of the company</b>	<b>135.823</b>	<b>2.267</b>
Non-controlling interests	-	121

# consolidated statement of financial position

## as at 31 December 2014

Before profit appropriation (x EUR 1.000)	Note	31 December 2014	31 December 2013
<b>Assets</b>			
Cash and balances at central banks	11	21.166	124.608
Financial assets held for trading	12	101.504	51.738
Financial investments	13	47.457	46.233
Securities financing	15	9.604.377	6.981.947
Loans and receivables - banks	16	5.716.483	4.983.575
Loans and receivables - customers	17	11.045.959	10.945.620
Equity accounted investments	19	21.280	7.503
Property and equipment	20	10.100	10.095
Intangible assets	21	8.749	4.445
Tax assets	22	14.685	16.284
Other assets	23	28.533	29.885
<b>Total assets</b>		<b>26.620.293</b>	<b>23.201.933</b>
<b>Liabilities</b>			
Financial liabilities held for trading	24	100.365	53.207
Securities financing	25	1.135.840	1.024.498
Due to banks	26	17.439.055	16.001.281
Due to customers	27	6.923.713	5.275.333
Issued debt	28	325	-
Provisions	29	5.656	4.042
Tax liabilities	30	12.359	10.634
Other tax liabilities	31	172.153	137.934
<b>Total liabilities</b>		<b>25.789.466</b>	<b>22.506.929</b>
<b>Equity</b>			
Share capital		15.000	15.000
Share premium		250	250
Other reserves (incl. retained earnings / profit for the period)		786.535	712.257
Other comprehensive income		29.042	-32.503
<b>Equity attributable to owners of the company</b>	<b>32</b>	<b>830.827</b>	<b>695.004</b>
Equity attributable to non-controlling interests		-	-
<b>Total Equity</b>		<b>830.827</b>	<b>695.004</b>
<b>Total Liabilities and Equity</b>		<b>26.620.293</b>	<b>23.201.933</b>
Commitments and contingent liabilities	33	8.855.231	6.732.352



# consolidated statement of changes in Equity

(x EUR 1.000)

	Share capital	Share Premium	Retained earnings	Remeasurement on net DBO on post-employment plans	Currency translation reserve	Financial investments reserve	Revaluation reserve	Unappropriated result of the year	Total	Equity attributable to non-controlling interests	Total Equity
<b>Balance as at 31 December 2012</b>	<b>15.000</b>	<b>250</b>	<b>612.240</b>	<b>0</b>	<b>44.747</b>	<b>3.306</b>	<b>-48.073</b>	<b>65.146</b>	<b>692.616</b>	<b>5.005</b>	<b>697.621</b>
Total comprehensive income				-216	-38.147	5.880		34.871	2.388	121	2.509
Transfer			65.146					-65.146			-
Sale shares subsidiary										-5.126	-5.126
Dividend											-
<b>Balance as at 31 December 2013</b>	<b>15.000</b>	<b>250</b>	<b>677.386</b>	<b>-216</b>	<b>6.600</b>	<b>9.186</b>	<b>-48.073</b>	<b>34.871</b>	<b>695.004</b>	<b>0</b>	<b>695.004</b>
Total comprehensive income				-122	58.670	2.996		74.279	135.823		135.823
Transfer			34.871					-34.871			-
Dividend									-		-
<b>Balance as at 31 December 2014</b>	<b>15.000</b>	<b>250</b>	<b>712.257</b>	<b>-338</b>	<b>65.270</b>	<b>12.182</b>	<b>-48.073</b>	<b>74.279</b>	<b>830.827</b>	<b>0</b>	<b>830.827</b>

## Changes in ownership HCH (x EUR 1.000)

Share position at 1 January 2014	100%	10.815
Additional capital	0%	1.452
Proceeds from sale of 75% ownership interest	75%	-38.670
Result 2014		-684
Remeasurement		40.000
<b>Share position at 31 December 2014</b>	<b>25%</b>	<b>12.913</b>



# consolidated cash flow statement

## for the year ended 31 December 2014

(x EUR 1.000)	Note	2014	2013
<b>Profit after taxation</b>		<b>74.279</b>	<b>34.992</b>
<i>Adjustments on non-cash items included in profit:</i>			
Income of equity associates and partnerships		-887	-416
Depreciation, amortisation of (in)tangible assets		9.683	11.482
Provisions and impairments		205	
Income tax expenses		16.586	13.877
<i>Changes in operating assets and liabilities:</i>			
Loans and receivables - banks		-2.199.230	-1.197.085
Loans and receivables - customers		30.829	-441.571
Trade and other receivables		511.999	730.466
Due to banks		1.553.601	2.465.115
Due to customers		1.106.824	-429.550
Net changes in all other operational assets and liabilities		-498.814	563.254
Income taxes paid		-14.870	-21.145
<b>Cash flow from operating activities</b>		<b>590.205</b>	<b>1.729.419</b>
<i>Investing activities:</i>			
Purchases of financial investments		-1.263	-6.445
Divestment of subsidiary	18	-9.618	-257.238
Investing activities within the group		-890	-50
Divestment activities within the group		-2.458	-
AACB-related activities taken over from ABN AMRO		-	243.771
Proceeds from sales, maturities and redemptions		6.892	2.805
Purchases of property and equipment		-5.704	-5.594
Purchases of other (in)tangible assets		-7.774	-589
<b>Cash flow from investing activities</b>		<b>-20.815</b>	<b>-23.340</b>
<i>Financing activities:</i>			
Subordinated liabilities		-	-56.476
Issuance of debt certificates		325	-
<b>Cash flow from financing activities</b>		<b>325</b>	<b>-56.476</b>
<b>Net increase (decrease) of cash and cash equivalents</b>		<b>569.715</b>	<b>1.651.249</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>5.100.248</b>	<b>3.506.260</b>
Effect of exchange rate variance on cash and cash equivalents		64.447	-57.261
<b>Cash and cash equivalents as at 31 december</b>	36	<b>5.734.410</b>	<b>5.100.248</b>
<b>Supplementary disclosures of operating cash flow information</b>			
Interest income received		211.327	228.508
Interest expense paid		-119.313	-142.370
Dividend income received		1.144	3.596



# accounting policies

## Corporate information

AACB has its statutory domicile in Amsterdam and is a wholly owned subsidiary of ABN AMRO. The financial statements of AACB and ABN AMRO are incorporated in the consolidated financial statements of ABN AMRO Group N.V. (AAG).

The Annual Financial Statements were prepared by the Managing Board and authorised for issue by the Supervisory Board and Managing Board on 21 May 2015.

For the purpose of its consolidated subsidiaries, AAG makes use of the exemption under the terms of Section 403 of the Dutch Civil Code, Vol. 2, and has issued notices of liability. Based on this, AAG is joint and severally liable for any liability arising from the legal acts performed by AACB.

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

Third party clearing means that AACB guarantees its clients vis-à-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.

On 3 December 2014 AACB sold 75% of its shares in HCH. After this sale of the majority of AACB's shares, HCH is no longer consolidated as a subsidiary but reported as an associate. Further explanation is given in the relevant notes.

## 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 in accordance with IFRS (as endorsed by the European Union) on the basis of the following principles:

- ▶ Fair value is used for:
  - ▶ Derivative financial instruments;
  - ▶ Financial assets and liabilities held for trading or designated as measured at fair value through income;
  - ▶ Available-for-sale financial assets;
  - ▶ Investments in associates of a private equity nature.
- ▶ Other financial assets (including loans and receivables) and liabilities are valued at amortised cost less any impairment, if applicable;
- ▶ The carrying value of assets and liabilities measured at amortised cost included in a fair value hedge relationship is adjusted with respect to fair value changes resulting from the hedged risk;
- ▶ Non-financial assets and liabilities are generally stated at historical cost;
- ▶ Equity-accounted investments are accounted for using the net equity method.

The accounting policies used to prepare these 2014 consolidated Annual Financial Statements are consistent with those applied for the year ended 31 December 2013 except for the changes as mentioned under 'changes in accounting policies'.

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





## Changes in accounting policies

On 1 January 2014, AACB adopted the following new standards and amendments:

- ▶ IFRS 10 Consolidated Financial Statements;
- ▶ IFRS 11 Joint Arrangements;
- ▶ IFRS 12 Disclosure of Interests in Other Entities; and
- ▶ Amendments to IFRS 10, 11 and 12 Transitional Guidance.

The aforementioned standards have been adopted in accordance with the transitional requirements as set out in the standards and endorsed by the European Union.

Consolidation is required when there is control, that is which is defined as a combination of power, exposure to variability in returns and a link between the two.

The application of IFRS 10, 11 and the amendments to IFRS 10, 11 and 12: Transitional guidance did not result in significant changes in AACB's consolidated financial statements.

IFRS 12 includes disclosure requirements for interests in and risks arising from subsidiaries, joint arrangements, associates and structured entities. These disclosures are included in note 13 and are an integral part of the consolidated financial statements.

## Other amendments adopted

IAS 32 Offsetting Financial Assets and Financial Liabilities: – These amendments clarify the offsetting requirements for financial assets and financial liabilities. AACB has concluded that the amendment has no significant impact on its offsetting policies.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – These amendments address disclosure requirements for recoverable amount information if this amount is based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. The amendment has no significant impact on AACB's results or financial position.

IFRIC 21 Levies – This IFRS interpretation applies to all government-related levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The timing of charging levies to the income statement is clarified according to IAS 37. The interpretation has no significant impact on AACB's results or financial position.

## New accounting standards and interpretations adopted by the European Union

Annual Improvements to IFRSs (2011-2013): In December 2013 the IASB issued the annual improvements to IFRSs 2011-2013 cycle, which were endorsed by the EU in December 2014. The amendments are required to be applied for annual periods beginning on or after 1 July 2014. The impact of the amendments is currently under review. The amendments are listed below.

