ABN·AMRO Clearing

ABN AMRO Clearing Bank N.V. Annual Report 2019

Notes to the reader

This is the ABN AMRO Clearing Bank N.V. Annual Report for the year 2019. The Annual Report consists of the Management Board report, Supervisory Board report, Annual Financial Statements and Other Information.

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

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

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

For more information, please visit **abnamroclearing.com**

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ABN AMRO Clearing at a glance

Established
1982

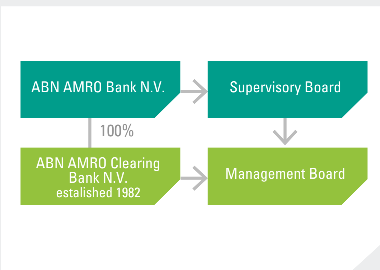
Transactions processed
3.4 billion

Liquidity Centres
>150

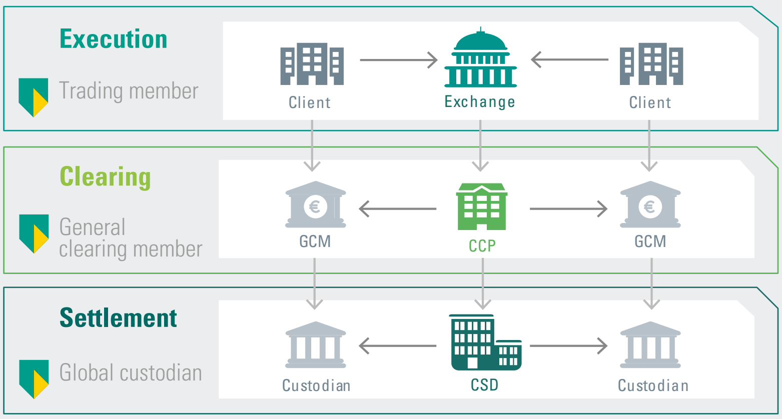
Total FTEs
781

“Leading the Way to Safe and Transparent Markets”

Governance



The Value Chain



Banking Licence

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

Client Segments

- Professional Trading Groups
- Corporate Hedgers
- Prime

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

Net profit
Underlying net profit (x EUR million)

2019	2018
112	119

Cost/Income ratio

2019	2018
67%	67%

Client satisfaction on a scale from 1 to 7: 5.66

NPS on a scale from -100 to +100: 26

Employee engagement: 80%

Message from the **CEO**

I am pleased to share the ABN AMRO Clearing Bank (AACB) Annual Report. Our financial performance has been strong – better than expected and above shareholder targets. Supported by some extraordinary income and foreign exchange (FX) impacts (a stronger USD), even if normalised, I feel this is a very positive result.

In general, markets were steady – less volatile compared to 2018. We benefitted from an overall higher run rate throughout the year, though impacted by limitations due to the calculation methodology of capital requirements (current exposure method, CEM) in the leverage-ratio calculation (LR) and subsequent impact on the LR of our shareholder, ABN AMRO Bank. Other key success indicators are our net promoter score (from +36 to +26) and employee engagement (from 83 to 80); both slightly lower compared to last year but clearly high and positive scores. Our clients also nominated us for the Futures and Options World (FOW) Propriety Traders Clearing Firm of the Year award, which we won for the seventh consecutive year.

We were successful in realising our purpose. Given our role and position in the industry, we feel that we should lead the way to safe and transparent markets. At the same time, we feel responsible for our footprint and if we cannot minimise it, we have to compensate for it. We are in discussions with our providers and are working on doing things better.

An important focus of 2019 was to progress our IT projects and organisational improvements. We finished an important upgrade of one of our key clearing systems, moving to a single-infrastructure set-up globally. Additionally, we outsourced our end-user services and are in the final phase of the migration to new data centres. AACB has taken another step in operational alignment by moving the United States (US) to the same set-up as was implemented in Europe in 2018. We also improved our operational processes and expanded our product range with Interest Rate Swaps on Eurex and we are in the process of implementing Synthetics, which we expect to finalise in 2020.

On the regulatory side, we have reassessed our capital models and have agreed the path to Basel IV. Consequently, we feel comfortable that we can absorb the capital impact and feel fit for the future upon implementation of Basel IV. In addition, Brexit has kept us busy, ensuring we have solid solutions for every possible scenario, as well as ensuring that key stakeholders – regulators and politicians – are aware of financial-market impact in these scenarios.

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In terms of governance, we are ready to implement a change in 2020: we will transfer the second-line risk function from our shareholder to AACB. We will also get more dedication for legal, compliance and HR towards AACB. As a result we will change the roles and responsibilities between ABN AMRO and AACB. The transition to the new model takes place in the first half of 2020.

2020 has started very different from any other year, with a big impact on markets (volatility and direction) and on our staff. As a result of the extreme volatility in the markets in February and March one of our clients was not able to meet their risk parameters and we had to liquidate their position in the market. This lead to a significant and regrettable loss as communicated publicly in March.

From an operational perspective, we are satisfied on how we have been able to work from home and coped with the high volumes of transactions in these completely new environment. We expect this operational impact to maintain during 2020 although we can, hopefully, have more people in our offices in the course of this year.

In all, 2019 was a very busy year and we would like to thank our clients for their continuous trust in us. Also, we would like to thank our staff and other stakeholders within ABN AMRO and the wider industry for their endeavours. I feel confident that we can continue on our journey together with our highly valued client base, our dedicated staff, and our stakeholders.

Amsterdam, 15 May 2020

Rutger Schellens
Chief Executive Officer

January

- ABN AMRO Clearing joins Equiduct as GCM and Trading Member.

February

- ABN AMRO Clearing received three Securities and Derivatives partner awards at the Singapore Exchange (SGX) Annual Awards Night.

March

- On 19 and 20 March 2019, ABN AMRO Clearing hosted the 8th edition of the Amsterdam Investor Forum bringing alternative investors and managers together.

April

- ABN AMRO Clearing's shared commitment with Frontclear to address clearing and settlement challenges in emerging and frontier markets included visits to projects in Mongolia (April 2019), Nigeria (July 2019) and Ghana (September 2019).

May

- BUX and ABN AMRO Clearing team up to bring further innovation to mobile investing.
- ABN AMRO Clearing launches the international climate action reforestation programme with Land Life Company.

June

- ABN AMRO Clearing Hong Kong launches HKEX's first ever designated ETF Market Maker.

July

- ABN AMRO Clearing received the ISAE 3402 type I assurance for its Banking-as-a-Service offering.
- ABN AMRO Clearing Chicago joined non-member ETF Advisory Committee of the Investment Company Institute (ICI).

September

- On 16 September 2019, a group of 22 trainees started their career with ABN AMRO Clearing in the Global Graduate Programme and Global IT Graduate Programme.

October

- ABN AMRO Clearing announced Best Participating Dealer in the 5th Chinese Asset Management Association of Hong Kong annual offshore China Fund Awards.

November

- ABN AMRO Clearing wins FX Week 'Best Prime of Prime House award'.

December

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

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Supervisory Board

This section highlights the main activities of AACB's Supervisory Board for the year 2019, its organisation, and permanent educational activities, which continue to be of utmost importance in the oversight of AACB.

Supervisory Board composition is based on ABN AMRO's guiding principle that diversity of thought, expertise, background, competences and interpersonal styles – including but not limited to gender diversity – is a prerequisite for effective supervision and by extension, for long-term value creation. AACB's Supervisory Board currently does not meet its gender target, as all members are male. The Supervisory Board will give due consideration to any applicable gender requirements in the search for suitable new members who meet the requirements stipulated in the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

The Supervisory Board members have collective expertise in retail banking, private banking, risk management, P&L line management, strategy formulation and execution, capital and liquidity management, cultural and other change management, IT, digitalisation, economics, remuneration and human-resources management, sustainability and corporate social responsibility, legal and compliance matters, and the development of products and services.

Self-assessment

The annual assessment of the Supervisory Board and the Supervisory Board committees regarding performance year 2019 was carried out in Q1 2020. The functioning of the Supervisory Board and its members was assessed based on results assembled from questionnaires of the Supervisory Board and the discussions during their meetings, which were evaluated by the Supervisory Board. These assessments and evaluations were then used to identify areas of improvement.

Supervisory Board meetings

The Supervisory Board held four plenary meetings and four extraordinary meetings in 2019, for which the Supervisory Board Chair and the Company Secretary prepared the agendas. Focus areas included: AACB financial performance, risk management, compliance, strategy, audit findings, market and regulatory developments, Brexit, the appointment of an external Supervisory Board member, and IT renewal and security. The meetings also discussed and approved AACB's risk-appetite statement and the internal capital and liquidity adequacy assessment process.

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

The Supervisory Board is satisfied with AACB's 2019 financial performance. AACB internal and external auditors perform an audit of its financial information.

The Management Board regularly provides financial data to the Supervisory Board in order to indicate (periodic) results and risks, as well as capital and liquidity positions.

AACB's independent external auditor, EY, presented its audit plan to the Supervisory Board in December 2019. The 2019 Financial Statements and 2019 Annual Report were audited and discussed by the Supervisory Board, Management Board and EY in May 2020.

The Supervisory Board noted the independent auditor's report on the 2019 Financial Statements issued by EY.

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

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

Audit, Risk & Compliance Committee

The Supervisory Board has established the ARCC to assist the Supervisory Board in performing duties related to internal risk control, capital management and regulatory compliance in order to provide adequate advice. The ARCC comprises the following members: Toon Peek (Chair), Alexander Rahusen (as of 1 January 2020 no longer a member of the ARCC) and Rintse Zijlstra. Moreover, the ARCC includes Compliance, Legal, Risk and Audit.

Decisions made in the ARCC are endorsed during Supervisory Board meetings. In 2019, the ARCC held six plenary meetings to discuss audit, legal, risk and compliance topics as well as the bank's capital and liquidity positions.

From left to right: Ton Bosgoed, James Fairweather, James Egan, Willem-Jan Aalbers, Monique Verhoef, Rintse Zijlstra, Frans van der Horst and Rudi van Lopik

Permanent education

Supervisory Board members continuously improve their knowledge of clearing and other relevant topics by participating in AACB's bespoke permanent-education programme as well as ABN AMRO's lifelong learning programme. Appropriate actions have been taken to organise, execute and monitor this accordingly. These actions ensure a balanced programme that covers relevant aspects of AACB performance and takes current clearing-industry developments into account. Sessions included: subject-matter participation in Supervisory Board meetings, client visits, and an AACB Amsterdam office visit in June 2019.

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

In cooperation with ABN AMRO as AACB's shareholder, the AACB Supervisory Board is in the process of appointing an independent external member.