- ▶ IFRS 1 First-time adoption of International Financial Reporting Standards – Meaning of 'effective IFRSs'.
- ▶ IFRS 3 Business Combinations – Scope exceptions for joint ventures.
- ▶ IFRS 13 Fair Value Measurement – Scope of paragraph 52 (portfolio exception).
- ▶ IAS 40 Investment Property – Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

## New accounting standards and interpretations not yet adopted by the European Union.

The following new or revised standards and interpretations have been issued by the IASB, but are not yet effective for these Annual Financial Statements. These standards and interpretations are subject to endorsement by the European Union and are therefore not open for early adoption.

IFRS 9 Financial Instruments – In July 2014 the IASB published the final version of the new standard that replaces IAS 39 Financial Instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 will be for annual periods beginning on or after 1 January 2018. ABN AMRO is currently assessing the impact on its financial statements.

IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interest in Joint Operations (Amendments) – The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments are required to be applied to acquisitions occurring from the start of the first annual period beginning on or after 1 January 2016.

IFRS 15 Revenue from Contracts with Customers – This standard was issued in May 2014. It establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise.



IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017. ABN AMRO is currently making an assessment of the impact on the financial statements.

Annual Improvements to IFRSs 2010-2012 cycle – This cycle of annual improvements comprises a total of eight amendments related to seven standards. The standards amended are as follows:

- ▶ IFRS 2 Share-based Payment – Definition of vesting condition.
- ▶ IFRS 3 Business Combinations – Accounting for contingent consideration in a business combination.
- ▶ IFRS 8 Operating Segments – Aggregation of operating segments. Reconciliation of the total of reportable segments' assets to the entity's assets.
- ▶ IFRS 13 Fair Value Measurement – Short-term receivables and payables.
- ▶ IAS 16 Property, Plant and Equipment – Revaluation method: proportionate restatement of accumulated depreciation.
- ▶ IAS 24 Related Party Disclosures – Key management personnel.
- ▶ IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated amortisation.

The requirements of this set of amendments are to be applied for annual periods beginning on or after 1 July 2014. The impact of these amendments is currently being assessed.

### Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying these accounting policies and to make estimates and assumptions concerning the future. Actual results may differ from those estimates and judgmental decisions. Accounting policies for the most significant areas requiring management to make judgements and estimates that affect reported amounts and disclosures are stated in the related notes.

### Assessment of risk and rewards

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

### Significant accounting Principles

The consolidated financial statements of AACB include the financial statements of the parent and its controlled subsidiaries. They incorporate assets, liabilities, revenues and expenses of AACB and its subsidiaries. Non controlling interests, held by third parties, in both equity and results of Group companies are stated separately in the consolidated financial statements.

### Basis of consolidation

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 enterprise. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

### Subsidiaries

Subsidiaries are those enterprises controlled by AACB. Control is deemed to exist when AACB has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The existence and effect of potential voting rights that are presently exercisable or convertible are taken into account when assessing whether control exists. Unless, in exceptional circumstances, it can be demonstrated that such ownership does not constitute control. Control also may exist when the parent owns one half or less of voting power but has the power to govern the financial and operating policies of the enterprise.



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. Equity attributable to non-controlling

interests is shown separately in the consolidated balance sheet as part of total equity. Current period profit or loss attributable to non-controlling interests is presented as an attribution of profit for the year.

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 Frankfurt Branch	N/A	2004	2004	Frankfurt	Germany
ABN AMRO Clearing Bank London Branch	N/A	2004	2004	London	United Kingdom
ABN AMRO Clearing Singapore Pte	100%	2005	2005	Singapore	Singapore
ABN AMRO Clearing Tokyo Co Ltd	100%	2007	2007	Tokyo	Japan
ABN AMRO Clearing Bank Singapore Branch	N/A	2009	2009	Singapore	Singapore
ABN AMRO Clearing Investments B.V.	100%	2014	2014	Amsterdam	The Netherlands

**Foreign currency**

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

**Foreign currency differences**

AACB applies IAS21, The Effect of Changes in Foreign Exchange Rates. Transactions and balances in foreign currencies are translated into euros at the rate prevailing on the transaction date. The financial performance of AACB’s foreign operations, conducted through branches, subsidiaries, associates and joint ventures, is reported using the currency (‘functional currency’) that best reflects the economic substance of the underlying events and circumstances relevant to that entity.

Prior to consolidation (or equity accounting), 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 relevant transaction dates.

Exchange differences arising on the translation of foreign operation are included in the currency translation reserve within equity. These are transferred to the income statement when the AACB loses control, joint control or significant influence over the foreign operation or on partial disposal of the operation.

Exchange differences arising on monetary items, borrowings and other currency instruments, designated as hedges of a net investment in a foreign operation, are recorded in equity (under revaluation reserves) in the consolidated financial statements, until the disposal of the net investment, except for any hedge ineffectiveness that is immediately recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets accounted for at cost and denominated in foreign currency are translated to the functional currency at transaction date.

Non-monetary assets accounted for at fair value in a foreign currency are translated to the functional currency using the exchange rate at the date when the fair value was determined.

Currency translation differences on all monetary financial assets and liabilities are included in operating income. Translation differences on non monetary items (such as equities) held at fair value through profit or loss are also reported through income and, for those classified as available for sale, directly in equity within ‘Net unrealised gains and losses on available-for-sale assets’.



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

	Rates at year end		Average rates	
	2014	2013	2014	2013
<b>1 euro =</b>				
<b>Pound sterling</b>	0,78	0,83	0,81	0,85
<b>Singapore Dollar</b>	1,61	1,74	1,68	1,66
<b>Japanese Yen</b>	145,04	144,51	140,36	128,65
<b>Hong Kong Dollar</b>	9,43	10,67	10,30	10,30
<b>Australian Dollar</b>	1,48	1,54	1,47	1,38
<b>US Dollar</b>	1,22	1,38	1,33	1,33

## Recognition and derecognition

All purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention are recognised on the trade date, which is the date on which AACB becomes a party to the contractual provisions of the financial assets. Forward purchases and sales other than those requiring delivery within the time frame established by regulation or market convention are recognised as derivative forward transactions until settlement.

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

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

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

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

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

## Classification of financial assets

The measurement of financial assets and their recognition in the income statement depend on the classification of the financial assets, being: (a) loans and receivables; (b) held-to-maturity investments; (c) financial assets at fair value through profit or loss and (d) available-for-sale financial assets. This classification determines the measurement and recognition as follows:

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



- d. Available-for-sale financial assets are those assets that are otherwise not classified as loans and receivables, held-to-maturity investments, or financial assets designated at fair value through profit or loss.

### Classification of financial liabilities

Financial liabilities are classified as liabilities held for trading, due to banks, due to customers, debt certificates, subordinated liabilities and other borrowings. Their measurement and recognition in the income statement depends on the classification of the financial liabilities being: (a) financial liabilities at fair value through profit or loss, or (b) other financial liabilities. This classification determines the measurement and recognition in the income statement as follows:

- a. Financial liabilities at fair value through profit or loss include OTC derivatives and related equity positions.
- b. Other financial liabilities are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the income statement.

### Financial assets and liabilities held for trading

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

- ▶ acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or
- ▶ 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 derivative (except for a derivative that is a designated an effective hedging instrument).

Assets and liabilities held for trading are initially recognised and subsequently measured at fair value through profit or loss. Such assets and liabilities arise where AACB is principal in a transaction between a client and a counterparty. The counterparty risk is monitored by AACB risk management. The (realised and unrealised) results are included in 'Other realised and unrealised gains and losses'. Interest received (paid) on assets (liabilities) held for trading is reported as interest income (expense). Dividends received are included in 'Dividend and other investment income'.

### Impairment

An asset is impaired when its carrying amount exceeds its recoverable amount. AACB reviews all of its assets at each reporting date for objective evidence of impairment.

The carrying amount of an impaired asset is reduced to the net present value of its estimated recoverable amount, and the amount of the change in the current year provision is recognised in the income statement. Recoveries, write-offs and reversals of impairment are included in the income statement as part of 'Change in provisions for impairment'.

If, in a subsequent period, the amount of the impairment on assets other than available-for-sale equity instruments decreases, due to an event occurring after the write-down, the amount is reversed by adjusting the provision account and is recognised in the income statement.

### Impairment of loans and receivables

A financial asset (or group of financial assets) is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset (or group of financial assets) that can be reliably estimated.

AACB makes a distinction between two types of impairment losses:

1. Specific impairment losses for individual exposures if significant doubts arise over the customer's ability to meet its contractual obligation.
2. Incurred but not identified (IBNI) impairment losses are recognised for credit exposures in the performing portfolio that have to be identified at the balance sheet date. Specific or collective impairment has not yet taken place due to the period that passes between the moment that a loss event occurs and the moment when the bank identifies this event and establishes specific/collective impairment for the affected credit exposure. The scope of the calculation of the IBNI impairments covers all financial assets which are not yet recognised as impaired. All related off-balance items such as credit commitments are also included. The IBNI calculation uses the Basel II concept of expected loss on a one-year time horizon adjusted for IFRS elements such as applying a loss identification period (LIP) and a cycle adjustment factor (CAF).



**Impairment of financial investments**

For financial investments, the recoverable amount can be estimated as follows:

- ▶ the fair value using quoted market prices in an active market;
- ▶ if a market for the financial asset is not active, the fair value is determined with maximum use of market inputs, including recent arm's length market transactions and reference to the current fair value of another instrument that is substantially the same;
- ▶ if there is no active market for the financial asset and the estimate of value cannot be made reliably, the asset is reported at cost less impairment.