Amsterdam, May 2020

Supervisory Board

Frans van der Horst
Toon Peek
Alexander Rahusen
Rintse Zijlstra

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

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

Toon Peek (Dutch, male, 1955)
Supervisory Board member

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

Alexander Rahusen (Dutch, male, 1972)
Supervisory Board member

Alexander Rahusen was appointed to the Supervisory Board of ABN AMRO Clearing Bank N.V. on 15 September 2014. Alexander has held various positions within ABN AMRO. He was appointed CFO a.i. of ABN AMRO in 2017 and has been the Head of Private Banking Europe of ABN AMRO for the last three years. On 1 January 2020, Alexander was appointed CFO of Exact.

Rintse Zijlstra (Dutch, male, 1975)
Supervisory Board member

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

Management Board

Financial review 2019

AACB´s net profit for 2019 amounted to EUR 112 million, a decrease of EUR 7 million compared to full year 2018.

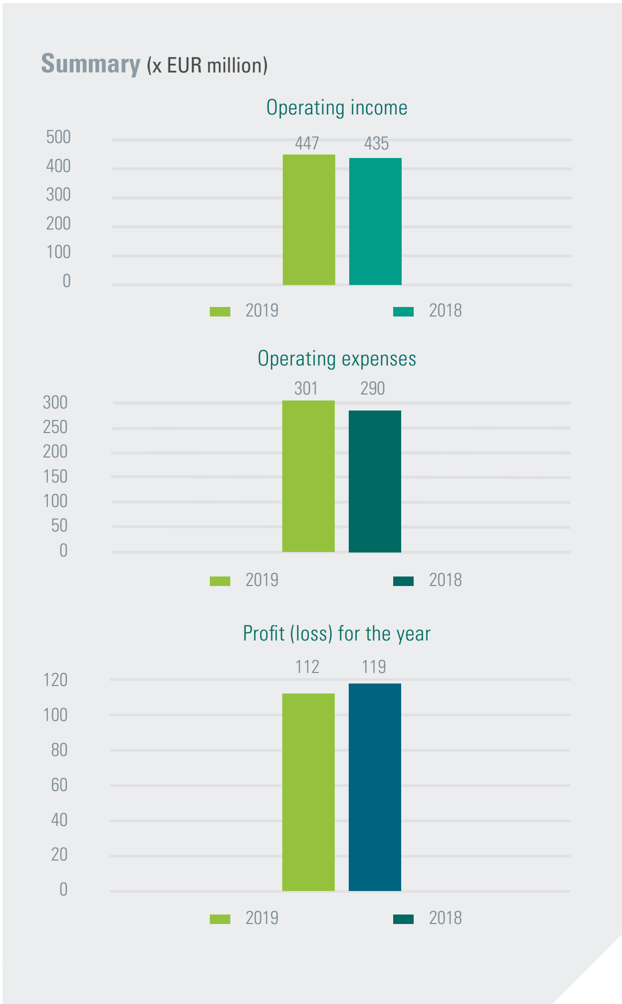
Similar to the previous reporting year, financial-market trends were dominated by ongoing trade-dispute discussions, particularly between the US and China. Additionally, the continuing macroeconomic stimuli from various central banks led to unprecedented interest environments in certain regions. As a result, investors turned to equity markets in search of returns, leading to bullish exchanges worldwide. The Hong Kong riots, elections in the United Kingdom (UK), and elections and increased tensions in the Middle East also increased market volatility.

Operating income improved by EUR 12 million, to EUR 447 million for the full year.

Net interest income totalled EUR 190 million, an increase of EUR 20 million compared to 2018. AACB benefitted from increased client financing and improved spreads due to better netting possibilities and flattened yield curves.

Net fees and commissions concluded at a level of EUR 239 million, a decline of EUR 11 million compared to 2018. This is mainly due to a higher level of cleared volumes in 2018, where exchange activity was largely influenced by trade-war fears, US Federal Reserve interest-rate hikes, the temporary government shutdown in the US, Brexit, and other political unrest.

Aside from the above factors, operating income increased by EUR 2 million, largely attributed to realised gains on IT equipment, improved investment income and a higher level of received dividends in shareholdings.
These are offset to some extent by less-favourable revaluation results in trading rights and shareholdings.



In general, a beneficial effect is recorded from appreciation of foreign currencies compared to EUR.
Operating expenses amounted to EUR 301 million, an increase of 3.6% compared to 2018. This is largely due to the strengthening of local currencies against EUR.

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In addition to this, expenses were controlled, with the exception of Collective Labour Agreement impacts and consumer-price adjustments.

The year 2019 was one of transition for AACB, during which the majority of IT infrastructure and end-user computing was outsourced to a third-party vendor to achieve a more-efficient, agile and updated IT environment. AACB has also been making further investments in IT security, IT upgrades and standardisation, and regulatory-transaction-reporting activities.

IFRS 16 became effective as of 1 January 2019. Consequently, approximately EUR 5 million was reclassified from rental and car-lease expenses to right-of-use depreciation.

Impairment charges on financial instruments for 2019 end at a reported profit of EUR 0.1 million. This is due to a received recovery from Nasdaq Clearing regarding the 2018 clearing member default, which resulted in additional assessments in its default fund. In 2018, however, this loss was more than compensated by the positive outcome of the Sentinel litigation settlement, which led to a favorable effect of EUR 8 million in prior reporting year's consolidated income statements.

Management Board

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Responsibility Statement

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

- the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of ABN AMRO Clearing Bank N.V. and the companies included in the consolidation;
- the Management Board report gives a true and fair view of the state of affairs on the balance sheet date and the course of business during the 2019 financial year of ABN AMRO Clearing Bank N.V. and its affiliated companies, of which data is included in its Annual Financial Statements.
- the Management Board report describes the material risks with which ABN AMRO Clearing Bank N.V. is faced.

Amsterdam, 15 May 2020

Management Board

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

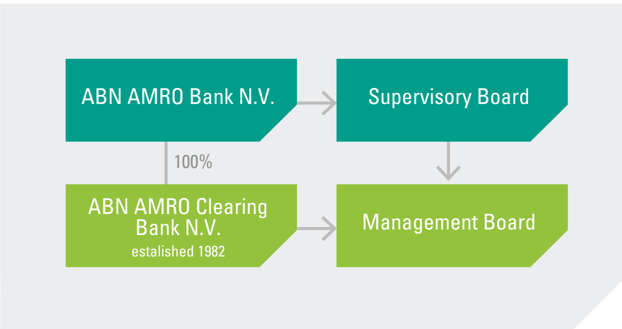
Corporate Governance

ABN AMRO Clearing Bank N.V. (AACB) is a public company with limited liability, incorporated under Dutch law on 25 November 1982, and is a wholly owned subsidiary of ABN AMRO Bank N.V. (ABN AMRO). Due to a legal merger that took effect on 29 June 2019, ABN AMRO Group N.V. merged into ABN AMRO Bank N.V., as a result of which ABN AMRO Bank N.V. became the surviving entity and ABN AMRO Group N.V. ceased to exist. AACB's financial statements are incorporated in the consolidated financial statements of ABN AMRO Bank. As of November 2015, ABN AMRO Bank (at the time ABN AMRO Group) is listed on the Euronext Amsterdam exchange.

Corporate structure

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

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



Management Board

Responsibilities

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

The Management Board is supported in fulfilling its duties by the Global Management Team, which comprises Management Board members, the Chief Information Officer, the Chief Operations Officer and regional Managing Directors (for Asia-Pacific, Europe and the US), the Global HR business partner, the Global Company Secretary and the Global Head of Compliance.

Sydney office

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

Management Board members continuously improve their knowledge of clearing and other relevant topics by participating in AACB's bespoke permanent-education programme, as well as ABN AMRO's lifelong learning programme. Appropriate actions have been taken to organise, execute and monitor this accordingly. These actions ensure a balanced programme that covers relevant aspects of AACB performance and takes current clearing-industry developments into account. AACB-specific sessions included: subject-matter participation in Management Board and Global Management Team meetings, IT Security, AML, Sustainability and the Correlation Haircut Model.

Appointment, suspension and dismissal

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

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

Remuneration

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

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

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

Supervisory Board

Responsibilities

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

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

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

Appointment, suspension and dismissal

Supervisory Board members are appointed and may be suspended or dismissed by the General Meeting. An overview of the current composition of the Supervisory Board is provided in the 'Supervisory Board' chapter. In 2019, all Supervisory Board members were employed by ABN AMRO and did not receive separate compensation for AACB Supervisory Board membership. Frans van der Horst and Toon Peek were reappointed in October 2019, for four years and one year respectively. Alexander Rahusen left ABN AMRO per January 2020. He remains in the AACB Supervisory Board as an external member, for which he will receive compensation. In 2019, AACB initiated the internal and regulatory-approval process for a fifth external and independent Supervisory Board member.

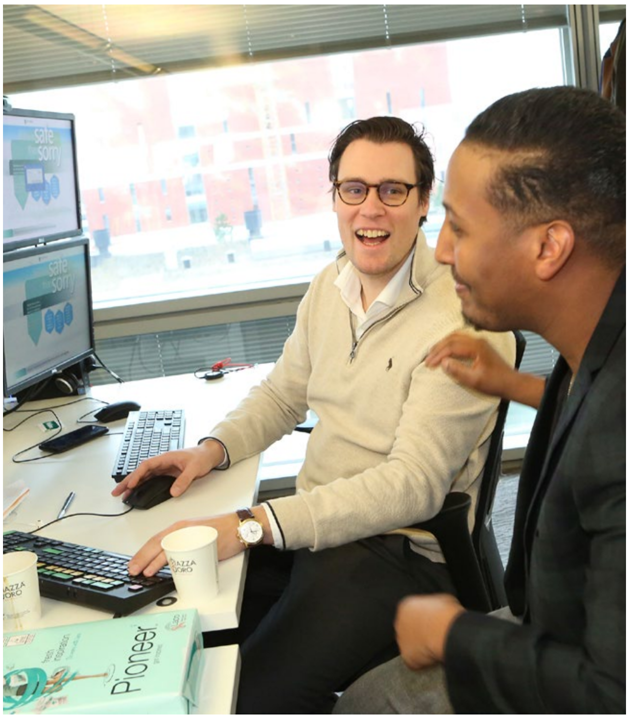
Diversity

The Management Board and the Supervisory Board consist exclusively of natural persons. At the end of 2019, the Management Board consisted of 25% female members and the Supervisory Board of 100% male members. In the event of vacancies, AACB will give due consideration to any applicable diversity requirements in the search to find suitable new members who meet the requirements of the Dutch Financial Supervision Act.

Dutch Banking Code

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

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



Stijn van den Dungen, Simon Tekeste - Amsterdam office.

General Meeting

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

The General Meeting was held in May 2020.
The General Meeting adopted the 2019 annual accounts and granted discharge to members of the Management Board and Supervisory Board.