Impairment to available-for-sale equity instruments cannot be reversed through the income statement in subsequent periods.

The recoverable amount for financial assets at amortised cost is the estimated cash flow discounted at the original effective interest rate.

# notes to the consolidated income statement

## for the year ended 31 December 2014

### 1. Net interest income and expenses

#### Accounting policy for net interest income and expenses

AACB applies IAS 39 Financial Instruments: Recognition and Measurement. Interest income and expenses are recognised in the income statement on an accrual basis for financial investments, designated at fair value through profit or loss on non-trading derivatives using the effective interest rate method.

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

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

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

(x EUR 1.000)

2014

2013

#### Interest Income

Of the Interest Income items the following amounts were related to:

Interest income ABN AMRO Group companies	28.355	41.589
Interest income from associates	26	17
Interest income third party customers/banks	188.465	184.554
<b>Total interest income</b>	<b>214.146</b>	<b>226.160</b>

#### Interest Expense

Of the Interest Expense items the following amounts were related to:

Interest expense ABN AMRO Group companies	55.903	52.869
Interest expense to associates	43	74
Interest expense third party customers/banks	63.796	86.983
<b>Total interest expense</b>	<b>119.742</b>	<b>139.926</b>



## 2. Net fee and commission income

### Accounting policy for net fee and commission income

#### Service Fees

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

#### Fees recognised upon completion of the underlying transaction

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

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

(x EUR 1.000)	2014	2013
The components of net fee and commission are:		
Net commissions payment services	-3.198	-796
Net commissions securities and derivatives	198.401	197.136
Net commissions other	4.604	1.684
<b>Total net fee and commission income</b>	<b>199.807</b>	<b>198.024</b>

Of the net commissions and fees item the following amounts were with:

Net fee and commission ABN AMRO Group companies	-614	2.847
Net fee and commission Associates	-131	691
Net fee and commission third party customers/banks	200.552	194.486
<b>Total net fee and commission income</b>	<b>199.807</b>	<b>198.024</b>

## 3. Net trading income

### Accounting policy for net trading income

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

(x EUR 1.000)	2014	2013
Foreign exchange transaction results	812	351
Other	542	470
<b>Total other (un)realised gains and losses</b>	<b>1.354</b>	<b>821</b>

## 4. Share of result in equity accounted investments

(x EUR 1.000)	2014	2013
<b>Total realised results on equity accounted investments</b>	<b>887</b>	<b>-</b>





## 5. Other income

### Accounting policy for other income

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

(x EUR 1.000)	2014	2013
Dividend	1.100	3.596
Realised gain on financial transactions*	39.526	2.973
Other operating income	7.251	2.469
<b>Total other operating income</b>	<b>47.877</b>	<b>9.038</b>

\* The item of 2014 consist mainly of the sale of HCH shares by AACB.

\* The item of 2013 consist mainly of the sale of LCH shares by ABN AMRO Clearing London Branch.

## 6. Personnel expenses

### Accounting policy for personnel expenses

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

Pension and post-retirement benefit costs are based on actuarial calculations. Inherent within these calculations are assumptions including: discount rates, salary increases and the expected return on plan assets. ABN AMRO determines the appropriate discount rate at the end of each reporting period. This is the interest rate that should be used by all subsidiaries to determine the present value of estimated future cash outflows expected to be required to settle the benefit obligations.

(x EUR 1.000)	2014	2013
Personnel expenses are specified as follows:		
Salaries and wages	75.634	77.521
Social security charges	9.446	8.884
Pension expenses	9.779	9.436
Other	6.210	6.041
<b>Total personnel expenses</b>	<b>101.069</b>	<b>101.882</b>

On a monthly basis the personnel expenses (including pension costs) are accrued and checked with ABN AMRO. On a quarterly basis the payable amounts are settled.

In 2014, just as in 2013, the Dutch government imposed a wage tax payable by the employer for taxable wages above EUR 150 thousand per employee. This tax is charged to ABN AMRO and does not affect the remuneration of staff involved. This tax is not charged to AACB by ABN AMRO.

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

The remuneration of Global Senior Management (12 FTE) in 2014 was EUR 4.030 thousand (2013: EUR 4.070 thousand). Remuneration includes base salary, pension costs and variable remuneration. The ABN AMRO remuneration policy is applicable to all staff of AACB. The remuneration of the Supervisory Board members in 2014 was nil (2013: nil).



	2014	2013
The average number of FTEs related to staff expenses:		
The Netherlands	326 *	343 *
United Kingdom	108	108
Germany	22	23
Belgium	1	9
France	4	3
Singapore	34	32
Japan	13	13
Australia	53	47
Hong Kong	23	21
United States	194	197
Brazil	6	-
<b>Total</b>	<b>784</b>	<b>796</b>

\* The employees of the Netherlands have a contract with ABN AMRO with the respective expenses being charged by ABN AMRO to AACB.

## 7. General and administrative expenses

### Accounting policy general and administrative expenses

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

### Banking tax

In 2012 the Dutch government introduced a banking tax that becomes payable on 1 October of every year. Banking tax is a levy that is charged to the income statement at the moment it becomes payable. The tax will be paid by ABN AMRO and is included in the fiscal calculation. AACB is charged by ABN AMRO for the part in accordance with the result of AACB.

(x EUR 1.000)	2014	2013
Other general and administrative expenses can be broken down as follows:		
Agency staff, Contractors and Consultancy costs	45.729	36.271
Staff related costs	3.605	2.819
Information technology costs	21.126	21.257
Housing	7.627	8.109
Post, telephone and transport	815	1.069
Marketing and public relations costs	853	919
Recharges from ABN AMRO Group companies	53.140	47.988
Dutch banking tax	6.425	5.536
Other	4.361	6.714
<b>Total general and administrative expenses</b>	<b>143.681</b>	<b>130.682</b>



## 8. Depreciation and amortisation of (in)tangible assets

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

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

(x EUR 1.000)	2014	2013
Leasehold improvements – depreciation	707	1.446
Equipment – depreciation	172	220
IT equipment – depreciation	5.536	7.031
Purchased software - Amortisation	3.213	1.983
<b>Depreciation and amortisation expenses</b>	<b>9.628</b>	<b>10.680</b>
IT equipment – depreciation rebilled by ABN AMRO Group	14	9
Purchased software - Amortisation rebilled by ABN AMRO Group	41	793
<b>Total general and administrative expenses</b>	<b>9.683</b>	<b>11.482</b>

## 9. Impairment charges on loans and other receivables

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

(x EUR 1.000)	2014	2013
<b>Total impairment charges on loans and other receivables</b>	<b>-969</b>	<b>1.202</b>

## 10. Income tax expenses

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

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

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

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

(x EUR 1.000)	2014	2013
The details of the current and deferred income tax expense are presented below:		
Current tax	16.976	12.917
Deferred tax	-390	960
<b>Total income tax expenses</b>	<b>16.586</b>	<b>13.877</b>



The table below shows a reconciliation between the expected income tax expense and the actual 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.

(x EUR 1.000)	2014	2013
Profit before taxation	90.865	48.869
Weighted applicable tax rate	29,78%	33,25%
<b>Expected income tax expense</b>	<b>27.060</b>	<b>16.247</b>
Decrease in taxes resulting from:		
Tax exemptions	-8.308 *	-
Adjustments for current tax of prior period	-1.790	-2.425
Local Tax **	-333	81
Other	-43	-26
<b>Actual income tax expenses</b>	<b>16.586</b>	<b>13.877</b>
Effective tax rate	-18,25%	-28,40%

\* This amount concerns the tax exemption on the sale of the shares of Holland Clearing House.

\*\* Local tax mainly relates to US state tax which is calculated by multiplying the income with the applicable tax rate.

### Country by Country reporting

The following table provides an overview of total operating income, average number of FTE's, net profit/(loss) for the year, income tax expense and received government grants per country. In addition the main activity for all principal subsidiaries is Clearing.

	Principal subsidiary	Total Operating Income (x EUR 1.000)	Average number of FTEs	Operating profit/(loss) before taxation (x EUR 1.000)	Income tax expense (x EUR 1.000)
Netherlands	ABN AMRO Clearing Bank N.V.	196.792	326	22.923	13.222
<i>Of which international activities</i>					
Great Britain	ABN AMRO Clearing Bank London Branch	1.445	108	4.782	3.836
United States	ABN AMRO Clearing Chicago LLC	71.609	194	28.469	28.418
Singapore	ABN AMRO Clearing BANK Singapore Branch	21.143	34	9.030	8.027
Japan	ABN AMRO Clearing Tokyo Co Ltd	13.253	13	5.664	4.800
Hong Kong	ABN AMRO Clearing Honk Kong Ltd	20.235	23	11.793	10.411
Australia	ABN AMRO Clearing Sydney Pty Ltd	19.852	53	8.035	5.331
Other		-	33	169	235
<b>Total</b>		<b>344.329</b>	<b>784</b>	<b>90.865</b>	<b>74.279</b>



# notes to the consolidated statement of financial position

## as at 31 December 2014

### ASSETS

#### 11. Cash and balances at Central banks

##### Accounting policy for Cash and balances at Central banks

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

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

(x EUR 1.000)

31 December 2014 31 December 2013

	31 December 2014	31 December 2013
<b>Total cash and balances at Central banks</b>	<b>21.166</b>	<b>124.608</b>

#### 12. Financial assets held for trading

##### Accounting policy for Financial assets held for trading

In accordance with IAS39, all assets and liabilities held for trading are held at fair value with gains and losses in the changes of the fair value taken to Net trading income in the income statement. Trading assets and trading liabilities mainly include assets and liabilities that are classified under IFRS as "trading" but are closely related to facilitating the needs of AACB's clients.