Legal structure

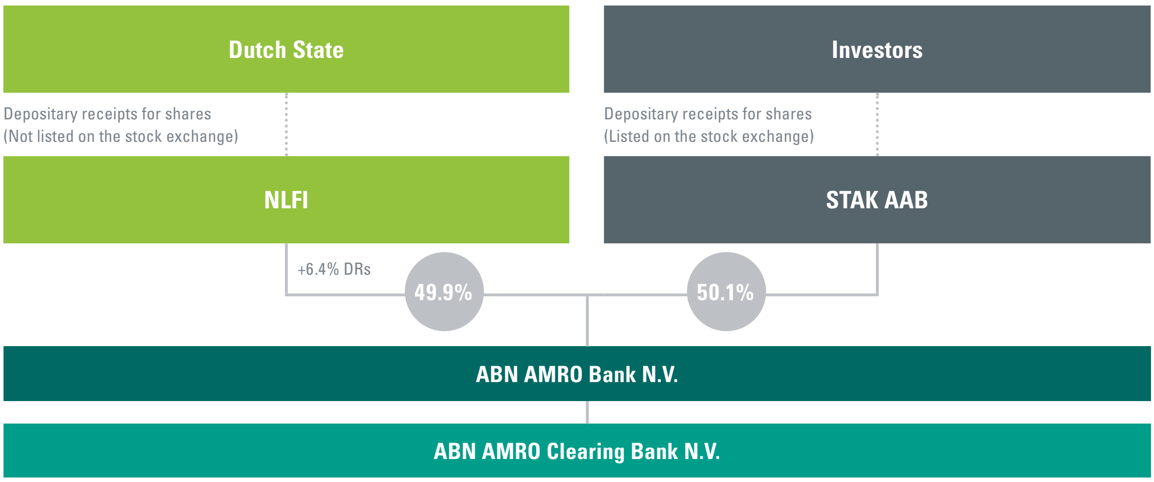
AACB is a wholly owned subsidiary of ABN AMRO Bank. AACB has been a fully licensed bank since 30 September 2003. Under the Single Supervisory Mechanism implemented in November 2014, AACB is subject to joint prudential supervision by the European Central Bank (ECB) and the Dutch Central Bank (DNB).

As of 31 December 2019, all shares in the capital of ABN AMRO Bank were held by two foundations: Stichting Administratiekantoor beheer financiële instellingen (NLFI) and Stichting Administratie kantoor Continuïteit ABN AMRO Bank (STAK AAB). On that date, NLFI held 56.3% in ABN AMRO Bank, of which 49.9% was directly held via ordinary shares and 6.4% was indirectly held via depositary receipts (DRs) for shares in ABN AMRO Bank. On that date, STAK AAB held 50.1% of the shares in the issued capital of ABN AMRO Bank. Only STAK AAB DRs have been issued with the cooperation of ABN AMRO Bank and are traded on Euronext Amsterdam.

AACB provides clearing and related services in Europe through AACB Amsterdam, AACB London Branch and also via wholly owned subsidiary ABN AMRO Clearing London. AACB provides services beyond Europe through its wholly owned subsidiaries ABN AMRO Clearing Chicago, ABN AMRO Clearing Sydney, ABN AMRO Clearing Tokyo, ABN AMRO Clearing Hong Kong, ABN AMRO Clearing Singapore and AACB Singapore Branch, as well as ABN AMRO Clearing Investments. AACB also has offices in São Paulo, Paris, Frankfurt and New York.

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

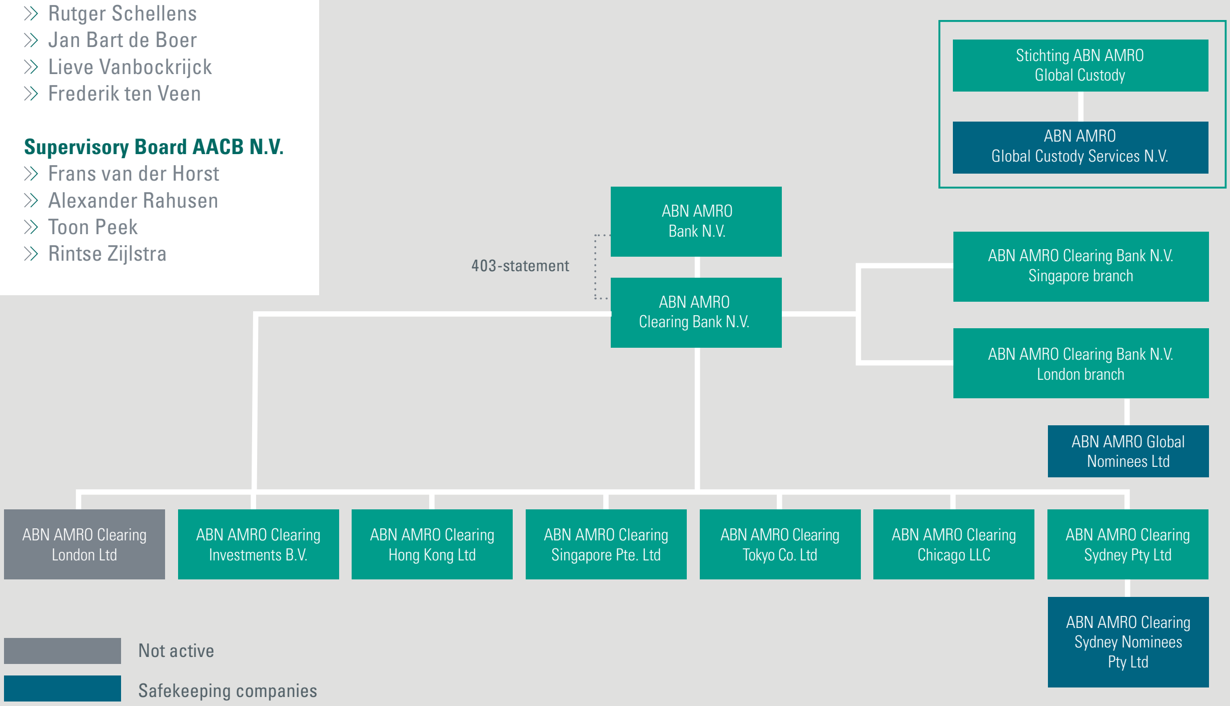
Shareholder structure



ABN AMRO Clearing Bank N.V. Group structure

Management Board AACB N.V.
- Rutger Schellens
- Jan Bart de Boer
- Lieve Vanbockrijck
- Frederik ten Veen

Supervisory Board AACB N.V.
- Frans van der Horst
- Alexander Rahusen
- Toon Peek
- Rintse Zijlstra

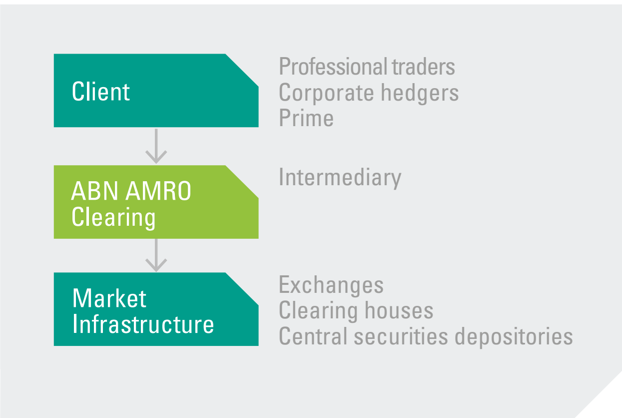


This chart shows 100% entities of ABN AMRO Clearing Bank N.V. within ABN AMRO Bank N.V.

Our **Business**

AACB is a globally active and prominent general-clearing member, providing execution, clearing, custody and financing services for listed derivatives, cash securities, over-the counter (OTC) products, exchange-traded funds (ETFs), commodities, and foreign-exchange transactions. As a prime broker, our global service covers all major exchanges and execution venues, combined with central-counterparty (CCP) coverage in Europe, the US, Brazil and Asia-Pacific.

Connected to more than 150 liquidity centres, AACB enjoys market share of 20% or higher for many of the major exchanges on which it operates. As a result, AACB consistently ranks among the top three clearers in every time zone, based on turnover and market share.



Market infrastructure and opportunities

The need for stable and accessible markets is greater than ever. AACB has the clear purpose of helping to make markets more efficient. As a prime broker, we support transparency and liquidity by providing access to vital market infrastructure, risk management, financing and asset services. We use our knowledge and expertise to facilitate safe and orderly financial ecosystems.

Banking as a Service (BaaS)

The launch of BaaS, focusing on licenced retail brokers handling client deposits without a banking licence, was met with success. Such companies have a regulatory obligation to segregate client assets, which until now, was frequently achieved through money-market funds. For these companies, AACB created a blockchain-powered, retail-cash-account administration in sync with their own core systems. To date, two corporate customers have redirected their retail client deposits to AACB. This enlarges our client base while providing these clients with a well-confined service offering.

Clients

AACB maintains a strong market position with the principal-trading-group segment. In recent years, we successfully extended our diversification efforts. As a result, our client portfolio now also contains alternative-investment managers and corporate hedgers.

Principal Trading Groups

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

AACB built its global business in close collaboration with market makers that started their businesses on the trading floors of major financial centres.

Christa Tol, Mark Tuijp - Amsterdam office.

The purpose of their market intervention is to facilitate fair pricing between related instruments (securities, options and futures), often based on high-volume algorithmic trading models. By closely following these clients and developing systems to satisfy their high-profile demands, AACB has established a strong reputation as a partner and reference service provider for Principal Trading Groups across the globe.

AACB offers multi-market and multi-product services to leading global organisations. We recognise that most of our larger clients had modest beginnings. Therefore, we are committed to continue helping well-structured niche players and start-ups.

Corporate Hedgers

AACB has a long and strong track record in listed commodity derivatives. Our recognised global execution and clearing expertise includes acknowledged abilities in physical delivery. We use derivatives to hedge the price risk of underlying commodity inventories and flows of agricultural, base and precious metals, oil and energy-related products. In 2019, our specialist team further benefitted from market consolidation in the European energy and gas markets, with more opportunities on the horizon in US and Asian markets.

Prime

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

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

Amsterdam Investor Forum

The ABN AMRO Clearing 'Amsterdam Investor Forum' is a highly successful annual event for alternative investors and managers. On 19 and 20 March 2019, more than 200 delegates attended, benefitting from inspiring keynotes and topical industry-focused panel discussions.

Our **Regions**

Europe

In the European region, AACB employs a total of 443 full-time employees (FTEs). AACB is headquartered in Amsterdam, the Netherlands, where 319 FTEs are based. Our office in London employs 90 FTEs, Frankfurt has 22 FTEs, and Paris has 1 FTE. Our office in São Paulo is also part of the European region and counts 9 FTEs.

Key focus in 2019

Preparation for Brexit remained a key priority in 2019. AACB's new UK subsidiary, ABN AMRO Clearing London Limited, was authorised by the UK Financial Conduct Authority in December. The subsidiary can become operational depending on the outcome of the Brexit process, particularly in relation to the recognition of UK CCPs by European authorities.

Cleared volume in Europe stayed relatively flat. We noticed increased interest for our OTC offering on Eurex, which we believe was triggered by Brexit. Development of our synthetics product progressed and will continue into 2020. The BaaS product has grown further with the expansion of our client base.