From a risk perspective, the gross amount of trading assets must be associated together with the gross amount of trading liabilities, which are presented separately on the statement of financial position. However, IFRS does not allow netting of these positions in the statement of financial position. See also note 24

Financial assets and liabilities held for trading mainly includes derivatives contracts. Derivatives include forwards, futures, swaps and options, contracts, all of which derive their value from underlying interest rates, foreign exchange rates, equity instruments or credit instruments.

(x EUR 1.000)

31 December 2014 31 December 2013

The trading assets consist of the following financial instruments:

	31 December 2014	31 December 2013
Over the counter (OTC)	78.202	36.541
Contract for Differences (CFD's)	23.302	15.197
<b>Total financial assets held for trading</b>	<b>101.504</b>	<b>51.738</b>

The notional amounts of the OTC derivatives are EUR 3.243 million as per 31 December 2014 (2013: 1.116 million).

The shares used for hedging the Contract for Differences amount to EUR 21 million as per 31 December 2014 (2013: 16 million).

#### 13. Financial investments

##### Accounting policy for Financial investments

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

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



If any objective evidence exists for Financial investments debt securities or equity securities, the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that financial asset previously recognised in net result is removed from equity and recognised in the income statement within realised capital gains on investments. If, in a subsequent period, the fair value of a debt security classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the profit and loss account.

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

(x EUR 1.000)

	2014	2013
Movements in the financial investments were as follows:		
Opening balance as at 1 January	46.233	38.163
Sales to third parties	-6.835	-2.793
Additions	2.154	6.445
Gross revaluation to equity	3.016	6.122
Exchange rate differences	2.889	-1.704
<b>Closing balance as at December 31</b>	<b>47.457</b>	<b>46.233</b>

There were no impairments on the investments available for sale in 2014 or 2013.

For the Financial investments divided to the levels as introduced by the fair value hierarchy see note 14.

## 14. Fair value of financial investments

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

### Accounting policy for Fair value of financial instruments

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

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

Level 2: a recent market transaction or a variety of valuation techniques referring to a similar instrument for which market prices do exist.

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

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.

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 2014	Quoted prices in active market	Valuation technique observable market data	Valuation technique unobservable market data	Total
Financial assets held for trading	21.836	79.668	-	101.504
Financial investments	15.557	-	31.900	47.457
<b>Total financial assets</b>	<b>37.393</b>	<b>79.668</b>	<b>31.900</b>	<b>148.961</b>
Financial liabilities held for trading	21.512	78.853	-	100.365
<b>Total financial liabilities</b>	<b>21.512</b>	<b>78.853</b>	<b>-</b>	<b>100.365</b>



(x EUR 1.000)

<b>At 31 December 2013</b>	<b>Quoted prices in active market</b>	<b>Valuation technique observable market data</b>	<b>Valuation technique unobservable market data</b>	<b>Total</b>
Financial assets held for trading	15.197	36.541	-	51.738
Financial investments	20.968	-	25.265	46.233
<b>Total financial assets</b>	<b>36.165</b>	<b>36.541</b>	<b>25.265</b>	<b>97.971</b>
Financial liabilities held for trading	16.666	36.541	-	53.207
<b>Total financial liabilities</b>	<b>16.666</b>	<b>36.541</b>	<b>-</b>	<b>53.207</b>

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

The fair value of all other financial assets and liabilities to approximate their carrying value in the balance sheet due to their short term nature.

## 15. Securities financing

### Accounting policy for Securities financing

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

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

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

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

(x EUR 1.000)

	<b>31 December 2014</b>	<b>31 December 2013</b>
Reverse Purchase agreements and securities borrowing	8.215.339	5.261.203
Transactions related to securities	1.389.038	1.720.744
<b>Total securities financing</b>	<b>9.604.377</b>	<b>6.981.947</b>

Of the Securities financing the following counterparties were involved:

ABN AMRO Group companies	5.791.101	4.166.687
Banks	1.711.017	969.857
Customers	2.102.259	1.845.403
<b>Total securities financing</b>	<b>9.604.377</b>	<b>6.981.947</b>



## 16. Loans and receivables - banks

### The accounting policy for loans and receivables

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

Finance lease receivables are recognised in line with IAS 17. When ABN AMRO transfers to the lessee substantially all the risks and rewards resulting from ownership of an asset, the bank acts as lessor and the finance lease receivables represents the discounted minimum payments receivables under the terms of the contract. The leased asset is not held on the balance sheet. Where ABN AMRO is the lessee, the leased asset is recognised in Property and equipment.

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

### Impairment losses on loans and receivables

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

Impairments are recorded as a decrease in the carrying value of due from banks and due from customers.

When a specific loan is identified as uncollectible and all legal and procedural actions have been exhausted, the loan is written off against the related charge for impairment; subsequent recoveries are credited to change in provisions for impairment in the income statement.

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

As of 31 December 2014 no amount has a maturity of more than 3 months (2013: 0).

(x EUR 1.000)

31 December 2014 31 December 2013

Loans and receivables - banks consisted of the following:

Demand receivables	5.713.244	4.978.975
Interest bearing deposits	1.870	3.277
Mandatory reserve deposits with central banks	1.369	1.323
<b>Net loans and receivable - banks</b>	<b>5.716.483</b>	<b>4.983.575</b>

None of the amounts in the loans and receivables -banks items were subordinated in 2014 or 2013.

(x EUR 1.000)

31 December 2014 31 December 2013

Of the loans and receivables - banks item the following amounts were due from:

ABN AMRO Group companies	4.724.094	3.837.037
Third parties	992.389	1.146.538
<b>Total loans and receivable - banks</b>	<b>5.716.483</b>	<b>4.983.575</b>





## 17. Loans and receivables - customers

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

As of 31 December 2014 no amount has a maturity of more than 3 months but less than a year (2013: 34 million).

(x EUR 1.000)

31 December 2014 31 December 2013

The composition of loans and receivables - customers at 31 December is as follows:

Commercial loans	8.608.050	8.934.166
Receivables from Central Counter parties	2.462.779	2.034.812
<b>Total loans and receivable - customers</b>	<b>11.070.829</b>	<b>10.968.978</b>
Less: loan impairment	-24.870	-23.358
<b>Net loans and receivable - customers</b>	<b>11.045.959</b>	<b>10.945.620</b>

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

(x EUR 1.000)

31 December 2014 31 December 2013

Of the loans and receivables - customers item the following amounts were due from:

ABN AMRO Group companies	27.246	58.312
Third parties	11.018.713	10.887.308
<b>Total due from customers</b>	<b>11.045.959</b>	<b>10.945.620</b>

The item ABN AMRO Group companies include a granted term loan to ABN AMRO Group companies of EUR 1,4 million (2013 EUR 5,9 million). The effective interest rate is the applicable market reference rate (i.e. Eonia, Sonia) including mark up at arms length.

## 18. Group structure

### Accounting policy for business combinations

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

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



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

(x EUR 1.000)	2014		2013	
	acquisitions	divestments	acquisitions	divestments
Cash and cash equivalents		-26.058		-4.496
Loans and receivables - banks		-22.231	516.784	-268.642
Loans and receivables - customers			375.615	-21.947
Property and equipment				-253
Intangible assets		-1		-259
Tax assets		-369		
Other assets		-5	2.936	-3.068
Due to banks		24.778		179.899
Due to customers		11.552	-881.946	91.805
Provisions				261
Accrued expenses and deferred income				102
Other liabilities		775	-13.389	4.321
Non-controlling interest				5.443
<b>Total net assets acquired / Net assets divested</b>	<b>-</b>	<b>-11.559</b>	<b>-</b>	<b>-16.834</b>

*Cash used for acquisition / received from divestments:*

Proceeds from sale		38.670		15.900
Cash and cash equivalents acquired / divested		-48.288	243.771	-273.138
<b>Total cash used for acquisitions / received for divestments</b>	<b>-</b>	<b>-9.618</b>	<b>243.771</b>	<b>-257.238</b>

There were no acquisitions in 2014.

Divestment 2014: Decrease of AACB's ownership of HCH from 100% to 25%

Acquisition 2013: AACB completed the acquisition of the Custody activity.

Divestment 2013: Decrease of AACB's ownership of EMCF from 77% to 25%.

**Accounting policy for subsidiaries**

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

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

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



**Accounting policy for associates**

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

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

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

**Restrictions on assets**

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

**19. Equity accounted investments**

**Accounting policy for equity accounted investments**

Equity accounted investments comprise associates. Associates are those entities in which AACB has significant influence (this is generally assumed when AACB holds between 20% and 50% of the voting rights), but no control or joint control over the operating and financial policies. Investments in associates are accounted for equity method.

(x EUR 1.000)

**31 December 2014    31 December 2013**

Equity accounted investments consist of the following:

EuroCCP	8.368	7.503
HCH	12.912*	-
<b>Total Equity accounted investments</b>	<b>21.280</b>	<b>7.503</b>

\* This amount includes a remeasurement of the remaining HCH shares.

**EUROCCP**

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

In January 2014, EMCF changed its name into EuroCCP.

The shares of EuroCCP are not quoted on any market. There are four shareholders each holding 25% of the shares. The company's Supervisory Board consists of 6 supervisory board members (a representative from each shareholder and two independent members).

**Holland Clearing House**

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

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

The shares of HCH are not quoted on any market. There are two shareholders; AACB 25% and ICE 75%. HCH's Supervisory Board consists of four members (one is appointed by AACB, and three by ICE).