We continued to focus on automation and product improvements, benefitting all client segments. This resulted in the roll-out of enhanced client-instructing services and reporting improvements.

Engagement

The results of the 2019 client survey showed a score of 5.39 on a 7-point scale. European clients are most satisfied with the way relationships are managed and with our global execution services. Improvements to our securities-borrowing-and-lending services helped us to increase the overall satisfaction level, and we will continue to invest in further improvements.

The employee engagement score for Europe remained high (80%), reflecting a positive work environment and personal-development opportunities.

Number of FTEs

Amsterdam	**319** FTE
Paris	**1** FTE
Frankfurt	**22** FTE
London	**90** FTE
São Paulo	**9** FTE

Client satisfaction
on a scale from 1 to 7

5.39

Employee
engagement (%)

80

Robbert Booij
Regional CEO Europe

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United States

Our US offices are located in Chicago (195 FTEs) and New York (7 FTEs).

Key focus in 2019

The year 2019 was largely transitional, with our primary focus have been on taking the final step towards one global clearing system. The project was successfully completed in November 2019.

Among its numerous benefits, this change will bring global alignment and cost savings from 2020 onwards. It was a tremendous achievement by all teams, involving a significant portion of parallel testing by multiple departments. All efforts paid off, with a smooth transition.

Aside from the replacement of our clearing system, we have been involved in several mandatory activities that are either regulatory in nature or part of industry initiatives, such as the CBOE Bats Migration and industry-wide disaster-recovery testing.

In terms of business, the year was relatively flat with regard to volatility, with some small spikes of activity at several points throughout the year. Regarding business growth, in concert with our clients, we kept managing leverage-ratio-limitations, which continue to hamper our respective, normal business activities. While there is concrete movement in the US, with an allowance for earlier adoption of the Standardised Approach for Counterparty Credit Risk (SA-CCR) calculation methodology of capital requirements, such early adoption in Europe remains a question. This could create an uneven playing field between US and EU banks.

Engagement

Client satisfaction has risen slightly in 2019 as compared to 2018, to 6.47 on a 7-point scale, while our employee engagement score dropped slightly, from 87% to 84%.

Number of FTEs

Chicago	**195** FTE
New York	**7** FTE

Client satisfaction
on a scale from 1 to 7

6.47

Employee
engagement (%)

84

Andrej Bolkovic
Regional CEO US

Asia-Pacific

AACB has four offices in the Asia-Pacific region: Hong Kong employs 21 FTEs, Sydney has 54 FTEs, Singapore counts 48 FTEs, and Tokyo has 17 FTEs. These four offices cover their relevant home markets along with providing clients access to other Asian markets, including Taiwan, Korea, and China. The ability of clients to trade the European and North American markets is facilitated via our global network.

We were pleased to record revenue growth from 2019, in a period of relatively limited volatility. The rise mainly originated out of the North Asian markets, reflecting the increased trading opportunities available in this region.

Key focus in 2019

The Asia-Pacific region's key focus in 2019 was to continue expanding the product range available for our clients to trade. In 2019, significant progress was made to increase the range of futures products and futures exchanges, along with an expanded choice of ETFs with a specific but non-exclusive focus on the Japanese ETF market.

From an internal perspective, the region has continued to seek opportunities to implement automation and increased-efficiency solutions across the IT and operational infrastructure. The past year also saw an augmented focus on aligning our infrastructure and processes with global best practices.

Engagement

In 2019, our client-satisfaction score fell from a historical high of 5.97 to 5.67 on a 7-point scale. While we are still relatively pleased with the outcome, the decrease does reflect the need to focus on continuous improvement and on meeting the expectations of our valued client base. The employee engagement score across the region also fell slightly, from 82% to 78%.

Number of FTEs

Hong Kong	**21** FTE
Singapore	**48** FTE
Sydney	**54** FTE
Tokyo	**17** FTE

Client satisfaction
on a scale from 1 to 7

5.67

Employee
engagement (%)

78

Barry Parker
Regional CEO Asia Pacific

Regulatory Environment and Compliance

Global regulatory developments have a direct impact on AACB's operating model as well as on the products and services we offer. In 2019 major legislative initiatives were adopted, new regulatory measures introduced and a notable shift was made to fine-tuning the existing regulatory framework. AACB proactively monitors new local and international regulatory developments, and is confronted with enhanced prudential regulations worldwide, requiring solid and sustainable corporate governance. Implementation and analysis of regulatory transaction reporting and transparency requirements remained a key focus.

Europe

CRR-II/CRD-V published in the Official Journal of the EU in June 2019 imposed a binding leverage ratio per June 2021, allowing for SA-CCR as the main exposure measure. ABN AMRO aims for a leverage ratio of at least 4%. AACB will continue to report the leverage ratio based on the CEM and SA-CCR until the binding leverage ratio and SA-CCR become formally applicable in June 2021.

The amendments made to the European Market Infrastructure Regulation (EMIR), improving the existing reporting and the clearing obligation under the Regulatory Fitness and Performance programme (EMIR Refit), entered into force on 17 June 2019. EMIR Refit amends the definition of financial counterparty (FC) and introduces a clearing threshold for small FCs, requiring FCs to report on their behalf. Furthermore, it sets a basis requirement for AACB to offer services in line with fair, reasonable, non-discriminatory, and transparent (FRANDT) principles.

The updated framework for CCP supervision (EMIR 2.2) sets the scene for equivalence and recognition of third-country CCPs, allowing for additional European supervision if a third-country CCP is deemed of systemic importance to the EU. The European Securities and Markets Authority (ESMA) provided the European Commission with technical advice that outlines the guidelines on how ESMA should tier third-country CCPs. AACB believes that a clear and predictable framework is essential for maintaining financial stability and to allow European players to thrive on global markets.

AACB's reporting obligation for internalised settlements under the EU Central Securities Depositories Regulation (CSDR) came into force in March 2019. The CSDR settlement-discipline regime under the CSDR is introducing a common-cash penalties mechanism and mandatory buy-in procedure to address settlement fails. This part of the CSDR will become applicable in 2021.

The major reporting reform affecting EU financial markets after the Directive on Markets in Financial Instruments repealing Directive 2004/39/EC and the Regulation on Markets in Financial Instruments, known as MiFID II/MiFIR, is being introduced under the Securities Financing Transaction Regulation. This regulation creates a reporting framework for securities financing transactions (SFTs) and introduces transparency requirements for the reuse of collateral. In case AACB is party to an SFT, it needs to report new, modified or terminated SFTs to a recognised Trade Repository. AACB contributed to a public ESMA consultation and is actively engaged with supervisors and market participants to make this regulation succeed.

From left to right: Barry Parker, Amy Lau, Gary John-Baptiste, Rogier Roelofs - APAC MT.

The Investment Firm Review outlines several mandates for supervisory authorities to draft regulatory technical standards. Since a large part of our clients will have to comply with the prudential requirements set out in the Investment Firm Regulation and Directive, we actively monitor and engage in these developments.

European co-legislators have agreed a package of regulations in relation to sustainable finance. These regulations will be implemented, where necessary, throughout 2020.

United States

In 2019, US regulators maintained a holistic approach to assessing compliance risks. In addition to the "traditional" compliance areas of concern – such as market manipulation, suitability, customer due diligence and communication with the public – regulators have increasingly focused on all aspects of organisations' operational risk. Therefore, IT governance, the use of technology to manage firm operations, and quality and appropriate management of cybersecurity-risk topics were at the forefront of regulatory focus. Regulators expect organisations to use technology to make their compliance programmes more efficient, effective and risk-based. They engage with organisations to understand how they use such tools and address related risks, challenges or regulatory concerns, including those related to supervision and governance systems, third-party vendor management, safeguarding customer data and cybersecurity.

Asia-Pacific

The Australian Securities and Investments Commission proposed a modified licensing regime for foreign financial-service providers conducting business in Australia and further stated that the "limited connection relief" will be repealed. This will necessitate other AACB entities transacting with Australian entities or in Australia to use other licensing exemptions in an approved "sufficiently equivalent" home jurisdiction. If the home jurisdiction is not considered of sufficient equivalence, a full Australian Financial Services Licence must be obtained.

The final report of the Australian Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry published in February 2019, provides for implementation of conduct norms. The Banking Executive Accountability Regime covers all financial service licensees, including ABN AMRO Clearing Singapore.

Hong Kong's Securities and Futures Commission (SFC) issued a communication in response to several cases of conflicting clauses included in the standard terms and conditions entered into between intermediaries and banks. Such clauses granted banks the right to set off a lien, which is fundamentally incompatible with the requisite standard of protection afforded client assets under the Code of Conduct. To strengthen the safeguarding of client assets, a standardised acknowledgement letter, which overrides any conflicting contractual terms, is to be adopted and duly signed by all intermediaries and relevant banks.

The Hong Kong Exchange and Clearing reviewed the admission criteria of its clearing participants and obtained approval from the SFC to accept registered institutions to be general clearing participants in Hong Kong Futures Exchange Clearing Corporation Limited and the Stock Exchange of Hong Kong Options Clearing House Limited.

The Monetary Authority of Singapore (MAS) reviews and amends the Singapore Banking Act periodically to update and strengthen the regulatory framework for banks, merchant banks, and non-bank credit or credit-card issuers. In February and May 2019, MAS consulted the industry on proposed policy changes and draft legislative amendments to the 2019 Banking (Amendment) Bill. Key amendments include the expansion of grounds for revocation of bank licences and the introduction of new powers to regulate bank outsourcing arrangements, which aims to enhance MAS prudential bank oversight.

Compliance

The Compliance team is an integral part of the broader ABN AMRO Compliance department and provides dedicated advice and regulatory support to AACB. It acts as a linking pin between AACB and ABN AMRO to ensure a consistent and harmonised approach to the bank's overall regulatory compliance. This regulatory stance requires a thorough understanding of the requirements and compliance risks that necessitate advice on understanding, implementation, monitoring and control.

One of the Compliance team's key roles is to raise awareness about upcoming regulatory and policy changes as well as compliance developments within the organisation. The Compliance team also helped to incorporate AACB-specific issues into bank-wide training, so that staff can benefit from the programme and ensure that an adequate level of compliance knowledge is maintained by all staff through direct and online interaction.

Financial crime compliance

Compliance and financial crime prevention is effectively AACB's licence to operate; the Compliance team takes its role as a gatekeeper very seriously.

Clients and third-party integrity

Before entering into and during business relationships, AACB carries out due diligence on its clients and third parties by using a risk-based approach, aimed at minimising the risk of being involved in or associated with money laundering, terrorism financing, corruption or tax evasion. The Compliance team systematically monitors the activities of AACB's clients and reports any suspicious or unusual transactions to the relevant authorities. In accordance with regulatory requirements, AACB monitors the risks of money laundering, terrorism financing, bribery and corruption in its organisation so as to maintain a strong control system and to mitigate risks.