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

(x EUR 1.000)	31 December 2014	31 December 2013
Cash and cash equivalents	492.210	351.572
Loans and receivables	59.429	43.730
Property and equipment	159	238
Intangible assets	328	305
Other assets	6.755	4.228
<b>Total assets</b>	<b>558.881</b>	<b>400.073</b>
Due to banks	269.551	270.609
Due to customers	235.714	84.858
Accrued interest, expenses and other liabilities	8.497	3.783
<b>Total Liabilities</b>	<b>513.762</b>	<b>359.250</b>
Total Equity	45.119	40.823
Net revenue	22.294	14.113
Expenses	18.205	13.985
Other comprehensive income (expenses)	-325	-29
Tax expenses	937	53
<b>Total comprehensive income</b>	<b>4.701</b>	<b>432</b>

(x EUR 1.000)	31 December 2014	31 December 2013
<b>Equity accounted investment</b>	<b>21.280</b>	<b>7.503</b>

## 20. Property and equipment

### Accounting policy for property and equipment

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

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

AACB applies the following principles regarding straight-line depreciation:

- The useful lives for buildings are 30 years;
- The useful life for leasehold improvements is 10 years or the lesser of the lease term;
- The useful life for IT equipment is maximum five years.



(x EUR 1.000)

**31 December 2014**   **31 December 2013**

<b>Total property and equipment</b>	<b>10.100</b>	<b>10.095</b>
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The table below shows the categories of property and equipment at 31 December 2014 against book value.

(x EUR 1.000)

**2014**

	<b>Leasehold improvements</b>	<b>IT Equipment</b>	<b>Other property and equipment</b>	<b>Total</b>
<b>Acquisition costs as at 1 January 2014</b>	<b>5.220</b>	<b>36.506</b>	<b>2.631</b>	<b>44.357</b>
Divestment of Brussel Branch	-	-13	-58	-71
Additions	-	5.683	21	5.704
Disposal	-	-771	-42	-813
Foreign exchange differences	464	3.014	177	3.655
<b>Acquisition costs as at 31 December 2014</b>	<b>5.684</b>	<b>44.419</b>	<b>2.729</b>	<b>52.832</b>
<b>Accumulated depreciation 1 January 2014</b>	<b>-3.727</b>	<b>-29.296</b>	<b>-1.239</b>	<b>-34.262</b>
Divestment of Brussel Branch	-	11	26	37
Depreciation expense	-707	-5.536	-172	-6.415
Disposal	-	750	25	775
Foreign exchange differences	-337	-2.433	-97	-2.867
<b>Accumulated depreciation as at 31 December 2014</b>	<b>-4.771</b>	<b>-36.504</b>	<b>-1.457</b>	<b>-42.732</b>
<b>Property, plant and equipment as at 31 December 2014</b>	<b>913</b>	<b>7.915</b>	<b>1.272</b>	<b>10.100</b>

(x EUR 1.000)

**2013**

	<b>Leasehold improvements</b>	<b>IT Equipment</b>	<b>Other property and equipment</b>	<b>Total</b>
<b>Acquisition costs as at 1 January 2013</b>	<b>5.579</b>	<b>35.430</b>	<b>2.745</b>	<b>43.754</b>
Divestment of subsidiary EMCF	-159	-1.164	-186	-1.509
Additions	259	5.067	268	5.594
Disposal	-	-181	-	-181
Foreign exchange differences	-459	-2.646	-196	-3.301
<b>Acquisition costs as at 31 December 2013</b>	<b>5.220</b>	<b>36.506</b>	<b>2.631</b>	<b>44.357</b>
<b>Accumulated depreciation 1 January 2013</b>	<b>-2.651</b>	<b>-25.540</b>	<b>-1.298</b>	<b>-29.489</b>
Divestment of subsidiary EMCF	66	813	94	973
Depreciation expense	-1.417	-6.695	-182	-8.294
Disposal	-	175	-	175
Foreign exchange differences	275	1.951	147	2.373
<b>Accumulated depreciation as at 31 December 2013</b>	<b>-3.727</b>	<b>-29.296</b>	<b>-1.239</b>	<b>-34.262</b>
<b>Property, plant and equipment as at 31 December 2013</b>	<b>1.493</b>	<b>7.210</b>	<b>1.392</b>	<b>10.095</b>



## 21. Intangible assets

### Accounting policy for intangible assets

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

(x EUR 1.000)	2014	2013
<b>Acquisition costs as at 1 January:</b>	10.267	11.954
Divestment of subsidiary HCH	-100	-1.563
Additions	7.774	589
Disposal	-138	-83
Foreign exchange differences	1.484	-630
<b>Acquisition costs as at 31 December</b>	<b>19.287</b>	<b>10.267</b>
<b>Accumulated amortisation 1 January:</b>	<b>-5.822</b>	<b>-5.678</b>
Divestment of subsidiary HCH	99	886
Amortisation expense	-3.213	-1.522
Disposal	-886	83
Foreign exchange differences	-716	409
<b>Accumulated amortisation as at 31 December</b>	<b>-10.538</b>	<b>-5.822</b>
<b>Total intangible assets as at 31 December</b>	<b>8.749</b>	<b>4.445</b>

No impairments have been recorded to Intangible assets.

## 22. Tax assets

### Accounting policy for tax assets

AACB applies IAS 12 Income Taxes in accounting for taxes on income. Deferred tax is recognised for qualifying temporary differences. Temporary differences represent the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. A deferred tax asset is recognised only to the extent it is probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to taxes levied by the same taxation authority.

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



(x EUR 1.000)

**31 December 2014**   **31 December 2013**

	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>Total current tax assets</b>	<b>2.926</b>	<b>4.568</b>
The deferred tax assets can be catagorised into:		
Net investment hedge	10.648	10.648
Investments available for sale	15	323
Property and equipment	-	79
Accrued expenses and deferred income	1.096	666
<b>Total deferred tax assets</b>	<b>11.759</b>	<b>11.716</b>
<b>Total tax assets</b>	<b>14.685</b>	<b>16.284</b>

### 23. Other assets

(x EUR 1.000)

**31 December 2014**   **31 December 2013**

	<b>31 December 2014</b>	<b>31 December 2013</b>
The table below shows the components of Other assets at 31 December:		
Accrued other income	2.421	5.088
Related to securities transactions	19.964	11.410
Prepayments	3.452	5.658
VAT and other tax receivable	1.972	6.873
Other	724	856
<b>Total other assets</b>	<b>28.533</b>	<b>29.885</b>



## LIABILITIES

### 24. Financial liabilities held for trading

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

(x EUR 1.000)

31 December 2014 31 December 2013

The financial liabilities held for trading consist of the following:

Over the counter (OTC)	78.202	36.541
Contract for Differences (CFD's)	22.163	16.666
<b>Total financial liabilities held for trading</b>	<b>100.365</b>	<b>53.207</b>

The notional amounts of the OTC derivatives are EUR 3.243 million as per 31 December 2014 (2013: EUR 1.116 million).

The shares used for hedging the Contract for Differences is EUR 21 million as per 31 December 2014 (2013: EUR 17 million).

### 25. Securities financing

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

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

(x EUR 1.000)

31 December 2014 31 December 2013

Reverse Purchase agreements and securities borrowing	245.216	291.203
Transactions related to securities	890.624	733.295
<b>Total securities financing</b>	<b>1.135.840</b>	<b>1.024.498</b>

### 26. Due to banks

#### Accounting policy for due to banks and due to customers

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

(x EUR 1.000)

31 December 2014 31 December 2013

The table below shows the components of due to banks:

Demand deposits	1.225.972	2.164.379
Time deposits	16.182.906	13.830.844
Other deposits	30.177	6.058
<b>Total due to banks</b>	<b>17.439.055</b>	<b>16.001.281</b>





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

Demand deposits due to banks ABN AMRO Group	241.485	1.293.702
Time deposits due to banks ABN AMRO Group	16.178.034	13.825.886
<b>Total ABN AMRO Group companies</b>	<b>16.419.519</b>	<b>15.119.588</b>
Demand deposits due to third party banks	984.487	870.677
Time deposits due to third party banks	4.872	4.958
Other deposits	30.177	6.058
<b>Total third party banks</b>	<b>1.019.536</b>	<b>881.693</b>
<b>Total due to banks</b>	<b>17.439.055</b>	<b>16.001.281</b>

In 2014 no amount has a maturity of more than 3 months but less than one year (2013: EUR 17 million).

## 27. Due to customers

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

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

(x EUR 1.000)

**31 December 2014**    **31 December 2013**

The table below shows the components of due to customers:

Demand deposits	6.264.812	4.370.866
Time deposits	658.901	682.680
Other deposits	-	3.000
Other borrowings	-	218.787
<b>Total due to customers</b>	<b>6.923.713</b>	<b>5.275.333</b>

Other borrowings mostly relate to margin accounts.

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	304.151	30.245
Time deposits due to customers ABN AMRO Group	513.402	561.280
<b>Total ABN AMRO Group companies</b>	<b>817.553</b>	<b>591.525</b>
Demand deposits due to customers third party	5.960.661	4.340.621
Time deposits due to customers third party	145.499	121.400
Other deposits	-	3.000
Other borrowings	-	218.787
<b>Total third party customers</b>	<b>6.106.160</b>	<b>4.683.808</b>
<b>Closing balance as at 31 December</b>	<b>6.923.713</b>	<b>5.275.333</b>

In 2014 no amount has a maturity of more than 3 months but less than one year (2013: EUR 17 million).



## 28. Issued debt

### Accounting policy for issued debt

Issued debt securities are initially recorded at amortised cost using the effective interest rate method, unless they are of a hybrid or structured nature and irrevocable designated at initial recognition to be held at fair value through profit or loss.

This debt is issued for Regulatory reasons. It will be valued at fair value being amortised cost unless the circumstances are changed.

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

This debt is issued for Regulatory reasons.

(x EUR 1.000)

31 December 2014 31 December 2013

The issued debt consists of the following:

Bonds and notes issued	325	-
<b>Total Issued debt</b>	<b>325</b>	<b>-</b>

## 29. Provisions

### Accounting policy for provisions

A provision is recognised in the balance sheet when AACB has a legal or constructive obligation as a result of a past event, and it is more likely than not, that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(x EUR 1.000)

31 December 2014 31 December 2013

Defined benefit obligations	3.870	3.563
Other	1.786	479
<b>Total Provision</b>	<b>5.656</b>	<b>4.042</b>

On the basis of information currently available AACB determines with reasonable certainty that the expected cash outflow for the year 2015 is approximately EUR 1,2 million and approximately EUR 1,6 million for the years 2016 - 2019.

The defined benefit obligation refers to the retired employees of a liquidated German ABN AMRO company. The pension plan is no longer available for new employees.

All other employees have a defined contribution plan.



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

(x EUR 1.000)	2014	2013
<b>Defined benefit obligation as at 1 January</b>	<b>3.563</b>	<b>3.454</b>
Total defined benefit expense	110	116
Remeasurement effects recognised	394	216
Benefits paid	-197	-190
exit from consolidation scope	-	-33
<b>Defined benefit obligation as at 31 December</b>	<b>3.870</b>	<b>3.563</b>

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

(x EUR 1.000)	2014	2013
<b>Opening balance as at 1 January</b>	<b>479</b>	<b>47</b>
Additions for the period	1.307	432
Release for the period	-	-
<b>Closing balance as at 31 December</b>	<b>1.786</b>	<b>479</b>

On the basis of information currently available.

### 30. Tax liabilities

**The accounting policy for tax liabilities is included in note 22.**

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

(x EUR 1.000)	31 December 2014	31 December 2013
Current tax liabilities	9.305	8.190
Deferred tax liabilities	3.054	2.444
<b>Total tax liabilities</b>	<b>12.359</b>	<b>10.634</b>

The deferred tax liabilities are related to Financial investments.

AACB owns equity investments in exchanges (LCH, BATS, TOM). These investments will be taxed when realised through disposal. The deferred tax liability of EUR 3.054 reflects the tax impact of an upward revaluation of the Financial investments in the annual accounts.

Taxation will become due on potential capital gains at disposal of these assets.

There were no write-downs of deferred tax liabilities during 2014 or 2013.



(x EUR 1.000)

31 December 2014 31 December 2013

**31. Other liabilities**

The table below shows the components of Other liabilities at 31 December:

Related to securities transactions	108.269	89.846
Accounts payable	5.272	6.978
VAT and other tax payable	1.092	4.258
Rebilling cost by ABN AMRO Group	45.037	13.084
Other	12.483	23.768
<b>Total other liabilities</b>	<b>172.153</b>	<b>137.934</b>

**32. Equity****Accounting policy for equity**

Share capital and other components of equity

*Preference shares*

Preference shares which are non-redeemable and upon which dividends are declared at the discretion of the Company are classified as 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.

*Financial investments reserve*

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

*Revaluation reserve*

The Revaluation reserve is comprised of the currency translation differences arising on translation of the currency of these instruments to euros, insofar as they are effective.

*Dividends*

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

The issued and paid-up share capital of AACB did not change in the year 2014. Authorised share capital amounts to EUR 50.000.000 distributed over 50.000 shares each having a nominal value of 1.000. Of this authorised share capital, 15.000 shares were issued and paid up against a nominal value of 1.000. At year-end 2014, all shares were held by ABN AMRO.

(x EUR 1.000)

31 December 2014 31 December 2013

Share capital	15.000	15.000
Share premium	250	250
Other reserves (incl. retained earnings/profit for the period)	786.535	712.257
Other components of equity	29.042	-32.503
<b>Shareholders' equity</b>	<b>830.827</b>	<b>695.004</b>

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 2014	31 December 2013
Gross AFS reserve	15.221	11.307
Related tax	-3.039	-2.121
<b>AFS reserve</b>	<b>12.182</b>	<b>9.186</b>
Gross Remeasurement on net DBO on post employment plans	-463	-285
Related tax	126	69
<b>Remeasurement on net DBO on post employment plans</b>	<b>-337</b>	<b>-216</b>
<b>Currency translation reserve</b>	<b>65.270</b>	<b>6.600</b>
Gross revaluation reserve	-64.229	-64.229
Related tax	16.156	16.156
<b>Revaluation reserve</b>	<b>-48.073</b>	<b>-48.073</b>
<b>Total other components of equity</b>	<b>29.042</b>	<b>-32.503</b>

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

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

The tax on revaluation reserve can be split in two categories. From the total amount of EUR 16.1 million an amount of EUR 11.1 million is related to the deferred tax asset of the NIH (see note 23). The remaining amount of EUR 5.0 million is related to the changes in the NIH up to and including 2009. Until that year the tax amount of the NIH was already settled with the tax authorities.

(x EUR 1.000)	2014	2013
Unrealised gains as at 1 January	-32.503	-20
Unrealised gains during the year	3.737	5.837
Unrealised currency translation differences	58.669	-38.147
Related tax	-861	-173
<b>Other components of equity as at 31 December</b>	<b>29.042</b>	<b>-32.503</b>



### 33. Commitments and contingent liabilities

#### Accounting policy for commitments and contingent liabilities

##### Contingencies

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

##### Guarantees

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

(x EUR 1.000)

31 December 2014 31 December 2013

The guarantees and other commitments consist of the following:

Securities borrowing	8.288.680	6.328.155
Guarantees	566.551	404.197
<b>Total guarantees and other commitments</b>	<b>8.855.231</b>	<b>6.732.352</b>

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

Guarantees given to subsidiaries	545.306	388.362
Guarantees given to associates	13.000	-
Guarantees given to Exchanges	8.245	15.835
<b>Total Guarantees</b>	<b>566.551</b>	<b>404.197</b>

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

<b>Total guarantees and other commitments</b>	<b>8.855.231</b>	<b>6.732.352</b>
Secured by collateral	8.288.680	6.328.155
<b>Net guarantees and other commitments</b>	<b>566.551</b>	<b>404.197</b>

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

31 December 2014 (x EUR 1.000)

	less than one year	Between one and three years	Between three and five years	After 5 years	Total
Guarantees given to subsidiaries	123.416	298.474	-	123.416	545.306
Guarantees given to associates	13.000	-	-	-	13.000
Guarantees given to exchanges	-	-	-	8.245	8.245
<b>Total Guarantees</b>	<b>136.416</b>	<b>298.474</b>	<b>-</b>	<b>131.661</b>	<b>566.551</b>

31 December 2014 (x EUR 1.000)

	less than one year	Between one and three years	Between three and five years	After 5 years	Total
Guarantees given to subsidiaries	146.496	132.882	-	108.984	388.362
Guarantees given to exchanges	-	-	-	15.835	15.835
<b>Total Guarantees</b>	<b>146.496</b>	<b>132.882</b>	<b>-</b>	<b>124.819</b>	<b>404.197</b>



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

**Leasing**

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

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

(x EUR 1.000)

**31 December 2014    31 December 2013**

Where AACB is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

Not more than one year	713	749
Longer than one year but not longer than five years	798	1.613
Longer than five years.	-	-
<b>Total operating lease agreements</b>	<b>1.511</b>	<b>2.362</b>

**34. Pledged and encumbered assets**

**Accounting policy for pledged, encumbered and restricted assets**

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

In principle, pledged assets are encumbered assets.

Significant restrictions on assets can arise from statutory, contractual or regulatory requirements such as:

- Those that restrict the ability of the parent or its subsidiaries to transfer cash or other assets to (or from) other entities within the group.
- 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.
- Protective rights of non-controlling interests might also restrict the ability of the Group to access and transfer assets freely to or from other entities within the Group and to settle liabilities of the Group.

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

Pledged and encumbered assets are assets given as security to guarantee payment of a debt or fulfilment of an obligation.

Predominantly the following activities conducted by AACB are related to pledged assets:

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

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



(x EUR 1.000)

**31 December 2014**    **31 December 2013**

	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>Assets pledged:</b>		
Securities financing assets	7.888.407	5.227.509
Financial assets held for trading	21.836	16.018
Loans and receivables - banks	-	23.336
Loans and receivables - customers	2.462.779	2.039.645
<b>Total assets pledged as security</b>	<b>10.373.022</b>	<b>7.306.508</b>

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

### 35. Related Parties

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

#### *Transactions:*

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

#### *Labour contract employees Amsterdam*

Every employee of AACB has a labour contract with ABN AMRO. The total salary costs including pensions and social security charges in 2014 was EUR 41,710 million (2013: EUR 41,064 million). The salary costs are paid by ABN AMRO and rebilled to AACB.

### 36. Cash flow statement

#### **Accounting policy for Cash flow statement**

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

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

(x EUR 1.000)

**31 December 2014**    **31 December 2013**

	<b>31 December 2014</b>	<b>31 December 2013</b>
Cash and balances at central banks	21.166	124.608
Loans and receivables banks (less than 3 months)*	5.713.244	4.975.640
<b>Total securities financing</b>	<b>5.734.410</b>	<b>5.100.248</b>

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





### 37. Post-balance sheet date events

- In March 2015 AACB has taken a provision of approximately EUR 12 million for a doubtful debt caused by the disconnection of the Swiss francs from the Euro.
- On 13 May 2015 the shares of the associates EuroCCP and HCH are transferred from ABN AMRO Clearing Bank N.V. to Clearing Investments B.V. which is a 100% subsidiary of AACB.
- On 21 May 2015 J.R. Dijst will step down as member of the Supervisory Board after signing the Annual Report.