Highlights from 2019:

- The Compliance team continued to support the business in the area of risk culture and monitoring compliance risk. This included, amongst others, active participation in client acceptance committees, periodic review of monitoring systems and models, and also assessment and advice on client integrity risks.
- AACB has continued to face a changing anti-money laundering (AML) and financial crime compliance regulatory landscape, which is expected to continue and extend to 2020. Key regulations include the implementation of the 4th and subsequent 5th EU AML Directive and the 6th EU Directive on administrative cooperation (DAC6).
- Educational programmes were continued, including Compliance training for new employees, and a refreshed AML and Sanctions course for all staff with focus on compliance risk culture.

Corporate **Social Responsibility**

AACB's purpose is to provide safe and transparent markets globally, and sustainability is an integral part of this purpose. As a corporate citizen, AACB recognises the role it plays in safeguarding and contributing to environmental, social and governance (ESG) principles and Sustainable Development Goals (SDGs) throughout our business. Together with clients and the industry, AACB works to set standards and encourage sensible regulatory frameworks, engaging in dialogue with our partners and clients when necessary.

Sustainable Development Goals

In 2018, ABN AMRO started to align its activities and ambitions with the UN Sustainable Development Goals, a set of 17 high-level, interconnected and indivisible targets designed to achieve a better and more-sustainable future by 2030. AACB strives to contribute to meet these SDGs, illustrated by work with the UN through 2030 by providing of specific industry knowledge and actively participating in round-table discussions.

ABN AMRO has chosen to focus on and is committed to three SDGs, namely:

SDG 8 - Decent Work and Economic Growth:

Goal 8 calls for increasing quality employment and decent working conditions for the working-age population, while protecting the environment. It stresses the need to promote equal pay for work of equal value, irrespective of age, gender or ethnic origin, at all levels.

SDG 12 - Responsible Consumption and Production:

Goal 12 encourages responsible production and consumption patterns as well as resource and energy efficiency through adopting sustainable practices on community and company levels.

SDG 13 - Climate Action:

Goal 13 calls for collective efforts of governments, the private sector and civil society to raise awareness and tackle climate change.

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In addition to ABN AMRO's SDG focus, AACB has also actively sought collaboration within the Markets Infrastructure space by focusing on:

SDG 9 - Industry, Innovation and Infrastructure:
Goal 9 states that in order to grow, society needs to facilitate resilient and sustainable infrastructure and technological developments. It supports the retrofit of industries to increase employment, adoption of environmentally sound processes, and the well-being of population as a whole.

SDG 17 - Partnership for the Goals:
calls for cooperation in technology, finance, trade and other areas to achieve the sustainable-development agenda at all levels.

Industry view

AACB plays an important role in the financial-market infrastructure that is critical for the functioning of global markets. Together with exchanges, CCPs, industry bodies and other participants, we provide liquidity to sustainable markets and products.

AACB was an active advisory member of the UN Sustainability Stock Exchange and is a long-term participant in the World Federation of Exchanges.
As signatories of the UN Principles of Responsible Investments, we have worked on ESG guidelines for investors and exchanges to increase transparency and encourage sustainable-investment practices in global capital markets. We are members of the Sustainable Finance Committee of the Futures Industry Association, which evaluates the impact of European proposals on the derivatives market and assesses how the derivatives industry can contribute to sustainable global markets.
In partnership with Frontclear, we provide advice on setting up safe and transparent markets in countries including Mongolia, Nigeria and Ghana, where financial systems are developing.

In September 2019, AACB employees participated in a two-day workshop with CSD Ghana. Over the three days that we spent in Accra (Ghana), we performed a comprehensive review of internal-market mechanisms and risk assessment. Our colleagues provided detailed advice on risk-enhancement opportunities to CSD Ghana and discussed recent sector developments.

"The workshop provided an invaluable opportunity for introspection. The input of AACB was very good and gave us alternative solutions to consider in the nearest future. On the whole we were very satisfied and happy to organise the workshop."

CSD Ghana CEO Yao Abalo

Client view

8 DECENT WORK AND ECONOMIC GROWTH 13 CLIMATE ACTION

AACB is driven by a strong and reliable risk model that recognises the importance of sustainability risks. We have integrated sustainability in client-management procedures and believe that engaging clients on sustainability topics helps raise awareness and can initiate joint efforts to address sustainability. We perform a thorough client-sustainability scanning and yearly review cycle to ensure adherence to ESG principles and sustainable practices. Onboarding and annual review allow us to build a comprehensive overview of the potential sustainability risks in our portfolio. Furthermore, AACB supports sustainable EU initiatives by granting clients access to markets such as European Union Allowances for carbon emissions.

Company view

13 CLIMATE ACTION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

AACB has transitioned two of its three data centres to green energy. We are committed to offsetting CO_2 emissions from our data centres and contributing to reforestation initiatives through industry partnerships such as the Land Life reforestation programme.

LAND LIFE COMPANY

We kicked off the collaborative reforestation project in Chicago (US) in May 2019, by both sponsoring and participating in the planting of trees.

In Australia, AACB has been involved in organising and sponsoring regeneration projects in two locations: Sydney and North West Victoria. In November 2019, AACB supported the creation of a new forest in Castilla y León (Spain), where Land Life is working to restore biodiversity and natural ecosystems on degraded land. In 2020, the programme will be extended to other cities around the world.

We believe that sustainability requires collaboration across the entire value chain. AACB embraces a culture of recycling, minimising the use of materials and power.

Charity initiatives

AACB encourages staff to donate their time to organising, participating in or contributing to charitable initiatives in the regions in which we operate:

Asia-Pacific:

Willing Hearts soup kitchen - Singapore

New Hope for Cambodian Children orphanage visit

In September 2019, nine colleagues took part in our annual volunteering trip to the New Hope for Cambodian Children orphanage near Phnom Penh (Cambodia). Over the course of three days, we organised interactive activities with the children, such as English lessons, the planting of fruit trees, and repainting classroom desks.

In 2019, we also participated in several fundraising events for the Tokyo Saiseikai Central Hospital Nyjiin and Cancer Council (Australia's Biggest Morning Tea, Pink Morning Tea) as well as arranged a charitable golf day in Singapore.
Other initiatives included a blood drive, sustainability fair, and beach clean-up, among many others.

US:

Misericordia Family Fest bake sale

Misericordia Family Fest

Over the course of 2019, we sponsored and actively participated in several charitable events in Chicago, supported a tree-planting initiative in Douglas Park and hosted a workshop to encourage responsible recycling and natural-resource management.

Aside from being a corporate sponsor of Misericordia Family Fest, ABN AMRO Clearing Chicago employees also participated in its bake sale. In June 2019, several employees volunteered at the Cradles to Crayons warehouse, packing donated items in backpacks for underprivileged youth in the greater Chicago area.

For the seventh year in a row, we sponsored A Leg to Stand On's (ALTSO) 'Rocktoberfest' in Chicago. ALTSO funds the manufacture of prosthetics for children in impoverished nations. Aiming to further promote responsible stewardship of resources within the company, AACC also hosted a Green Living workshop for employees.

Europe:

New Tech Finance College students open Euronext Stock Exchange

Only Friends sports club

One of our major initiatives in the European region in 2019 has been partnering with the New Tech Finance College. This programme aims to prepare students for a career in the financial sector. AACB's role is to provide students with learning opportunities and support their self-development, which would help programme graduates to become fintech pioneers.

The ABN AMRO Foundation provides AACB employees the opportunity to contribute to various charitable initiatives, such as Only Friends, a sports club that gives young people with disabilities the chance to play more than 20 kind of sports. In addition to our donation supporting the Only Friends initiative, several AACB colleagues volunteered to join the children and participate in a sports day.

Our **People**

Leadership
As our business environment and our clients' needs rapidly change, we face challenges at various levels, including alignment of products, processes and services. To address this, AACB held the first Global Leadership Team meeting in Amsterdam in May 2019. Gathering managers, we focused on three key topics: team, strategy and leadership.

Agile transformation
AACB strives to create a culture in which employees are empowered and encouraged to create value for clients. The agile way of working enables us to attract, develop and ensure optimal placement of talent. By implementing this unique way of working, we deliver increased value for stakeholders and enhance customer experience.

Employee engagement
AACB employees provide feedback annually via the Employee Engagement Survey. The results derived from questions on topics such as talent and development, leadership, vision, and direction, help us to improve staff engagement and thereby enhance the value delivered to our clients. The engagement score reflects how engaged in our organisation our employees feel and comprises eight focus areas. In total, 83% of our colleagues worldwide completed the survey, leading to a representative outcome. In 2019, the total engagement score was 80%. Managers are encouraged to discuss the results of survey with the team and incorporate the feedback in the future planning.

Diversity and inclusion
Diversity and inclusion are not just part of our social obligation. We believe that attracting people from diverse backgrounds anchors us in society and increases our creativity, innovation, and brainpower. We set diversity targets because we aspire to be an organisation in which employees from various backgrounds feel welcome and safe. We strive to create an environment where all employees are given the space and recognition needed to develop their talents to foster AACB growth and client success. In 2019, the Employee Engagement Survey showed that AACB's inclusive environment is one of our biggest strengths. For the past four years, our employees have been increasingly positive about this aspect.

Employee development
We encourage our employees to develop their talents. AACB's Global Acceleration Week brings together colleagues from all regions to further enhance international cooperation and connect people across regions and departments.

In addition to the Global Clearing Graduate Programme that we initiated in 2017, we launched a Global IT Graduate Programme in 2019 aimed specifically at attracting IT staff. In September 2019, a total of 22 candidates representing 10 different nationalities started their one-year learning experience. Our graduate programmes are an important way to present AACB as a pleasant place to work as emphasise as our aim of attracting talents to our business.

Chloë Chui, Charlotte Hülsenbeck - Amsterdam office.

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Photo 1: Vitality week - cycling from Frankfurt to Amsterdam.

Photo 2: Paul Warhurst, Mala Gunaratne - Sydney office.

Photo 3: Ronald de Groot, Quang Nam Du - Amsterdam office.

Photo 4: Martin Eichstädt-Krug - Frankfurt office.

Risk Management

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

Risk appetite statement

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

Risk governance

AACB falls under ABN AMRO's risk governance. As such, in 2019, we continued to follow ABN AMRO's three lines of defence model, risk decision framework, and product approval process.

1st Line of Defence - Business

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

Three Lines of Defence

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

Alexander König dos Santos, Katarzyna Garncarek - Amsterdam office.

2nd Line of Defence - Risk control functions
Risk Control is responsible for: setting frameworks, drafting rules, advice, monitoring, reporting on execution, and risk management and control for AACB. The second line ensures that the first line takes the appropriate amount of risk ownership. It has approval authority for credit proposals above predefined thresholds as well as the authority to approve certain counterparties. ABN AMRO functions such as Risk, Compliance, Sustainability, Legal and Tax supports AACB in implementing these required risk controls.