# legal procedures

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

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

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



# **company financial statements** for the year 2014

## company income statement for the year ended 31 December 2014

(x EUR 1.000)	2014	2013
Result from participating interests after tax	49.162	46.216
Other result after taxes	25.117	-11.345
<b>Net profit attributable to owners of the company</b>	<b>74.279</b>	<b>34.871</b>



# company statement of financial position

## as at 31 December 2014

(x EUR 1.000)

	31 December 2014	31 December 2013
<b>Assets</b>		
Cash and balances at Central banks	21.166	89.508
Financial assets held for trading	101.504	51.738
Financial investments	40.539	42.566
Securities financing	7.318.306	5.660.831
Loans and receivables - banks	5.088.396	4.571.106
Loans and receivables - customers	10.126.333	9.585.486
Participating interest in group companies	599.829	519.911
Equity accounted investments	21.280	7.503
Property and equipment	3.847	4.282
Intangible assets	1.773	322
Tax assets	13.575	13.713
Other assets	22.177	24.126
<b>Total assets</b>	<b>23.358.725</b>	<b>20.571.092</b>
<b>Liabilities</b>		
Financial liabilities held for trading	100.365	53.207
Securities financing	656.260	477.816
Due to banks	17.364.170	15.910.001
Due to customers	4.290.525	3.345.540
Issued debt	325	0
Provisions	5.445	3.810
Tax liabilities	10.245	9.893
Other liabilities	100.563	75.821
<b>Total liabilities</b>	<b>22.527.898</b>	<b>19.876.088</b>



(x EUR 1.000)	2014	2013
<b>Equity</b>		
Share capital	15.000	15.000
Share premium	250	250
Other reserves (incl. retained earnings/profit for the period)	786.535	712.257
Other comprehensive income	29.042	-32.503
<b>Total Equity</b>	<b>830.827</b>	<b>695.004</b>
<b>Total Liabilities and Equity</b>	<b>23.358.725</b>	<b>20.571.092</b>
<b>Guarantees and other commitments</b>	<b>7.033.100</b>	<b>6.739.358</b>

# notes to the company financial statements for the year 2014

## General

AACB's company financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code, applying the same accounting policies as for the consolidated financial statements.

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

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, ABN AMRO Clearing Bank N.V. makes use of 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.

Based on the 403 Statement of Book 2 of the Dutch Civil Code AACB is only required to publish company financial statements in an abbreviated format, containing as a minimum an abbreviated income statement and an abbreviated statement of financial position.

## Company statement of participating interests

(x EUR 1.000)

	2014	2013
<b>Participating interest in group companies</b>	<b>599.829</b>	<b>519.911</b>

The owned subsidiaries are:

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

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

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

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

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

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

The movements in the participating interest in group companies, which are valued at net equity value, were as follows:

<b>Balance as at 1 January</b>	<b>519.911</b>	<b>385.971</b>
Acquisition 1% EMCF	-	221
Increase of capital	21.374	156.627
Dividend paid out	-37.627	-14.549
Exchange differences	47.896	-31.167
EMCF	-	-23.408
Result for the year	48.275	46.216
<b>Balance as at 31 December</b>	<b>599.829</b>	<b>519.911</b>



## Company statement of consolidation

	Entitlements	Currency	Shareholders' equity 2014	Net result 2014	Shareholders' equity 2014
			(x 1.000)	(x 1.000)	(x EUR 1.000)
eur	100%	USD	456.104	37.763	375.271
ABN AMRO Clearing Sydney Pte Ltd	100%	AUD	102.724	7.849	69.385
ABN AMRO Clearing Hong Kong Ltd	100%	HKD	963.731	107.278	102.251
ABN AMRO Clearing Tokyo Ltd	100%	JPY	7.290.820	673.683	50.268
ABN AMRO Clearing Singapore Pte	100%	SGD	4.223	40	2.630
ABN AMRO Clearing Investments B.V.	100%	EUR	24	-1	24
					<b>599.829</b>

## Company statement of changes in equity

(x EUR 1.000)

	Share capital	Share Premium	Retained earnings	Remeasurement on net DBO on post-employment plans	Currency translation reserve	Financial investments reserve	Revaluation reserve	Equity Associates reserve	Unappropriated result of the year	Total
Balance as at 31 December 2012	15.000	250	603.406	-	52.945	3.942	-48.073	-	65.146	692.616
Total comprehensive income				-147	-38.147	5.639		172	34.871	2.388
Transfer			73.980		-8.197			-637	-65.146	-
Dividend										
Balance as at 31 December 2013	15.000	250	677.386	-147	6.601	9.581	-48.073	-465	34.871	695.004
Total comprehensive income				-122		2.638		358	74.279	77.153
Transfer			34.871		58.670				-34.871	58.670
Dividend										
Balance as at 31 December 2014	15.000	250	712.257	-269	65.271	12.219	-48.073	-107	74.279	830.827





# acquisitions

No acquisitions were made by ABN AMRO Clearing Bank N.V. in 2014.  
Amsterdam, 21 May 2015

## ***Managing Board***

J.B.M. de Boer  
A. Bolkovic  
B. Duinstra  
M.C. Jongmans  
L.M.R. Vanbockrijck



# other information

## independent auditor's report

To: The General Meeting of Shareholders of ABN AMRO Clearing Bank N.V.

### Report on the Audit of the consolidated annual financial statements 2014

#### Opinion

In our opinion:

- ▶ The consolidated financial statements give a true and fair view of the financial position of ABN AMRO Clearing Bank N.V. as at 31 December 2014 and of its results and its cash flows for the year 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code.

The statutory financial statements give a true and fair view of the balance sheet of ABN AMRO Clearing Bank N.V. as at 31 December 2014 and of its results for the year 2014 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

#### What we have audited

We have audited the accompanying consolidated and company annual financial statements 2014 of ABN AMRO Clearing Bank N.V. (the Bank).

The consolidated annual financial statements comprise:

- ▶ the consolidated statement of financial position as at 31 December 2014;
- ▶ the consolidated income statement;
- ▶ the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- ▶ the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- ▶ the company balance sheet as at 31 December 2014;
- ▶ the company profit and loss account for 2014; and
- ▶ the notes comprising a summary of the significant accounting policies and other explanatory information.

#### The 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 consolidated and company annual financial statements' section of our report.

We are independent of ABN AMRO Clearing Bank N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA or Decree on the Code of Conduct for auditors in the Netherlands).

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

#### Our audit approach

##### Summary

We planned and executed our audit by determining materiality and assessing the risks of material misstatement in the consolidated annual financial statements. In particular, we directed our audit to those areas where management made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including an evaluation whether there was evidence of management bias that may represent a risk of material misstatement due to fraud.

The overall materiality on which we have planned and executed our audit amounts to EUR 5.9 million which represents 0.5% of total revenues for the year being the benchmark used for determining materiality.



We conducted our audit at the head office and instructed local auditors to audit the component location in Chicago. We also visited Chicago where we performed detailed file reviews and had meetings with local management.

### Key audit matters

We identified the following key audit matters:

- ▶ Risk management control framework through the correlation haircut model;
- ▶ Diversity and complexity of fee arrangements and fee revenues;
- ▶ Sale of 75% of Holland Clearing House N.V. ('HCH'), and
- ▶ Reliability and continuity of the information technology and systems.

### Materiality

Misstatements can arise from fraud or error and will be considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated and company annual financial statements. We determined certain quantitative thresholds for materiality. These together with qualitative considerations helped us to determine the nature, timing and extent of our audit procedures and the evaluation of the impact of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the consolidated annual financial statements for the Bank as a whole at EUR 5.9 million, with reference to a primary benchmark of gross revenues given the company's business and its main driver. We have applied this benchmark based on our assessment of the general information needs of users of the consolidated annual financial statements. We believe that gross revenues is a relevant metric for assessment of the financial performance of the Bank, also given the relatively high balance sheet total and the level of profit before tax impacted by a one-off gain on sale and the rebilling arrangements with ABN AMRO N.V.

We agreed with the Supervisory Board that all unadjusted misstatements in excess of EUR 0.3 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### Scope of the group audit

ABN AMRO Clearing Bank N.V. has several branches spread globally and is also the parent company of a group of entities. The financial information of this group is included in the consolidated annual financial statements of ABN AMRO Clearing Bank N.V.

As we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the Bank audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities.

We scoped components of ABN AMRO Clearing Bank N.V. into the group audit where they are of significant size, have significant risks to the Bank or are considered significant for other reasons.

Applying these scoping criteria led to a full scope audit resulting in a coverage of 89% of total revenues and 82% of total assets. Furthermore, we performed analytical procedures at the aggregated group level to corroborate our assessment that there are no significant risks of material misstatement within the remaining non scoped components.

All components in scope for group reporting are audited by KPMG member firms. We sent detailed instructions to the component auditors, covering significant areas including the relevant risks of material misstatement and set out the information required to be reported back to the group audit team. We visited Chicago as the one component location in full scope where we performed detailed file reviews. At this visit the planning, risk assessment, procedures performed, findings and



observations reported to the group auditor were discussed in more detail and any further work deemed necessary by the group audit team was then performed including meetings with local management.

The consolidation of the group, the disclosures in the consolidated and company annual financial statements and certain accounting topics that are performed at group level are audited by the group audit team.

By performing the procedures above at components, together with additional procedures at group level, we have obtained sufficient and appropriate audit evidence about the Group's financial information to provide an opinion on the consolidated and company annual financial statements.

### Our key audit matters

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

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

### Risk management control framework through the correlation haircut model

AACB's day-to-day operations consist of the clearing and settlement of large volumes of futures and options trades on behalf of clients. For that purpose AACB requires a detailed and real-time insight into its clients and related risk exposures, requiring a sound risk management framework on both an overall as well as an individual client level. This risk management framework is based around AACB's so called 'Correlation Haircut Model'

('the model'). This model determines the required liquidity position that clients should hold with AACB as collateral. The collateral is placed in the form of highly liquid deposits, clients' securities and other liquid assets. Based on the client's actual trading activity and market positions the model requires collateral calls or collateral releases on an individual client level. In calculating the net liquidity position and the collateral requirements the model uses stress scenarios that it weighs on a basis of likelihood and impact and factors in other market drivers such as interest rates, volatility and duration of underlying exposures. We have identified the correlation haircut model as a key audit matter as the model is critical to the execution and continuity of the daily operations of AACB.

### Our audit response

Audit procedures included, among others, an assessment of the validation report that is the result of a mandatory yearly in-house validation exercise of the model by ABN AMRO's quantitative analysis group. This assessment also included challenging the model validation conclusions by Financial Risk Management Specialists. Moreover, we took note of the fact that for 2014 there were no defaults (client's defaulting on their positions without sufficient collateral). This together provides evidence on the strength and resilience of the model and the respective parameters and stress scenarios used in the model as well as the valuation and presentation of the respective client positions on the balance sheet, both assets and liabilities. With performing the respective audit work over the model and the related client positions we gained more evidence over the continuity of the Bank given the vital role of the model for the Bank's liquidity and business model.

### Our observation

Our audit procedures on the model did not result in significant findings for the purpose of the audit of the financial statements.



### **Diversity and complexity of fee arrangements and fee revenues**

AACB's revenues mainly consist of fee and commission income and interest margin. For the fee and commission income AACB operates a client centric approach in which most clients have a specifically agreed upon fee per product and in some cases added with certain volume-driven incentives. Considering the volume of the Bank's client base and its product suite this results in a considerable level of different revenue components to be defined when auditing the overall fee and commission revenue in the consolidated financial statements.

### **Our audit response**

As a result of the above we have performed specific tailored audit work on fee revenue and on the Bank's internal control framework over its fee and commission revenue. Also we have specifically assessed how fee agreements are being reached and documented as the diversity of fees combined with a large volume of clients increases the risk of error. We tested the internal control framework on existence and design and performed work over its operating effectiveness. Besides controls testing we also performed several substantive procedures such as, amongst other, sending debtor confirmations and reconciling source data systems to the Bank's financial reporting system.

### **Our observation**

We found that the fee and commission revenue recorded in the financial statements is appropriately disclosed in note 2 in accordance with IFRS.

### **Sale of 75% of Holland Clearing House N.V. ('HCH')**

As of 3 December 2014, AACB sold 75% of their subsidiary Holland Clearing House (HCH) to Intercontinental Exchange (ICE), with AACB maintaining a 25% share in HCH. HCH was a 100% consolidated subsidiary before the sale of the shares. Due to the sale, control in HCH is lost, however significant influence remains with the entity being accounted for as an associate in AACB's consolidated financial statements 2014.

The one-off sale revenue results in AACB's consolidated financial statements showing a considerable increase in both operating income as well as bottom line profit. As such it is an important matter in our audit of AACB's 2014 consolidated financial statements.

### **Our audit response**

We have read and assessed the sale documentation and the accounting treatment of the sale revenue and the associate accounting for the remaining stake of 25%. We also have gained a further understanding of the overall transaction and background as part of our audit work through discussing the sale process, the relevant negotiations and the resulting sale price with AACB management.

### **Our observation**

The sale has been accurately accounted for in the 2014 financials including appropriate disclosure on the matter in note 19 in accordance with IFRS.

### **Reliability and continuity of the information technology and systems**

AACB is heavily dependent on its IT-infrastructure for the continuity of its operations. The Bank makes significant investments in its IT systems and -processes as it is continuously improving the efficiency and effectiveness of the IT-infrastructure and the reliability and continuity of the electronic data processing. For example to remediate identified weaknesses and inefficiencies and to accommodate the ongoing regulatory changes imposed on the banking industry like CRD IV/CRR. We have therefore identified this as a key audit matter.

### **Our audit response**

We have assessed the reliability and continuity of the electronic data processing, as far as necessary within the scope of our audit. For that purpose we included IT-auditors in our audit team. Our procedures included the assessment of developments in the IT-domain and testing of the relevant internal controls with respect to IT-systems and -processes.



### Our observation

Our test procedures on the design and operating effectiveness of IT control measures, did not result in significant findings on the reliability and continuity of the electronic data processing for the purpose of the audit of the financial statements.

### Responsibilities of the Managing Board and the Supervisory Board for the consolidated annual financial statements

The Managing Board is responsible for:

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

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

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

### Our Responsibilities for the Audit of the consolidated annual financial statements

Our objective is to plan and perform the audit to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and frauds. For a further description of our responsibilities in respect of an audit of consolidated annual financial statements in general, we refer to the website of the professional body for accountants in the Netherlands (NBA) [www.nba.nl/Site/English/Standard-texts-auditors-report/](http://www.nba.nl/Site/English/Standard-texts-auditors-report/)

### Report on Other Legal and Regulatory Requirements

#### Report on the Managing Board report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the Managing Board report and other information):

- ▶ We have no deficiencies to report as a result of our examination whether the Managing Board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- ▶ We report that the Managing Board report, to the extent we can assess, is consistent with the financial statements.



**Engagement**

We were appointed prior to 2008 for the first time as auditor of ABN AMRO Clearing Bank N.V. and operated as auditor since then. We were re-appointed as auditor of ABN AMRO Clearing Bank N.V. through our appointment as audit of ABN AMRO Bank N.V. and it's group entities for the financial years 2013 and 2014 by the Special General Meeting of Shareholders of 18 December 2012. In this role we perform the financial statements audit.

Amstelveen, 21 May 2015  
KPMG Accountants N.V.

**C.C.J. Segers RA**



# composition of the Supervisory and Managing Board

## Composition of the Supervisory Board

### Supervisory Board

At year-end 2014, the Supervisory Board consisted of the following members:

**R.V.C. Schellens (Male)**

**J.R. Dijst (Male)**

**F.M.R. van der Horst (Male)**

**A.J.B.M. Peek (Male)**

**A. Rahusen (Male)**

## Composition of the Managing Board

### Managing board

### Principal Responsibilities

**M.C. Jongmans (Male)**

Chairman

**J.B.M. de Boer (Male)**

Chief Commercial Officer

**A. Bolkovic (Male)**

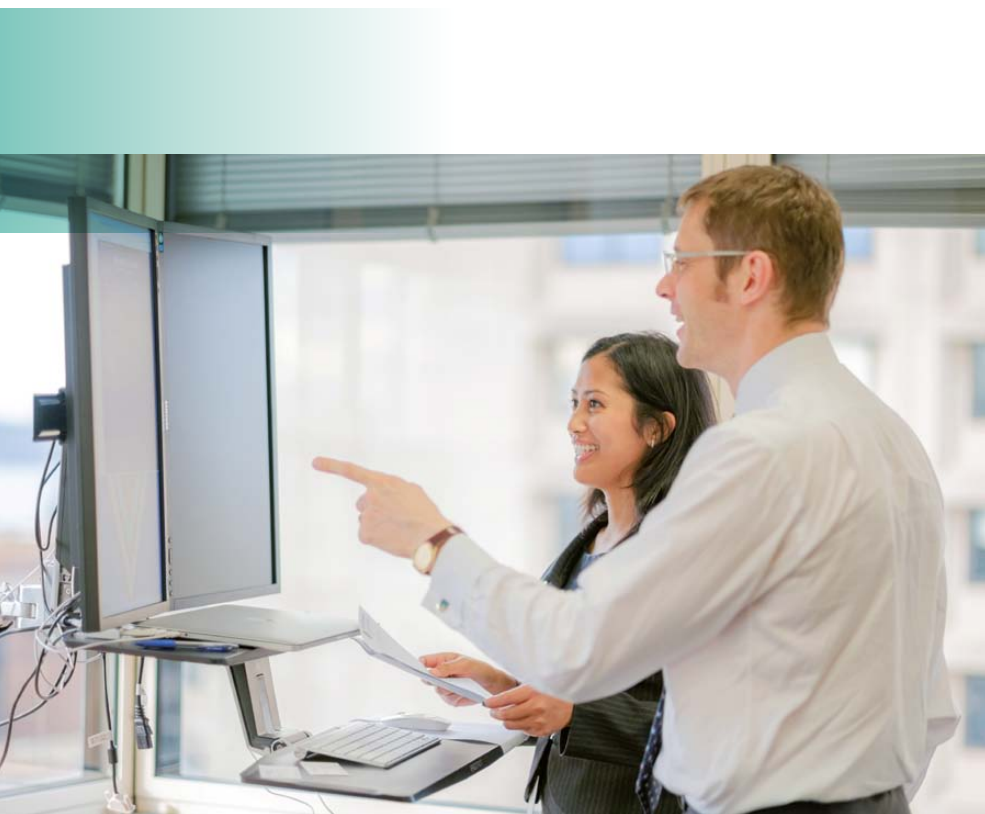
Global Head Products & Services

**B. Duinstra (Male)**

Chief Risk Officer

**L.M.R. Vanbockrijck (Female)**

Chief Financial Office





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

The profit shown in the Profit and Loss Account 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 2014 will be based on our current and projected consolidated capital ratio's and local regulatory and exchange requirements in combination with our growth strategy. AACB proposes not to pay any dividend due to higher regulatory capital requirements. The final dividend amount will be decided at the General Meeting of Shareholders in May 2015.





# address

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