In 2019, AACB announced changes to the risk governance. These involve an independent risk organisation within AACB with an oversight role from ABN AMRO, in alignment and within the ABN AMRO policies and mandates. Formal responsibility for the management of AACB rests with the Management Board and Supervisory Board of AACB. Clear accountability and end-responsibility for 2nd Line of Defence risk management resides with the AACB Chief Risk Officer. 2nd Line of Defence activities are moving from ABN AMRO to AACB. To have a clear 2nd Line of Defence Risk Management, 1st Line of Defence activities which are performed by by AACB Risk Management are moving to the business. At AACB Management Board level, the following committees will be in place: the Clearing Enterprise Risk Committee and the ABN AMRO Clearing Credit Committee. The transition of the new risk management governance started at 1 January 2020.

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

Managing risks

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

counterparty exposures, conduct market surveillance and are involved in managing AACB's risk profile.
AACB is not involved in any proprietary trading activities and therefore does not run direct market risk. Nevertheless, AACB can encounter indirect market risk as a result of clearing and financing activities.

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

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

Audited Relevant risk types

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

(x EUR billion)	2019	2018
Total outstanding client credit facilities	39.47	37.06
Total utilisation	15.39	14.07
Of which: total debit cash utilisation	6.57	5.12
Of which: total short stock utilisation	8.82	8.95

In 2019, AACB had no client default (2018: none) and therefore no default rate on overall outstanding credit lines of EUR 39,47 billion (2018: 37,06 billion). Included in the total unused client credit facilities are revocable credit lines amounting to EUR 24,1 billion (2018: EUR 22,6 billion) and irrevocable credit facilities amounting to EUR 0,2 billion (2018: EUR 0,4 billion).

Credit risk mitigation

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

No AACB client assets were past due as per 31 December 2019.

Clients

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

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

Counterparties

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

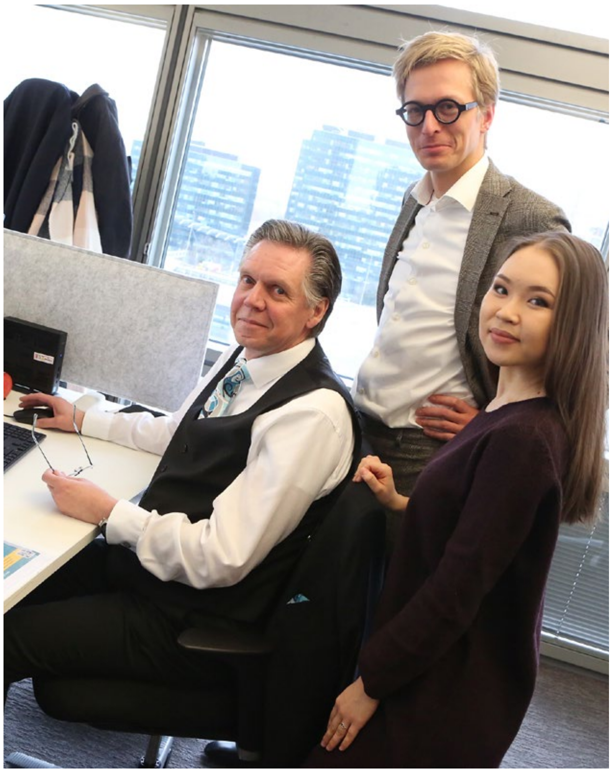
AACB Risk Managers ensure that AACB stays within these approved counterparty limits by means of daily monitoring and by steering actions when needed.
In accordance with procedures, no counterparty limits are exceeded.

Offsetting financial assets and liabilities

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

Enforceable master netting agreements or similar instruments

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



Lammert Bos, Erik Floor, Medina Polat - Amsterdam office.

Systemic risk

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

The financial infrastructure is regulated and intensively supervised by regulatory authorities. The market infrastructure includes CCPs to mitigate counterparty risk. Clearing members are required to pay initial margins in advance to cover potential future exposure that a CCP runs on the positions of its clearing members. In addition to the pre-paid margins, clearing members must also contribute to default funds (also known as guarantee funds).

In the event of clearing-member default – with losses greater than the initial margin and default contribution of the defaulting clearing member – the default contributions of other clearing members will be used to cover the losses. If these are depleted, there is a mandatory refinancing call to each of the remaining clearing members up to its prior default fund contribution. Alternatively, the clearing member can forfeit membership. To a large extent, CCP clearing ensures that monetary losses as a result of clearing-member default are covered.

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Internal rating scale mapped to external ratings

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

Marleen Bakker, Jacquelien Hottentot - Amsterdam office.

Credit quality by internal rating scale mapped to stages

(x EUR 1,000)

	Internal rating scale	PD scale	UCR range	Stage 1	Stage 2	Stage 3	Total
Loans and advances banks							
	Investment grade	0.0000 - < 0.0346	1	560,131			560,131
		0.0346 - < 0.1265	2	252,380			252,380
		0.1265 - < 0.4648	3	2,091			2,091
	Sub-investment grade	0.4648 - < 2.2249	4	9,492			9,492
		2.2249 - < 19.9706	5				
		19.9706 - < 100	6+	1,450			1,450
	Default	100	6-8				
Total Loans and advances banks				**825,544**			**825,544**
Corporate loans							
	Investment grade	0.0000 - < 0.0346	1	6,743,372	17,967		6,761,339
		0.0346 - < 0.1265	2	5,958			5,958
		0.1265 - < 0.4648	3	2,582			2,582
	Sub-investment grade	0.4648 - < 2.2249	4	61,925			61,925
		2.2249 - < 19.9706	5				
		19.9706 - < 100	6+				
	Default	100	6-8				
Total Corporate loans				**6,813,836**	**17,967**		**6,831,804**
Other loans and advances							
	Investment grade	0.0000 - < 0.0346	1	4,924,110			4,924,110
		0.0346 - < 0.1265	2				
		0.1265 - < 0.4648	3				
	Sub-investment grade	0.4648 - < 2.2249	4				
		2.2249 - < 19.9706	5				
		19.9706 - < 100	6+				
	Default	100	6-8				
Total Other loans and advances				**4,924,110**			**4,924,110**
Loan commitments and financial guarantee contracts							
	Investment grade	0.0000 - < 0.0346	1	184,200			184,200
		0.0346 - < 0.1265	2				
		0,1265 - < 0.4648	3				
	Sub-investment grade	0.4648 - < 2.2249	4				
		2.2249 - < 19.9706	5				
		19.9706 - < 100	6+				
	Default	100	6-8				
Total Loan commitments and financial guarantee contracts				**184,200**			**184,200**
Total							
	Investment grade	0.0000 - < 0.0346	1	12,411,813	17,967		12,429,781
		0.0346 - < 0.1265	2	258,339			258,339
		0.1265 - < 0.4648	3	4,672			4,672
	Sub-investment grade	0.4648 - < 2.2249	4	71,416			71,416
		2.2249 - < 19.9706	5				
		19.9706 - < 100	6+	1,450			1,450
	Default	100	6-8				
Total				**12,747,691**	**17,967**		**12,765,658**

Medina Polat, Barry van Engelenhoven, Eelko van Leeuwen, Jan Remmelt Nagel - Amsterdam office.

The above table presents the gross carrying amount of loans and the contractual amount of undrawn loan commitments, classified by internal rating and risk stage. In order to classify a client as stage 2, several qualitative triggers are needed, which are not necessarily dependent on internal ratings. Reference is made to the credit risk management section for more information on internal ratings and stage determination. During most of the year, AACB used an internal model approved by the supervisory authorities for measurement of the exposure value. For its client portfolio, this approach was recently changed to standard supervisory methods (for EAD and RWA). This exposure value is used both for regulatory and internal risk calculation purposes.

In 2019, both ABN AMRO and AACB primarily used the Internal Ratings-Based (IRB) approach to determine the risk weights for the positions that gave rise to CCR. The approach used by AACB for risk weights was recently changed to the Standardised Approach (SA) for its client portfolio.

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

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Offsetting, netting and collateral & guarantees

(x EUR 1,000) — 31 December 2019

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

Liabilities	Carrying amount before balance sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement	Collateral	Total risk mitigation	Surplus collateral	Received guarantees	Net amount
Financial liabilities held for trading	251		251						251
Securities financing	1,039,190		1,039,190	3,625	596,032	596,032			439,533
Due to banks	9,673,374		9,673,374	151,153					9,522,221
Due to customers	8,072,981		8,072,981	1,281,406					6,791,575
Other	261,354		261,354						261,354
Total liabilities	**19,047,150**		**19,047,150**	**1,436,184**	**596,032**	**596,032**			**17,014,934**

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

(x EUR 1,000) — 31 December 2018

Assets	Carrying amount before balance sheet netting	Balance sheet netting with gross liabilities	Carrying amount	Master netting agreement	Collateral	Total risk mitigation	Surplus collateral	Received guarantees	Net exposure
Cash and balances at central banks	50,596		50,596						50,596
Financial assets held for trading	34,429		34,429						34,429
Financial investments	384,725		384,725						384,725
Securities financing	6,363,318		6,363,318	65,768	5,581,383	5,647,151	245,348		961,515
Loans and receivables - banks	1,807,218		1,807,218	63,566	754,287	817,853	753,069		1,742,434*
Corporate loans at amortised cost	7,251,185		7,251,185	1,104,390	16,690,434	17,794,824	10,582,577		38,938
Other loans and advances	5,563,534		5,563,534						5,563,534*
Other	73,966		73,966						73,966
Total assets	**21,528,971**		**21,528,971**	**1,233,724**	**23,026,104**	**24,259,828**	**11,580,994**		**8,850,137**
Financial guarantees given	11,395								11,395
Committed credit facilities	356,290								356,290
Total assets	**21,896,595**								**9,217,761**

Liabilities	Carrying amount before balance sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement	Collateral	Total risk mitigation	Surplus collateral	Received guarantees	Net exposure
Financial liabilities held for trading	18,702		18,702						18,702
Securities financing	1,156,300		1,156,300	14,447	454,893	454,893			686,960
Due to banks	8,720,941		8,720,941	63,566					8,657,375
Due to customers	10,104,364		10,104,364	1,155,711					8,948,653
Other	289,453		289,453						289,453
Total liabilities	**20,289,760**		**20,289,760**	**1,233,724**	**454,893**	**454,893**			**18,601,143**

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

Stress testing

As part of ABN AMRO, AACB participates in the ABN AMRO-wide stress testing programme that regularly assesses the effect of stress events on the bank. These include sensitivity analyses with respect to specific risk drivers, scenario analyses regarding potentially relevant scenarios, and reverse stress testing. The main objectives of stress testing are to ensure that AACB continues to operate within its moderate risk appetite, to increase risk awareness throughout AACB, and to safeguard business continuity. It is worth noting that the monitoring of the client portfolios under extreme market scenarios and the stress parameters in AACB's risk management framework also contribute to meeting these objectives.

Credit risk capital

AACB's regulatory capital model ensures that its client credit exposures are covered by sufficient capital. In relation to capital requirement calculations (also known as RWAs), AACB will revert to the Standardised Approach for credit risk as described in the Regulation (EU) No 575/2013 (CRR). In 2020, AACB will report its credit exposures accordingly.

Liquidity risk

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

Due to the nature of AACB activities, its financial assets and liabilities are generally of a short-term nature.

Clients are primarily provided non-committed liquidity facilities with short tenors.

Liquidity Risk Management

Liquidity Risk Management is integrated in AACB business activities. To manage liquidity needs, overall global-liquidity funding is obtained from ABN AMRO. In addition, AACB makes use of liquidity generated within AACB. Internally, liquidity is managed around the clock by three dedicated treasury centres in each region: Singapore, Amsterdam and Chicago.

Rolf Mei, Wouter Vlag - Amsterdam office.

Liquidity-control framework

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

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

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

Monitoring liquidity risk

AACB's Treasury department monitors actual and expected cash movements on an intraday basis. The operating systems notify the Treasury department on a daily basis regarding fund flow. Using this information, they maintain intraday surveillance of AACB's liquidity position and ensure that sufficient collateral is on deposit. Intraday liquidity requirements such as margin calls, due to new positions or price volatility, may create liquidity stress as these payments need to be fulfilled within a certain timeframe. Liquidity stress tests are performed regularly to ensure the effectiveness of the liquidity management framework and daily liquidity management procedures.

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

Liquidity-sensitivity gaps

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

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Liquidity-sensitivity gap statement

(x EUR 1,000) **31 December 2019**

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

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

(x EUR 1,000)							31 December 2018
	On demand	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and three years	**Total**
Cash and balances at Central banks	50,596						50,596
Financial assets held for trading	34,429						34,429
Financial investments	336,836	9,591	38,297				384,724
Securities financing assets	6,363,318						6,363,318
Loans and advances banks	1,807,218						1,807,218
Corporate loans	6,577,550	655,851	9,828	7,957			7,251,186
Other loans and advances	4,882,366		681,168				5,563,534
Other assets	70,315	942	2,709				73,966
Total assets	**20,122,628**	**666,384**	**732,002**	**7,957**			**21,528,971**
Financial liabilities held for trading	18,702						18,702
Securities financing liabilities	1,156,300						1,156,300
Due to banks	1,466,712	3,627,691	1,450,615	1,087,961	1,087,961		8,720,940
Due to customers	9,427,681	640,039	3,653	32,991			10,104,364
Issued debt						60 *	60
Other liabilities	282,740	3,053	3,600				289,393
Total liabilities	**12,352,135**	**4,270,783**	**1,457,868**	**1,120,952**	**1,087,961**	**60**	**20,289,759**
Net liquidity surplus/gap	**7,770,493**	**-3,604,399**	**-725,866**	**-1,112,995**	**-1,087,961**	**-60**	**1,239,212**

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

Regulatory risk

AACB operates in a highly regulated environment. Our home regulators are the ECB, DNB and AFM (The Dutch Authority for the Financial Markets). Other AACB offices interact with local regulators such as the UK's Financial Conduct Authority, the Securities and Exchange Commission and Commodity Futures Trading Commission in the US, and the Monetary Authority of Singapore, among others. In addition, we deal with numerous exchanges and central clearing houses that mandate their own rules and regulations.

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

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

Operational risk

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

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

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

AACB, like ABN AMRO, embedded a full operational-risk-control framework exposed to operational risk arising from business processes and information- and IT security. This framework is aligned with the regulatory technical standards of the Advanced Measurement Approach (AMA). AACB does not apply AMA for capital calculation on a stand-alone basis.

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

Business continuity management

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

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

Moreover, AACB IT infrastructure is monitored to ensure availability, confidentiality, and integrity. Infrastructure availability is continuously monitored for AACB's critical business chains. AACB performs annual disaster-recovery tests for all core systems to assure adequate functioning and to identify aspects for improvement.

Information security risk management

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

Foreign exchange risk

AACB activities in London, Singapore, Japan, Hong Kong, Sydney and Chicago can result in foreign exchange (FX) risk on the working capital and/or the equity positions of these branches and subsidiaries. AACB refers to Note 17 of the Company Statement for FX exposure on participating interest in group companies. A sensitivity analysis regarding the impact of changes in the EUR/USD on the capital position is performed on an annual basis.

As all borrowed cash is posted in matching currencies, the FX risk on lending is offset with the FX risk on borrowing, resulting in minimal FX risk.

The FX risk borne as a result of day-to-day operating activities is mitigated by entering into foreign-currency transactions with other ABN AMRO companies. As a result of foreign-currency transactions, the overall net position in foreign-currency is close to zero. The foreign currency translation reserve presented in the statement of other comprehensive income relates to foreign currency translation exposure upon consolidation.

Interest rate risk

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

Capital and liquidity management

On a sub-consolidated basis, AACB meets the minimum regulatory capital, solvency and liquidity requirements of the CRD IV/ CRR framework. For a more detailed breakdown of the regulatory capital requirements, refer to the ABN AMRO Bank Financial Statements.

As of 31 December 2019, AACB is no longer allowed to apply the Advanced-IRB Approach as described in the Regulation (EU) No 575/2013 (CRR) for its client portfolio. As a result the portfolio[1] is reported using the Standardised Approach. This applies to the Exposure at Default (EAD), Probability of Default (PD), Loss Given Default (LGD) and Credit Conversion Factors (CCF).
For the exposure value calculations of its client portfolio, the following approaches and methods are now used:
- Financial Collateral Comprehensive Method (FCCM) for its securities or commodities borrowing or lending ("SBL") transactions and margin lending transactions;
- Standardised Method for its CCP-related transactions;
- Standardised Approach for its off-balance sheet items;

The exposure value is used for the calculation of own fund requirements for credit risk using the Standardised Approach and large exposures.

Capital indicators versus risk appetite

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

Regulatory Reporting

As indicated above, during most of the year, AACB used an internal model approved by the supervisory authorities for measurement of the exposure value for its client portfolio, this approach was changed as per December 2019 to standard supervisory methods (for EAD and RWA).

As a result the RWA related to its client's portfolio has increased as of end of 2019 compared to the end of 2018 with EUR 1.5 billion, out of the total change of EUR 1.8 billion compared to year end 2018. In addition to the increase in RWA on AACB's client portfolio, the RWA on CCP related exposures (primarily default fund exposures) has increased by EUR 0.2 billion by the end 2019 compared to year end 2018.

(x EUR 1,000)	31 December 2019	31 December 2018
Capital		
IFRS capital	1,367,893	1,239,212
Composition of regulatory capital:		
- Common Equity Tier 1 (CET1)	1,362,414	1,192,953
Total regulatory capital	**1,362,414**	**1,192,953**
Total Risk Exposure Amount (RWA)	4,573,655	2,777,180
CET 1 ratio	29.79%	42.96%
Fully loaded leverage ratio (CEM)	1.5%	1.6%
Fully loaded leverage ratio (SA-CCR)	5.6%	5.2%

(x EUR 1,000)	31 December 2019	31 December 2018
Geographic breakdown RWA		
Europe	63%	52%
US	25%	32%
APAC	12%	16%
Total	**100%**	**100%**

(x EUR 1,000)	31 December 2019	31 December 2018
RWA breakdown per counterparty		
Clients	56%	38%
Central counterparties (CCPs)	11%	12%
Other*	33%*	49%*
Third party exposures	100%	99%
ABN AMRO Bank intra-group	0%	1%
Total	**100%**	**100%**

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

(x EUR 1,000)	31 December 2019	31 December 2018
Liquidity ratio's		
Liquidity Coverage Ratio (LCR)	>100%	>100%
Net Stable Funding Ratio (NSFR)	>100%	>100%

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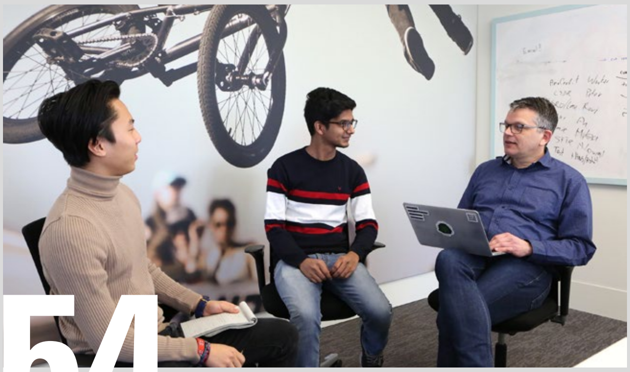
Accounting policies



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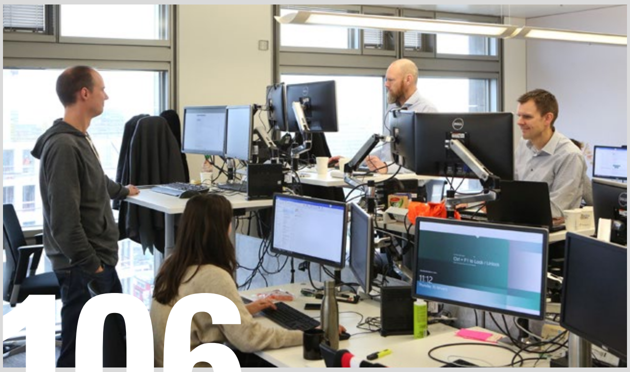
Company financial statements



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Consolidated income statement

(x EUR 1,000)	Note	2019	2018
Income			
Interest income calculated using the effective interest method		506,669	476,784
Interest expenses calculated using the effective interest method		316,630	306,899
Net interest income	1	**190,039**	**169,885**
Fee and commission income		345,803	363,899
Fee and commission expenses		106,433	113,792
Net fee and commission income	2	**239,370**	**250,107**
Net trading income	3	147	-109
Share of result in equity accounted investments	4	-224	22
Other operating income	5	17,622	15,503
Operating income		**446,954**	**435,408**
Expenses			
Personnel expenses	6	119,154	114,397
General and administrative expenses	7	172,790	171,383
Depreciation and amortisation of (in)tangible assets	8	8,913	4,546
Operating expenses		**300,857**	**290,326**
Impairment charges on financial instruments	9	-120	-4,386
Total expenses		**300,737**	**285,940**
Operating profit / (loss) before taxation		**146,217**	**149,468**
Income tax expense	10	34,627	30,539
Profit (loss) for the year		**111,590**	**118,929**
Attributable to:			
Owner of the company		111,590	118,929

Consolidated statement of comprehensive income

(x EUR 1,000)	Note	2019	2018
Profit for the period		**111,590**	**118,929**
Other comprehensive income:			
Items that will not be reclassified to the income statement			
Associates: Remeasurement gains/(losses) on defined benefit plans	31	19	-4
Items that will not be reclassified to the income statement before taxation		**19**	**-4**
Income tax relating to items that will not be reclassified to the income statement	31	512	-1,917
Items that will not be reclassified to the income statement after taxation		**531**	**-1,921**
Items that may be reclassified to the income statement			
(Un)realised gains/(losses) currency translation	31	16,511	35,951
(Un)realised gains/(losses) fair value through OCI	31	-2	-11
Other comprehensive income for the period before taxation		**16,509**	**35,940**
Income tax relating to items that may be reclassified to the income statement	31	73	-58
Other comprehensive income for the period after taxation		**16,582**	**35,882**
Total comprehensive income/(expense) for the period after taxation		**128,703**	**152,890**
Total comprehensive income attributable to:			
Owner of the company		**128,703**	**152,890**

Consolidated statement of financial position

Before profit appropriation

(x EUR 1,000)	Note	31 December 2019	31 December 2018
Assets			
Cash and balances at central banks	11	5,110	50,596
Financial assets held for trading	12	5,733	34,429
Financial investments	13	516,488	384,725
Securities financing	15	7,190,273	6,363,318
Loans and advances banks	16	825,544	1,807,218
Corporate loans at amortised cost	17	6,831,804	7,251,185
Other loans and advances	17	4,924,110	5,563,534
Equity accounted investments	20	281	9,210
Property and equipment	21	24,915	9,348
Intangible assets	22	865	1,106
Assets held for sale	23	8,650	
Tax assets	24	20,676	19,575
Other assets	25	60,596	34,727
Total assets		**20,415,045**	**21,528,971**
Liabilities			
Financial liabilities held for trading	12	251	18,702
Securities financing	15	1,039,190	1,156,300
Due to banks	26	9,673,374	8,720,941
Due to customers	27	8,072,981	10,104,364
Issued debt	28	60	60
Provisions	29	2,096	2,555
Tax liabilities	24	23,462	19,119
Other liabilities	30	235,736	267,718
Total liabilities		**19,047,150**	**20,289,759**
Equity			
Share capital		15,000	15,000
Share premium		55,363	55,363
Other reserves (incl. retained earnings/profit for the period)		1,240,274	1,128,704
Accumulated other comprehensive income		57,256	40,145
Equity attributable to owner of the company	31	**1,367,893**	**1,239,212**
Total equity		**1,367,893**	**1,239,212**
Total liabilities and equity		**20,415,043**	**21,528,971**
Committed credit facilities	32	169,358	356,290
Commitments and contingent liabilities	32	14,842	13,958

Consolidated statement of changes in equity

(x EUR 1,000)

			Other reserves		Accumulated other comprehensive income (note 30)					
	Share capital	Share Premium	Retained earnings	Unappropriated result of the year	Fair value reserve	Remeasurement of net DBO on post-employment plans	Net remeasurement of joint venture financial instruments	Currency translation reserve	Net investment hedging reserve	Total Equity
Balance at 1 January 2018	**15,000**	**55,363**	**929,739**	**79,114**	**-27**	**-14**		**54,299**	**-48,073**	**1,085,400**
Total comprehensive income				118,929	-11	-5		35,893	-1,917	152,890
Transfer			79,114	-79,114						-
Other			922							922
Balance at 31 December 2018	**15,000**	**55,363**	**1,009,775**	**118,929**	**-38**	**-19**	**-**	**90,192**	**-49,990**	**1,239,212**
Total comprehensive income				111,590	-2	19		16,583	512	128,703
Transfer			118,929	-118,929						-
Other			-23							-23
Balance at 31 December 2019	**15,000**	**55,363**	**1,128,681**	**111,590**	**-40**	**-**	**-**	**106,775**	**-49,478**	**1,367,892**

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Consolidated statement of cash flows

(x EUR 1,000)	Note	2019	2018
Profit after taxation		**111,590**	**118,929**
Adjustments on non-cash items included in profit:			
Net (un)realised gains/losses		-6,274	-9,818
Income of equity associates and partnerships	4	-224	-22
Depreciation, amortisation of (in)tangible assets	8	8,913	4,546
Provisions and impairments		-387	-5,150
Income tax expenses	10	34,627	30,539
Changes in operating assets and liabilities:			
Loans and advances banks		627,215	-627,376
Corporate loans		477,139	4,575,622
Other loans and advances		686,755	236,995
Financial instruments held for trading and securities transactions		-358,864	-2,219,548
Due to banks		948,047	-2,595,903
Due to customers		-2,110,957	525,827
Net changes in all other operational assets and liabilities		-674,926	-634,196
Income taxes paid		-31,576	-35,017
Cash flow from operating activities		**-288,921**	**-634,572**
Investing activities:			
Purchases of financial investments	13		-6
Proceeds from sales, maturities and redemptions	13	-118,458	29,378
Dividend from financial investments	13	5,536	2,140
Purchases of property and equipment	21	-1,609	-1,217
Purchases of other (in)tangible assets	22	-764	-58
Cash flow from investing activities		**-115,295**	**30,237**
Financing activities:			
Issuance of debt certificates	35		
Payment of debt certificates	35		
Payment of lease liabilities		-4,929	
Cash flow from financing activities		**-4,929**	
Net increase (decrease) of cash and cash equivalents		**-409,145**	**-604,335**
Cash and cash equivalents as at 1 January		**1,178,011**	**1,774,916**
Effect of exchange rate variance on cash and cash equivalents		9,151	7,430
Cash and cash equivalents as at 31 December	**35**	**778,016**	**1,178,011**
Supplementary disclosures of operating cash flow information			
Interest income received		497,239	472,482
Interest expense paid		-322.322	-316.081

The cash position decreased with EUR 400 milllion, including EUR 9.1 million related to foreign currency translation differences. The non-cash activities were mostly impacted by movements in the fair value reserves, depreciation and amortization and provisions. The operating activities fluctuated as a result of changes in corporate loans, securities financing and due to banks. The variance in the investing activities was mostly attributable to the purchase of financial investments, primarily government bonds. And the financing activities changed as a result of changes related to IFRS 16 leases.

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

Accounting policies

Corporate information

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

The Annual Financial Statements were prepared by the Management Board and authorised for issue by the Supervisory Board and Management Board on 15 May 2020.

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

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

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

Statement of compliance

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

Basis of presentation

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

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

Disclosures

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

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

Certain of the disclosures in the Risk Management section on pages 35 to 47 are labelled as 'audited'. These disclosures are an integral part of the Consolidated Annual Financial Statements and are covered by the Audit opinion.

Changes in accounting policies

New EU-endorsed standards became effective as at 1 January 2019. The following standards were adopted:

- IFRS 16 - Leases;
- IFRIC 23 - Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9 - Prepayment Features with Negative Compensation;
- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures;
- Annual Improvements 2015 - 2017 Cycles: IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.

Left to right: Charmaine Chee, Joy Wooden, Barbara Heemelaar - Sydney office.

IFRS 16 Leases

As at 1 January 2019, AACB adopted IFRS 16 Leases. AACB has applied IFRS 16 retrospectively, with the cumulative effect of initial application recognised in retained earnings as at 1 January 2019. Comparative figures have not been restated, as permitted by the transitional provisions of the standard.

Lessee accounting

AACB only applied lessee accounting, no lessor accounting. For lessee accounting, IFRS 16 removes the distinction between 'operating' and 'finance' leases. All leases are recognised on the balance sheet as a right of use (ROU) asset and lease liability. As a lessee, AACB enters into various lease contracts, mainly for office buildings and cars which the bank leases for its own use. Under IAS 17, AACB did not enter into any finance leases as a lessee. When accounting for the contracts as a lessee, AACB separates non-lease components from lease components. Upon initial recognition, the lease liability is measured by discounting all future lease payments at the incremental borrowing rate. This rate reflects the rate of interest AACB would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a value similar to that of the ROU asset in a similar economic environment. Upon transition, the remaining lease term is used in applying the incremental borrowing rate. The ROU asset is initially measured at cost, which reflects the initial lease liability, adjusted for upfront lease payments, received incentives and initial direct costs.
The initial lease liability is equal to the sum of the fixed lease payments, discounted by the incremental borrowing rate.

Other payments, such as variable lease payments and non-lease components, are not included in the initial lease liability.

The ROU asset is depreciated over the period of the lease, using the straight-line method. The lease liability is increased to reflect the amount of interest on the lease liability and decreased for the lease payments made.

Adjustments to the lease liability may result from remeasurement and/or modification. Remeasurement occurs when there is a change in the lease term or discount rate, or when AACB changes its assessment regarding purchase, extension or termination options. Remeasurement results in an adjustment of the ROU asset. When the ROU asset has been depreciated to zero, it is recorded in the income statement.

A lease modification is a change in the scope of the lease, or the consideration of a part of a lease that was not part in the original terms and conditions of the lease. A lease modification results in either a separate additional lease (based on the terms of the modified lease) or a change in the accounting for the existing lease. In the case of a lease modification not resulting in an additional lease, the lease liability is remeasured by adjusting the carrying amount of the ROU asset and, to reflect the partial or full termination of the lease, recognising any gain or loss in profit and loss. Expenses related to short-term leases with a term of less than 12 months and leases of low-value are recognised in the income statement, as permitted by the standard. ROU assets are included in property and equipment,

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while the lease liabilities are included in other liabilities. Depreciation of the ROU assets is presented in the line item for depreciation and amortisation of tangible and intangible assets in the income statement, and interest expense on lease liabilities is included in the line item Other interest and similar expense.

Impact of transition to IFRS 16

As permitted by the standard, AACB used the following practical expedients upon transition, on a lease-by-lease basis that are available under the chosen implementation approach:

- Calculation of the ROU assets at the date of initial application at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments;
- Application of the recognition exemption for leases ending within 12 months at initial application;
- Reliance on the previous assessment of whether leases are onerous in accordance with IAS 37 as an alternative to performing an impairment review;
- Use of hindsight in determining the lease term if contractual options to extend or terminate the lease exist.

The transition to IFRS 16 resulted in an increase in assets of EUR 18 million and liabilities of EUR 23 million on 1 January 2019. There is no impact on equity as AACB chose to apply the practical expedient that allows it to measure the ROU asset at an amount equal to the lease liability.

The table below explains the difference between the operating lease commitments on 31 December 2018 applying IAS 17 and the lease liabilities recognised as a result of the initial application of IFRS 16 on 1 January 2019.

(x EUR 1,000)	2019
Operating lease commitments per 31 December 2018 (IAS 17)	**19,459**
Adjustments following judgement on extension and termination options	3,698
Discounting effect using the average incremental borrowing rate of 3.97%	-2,640
Other changes	2,553
Lease liabilities per 1 January 2019 (IFRS 16)	**23,071**

Other changes relate to new lease contracts which were non-cancellable lease commitments under IAS 17 as at 31 December 2018, but which had not yet commenced on 1 January 2019 and cost which were outside of the scope of IFRS 16 and were therefore not included in the IFRS 16 opening balance.

Refer to Note 21 Property and equipment for the disclosures on leases and ROU assets.

IFRIC23 - Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax positions involve uncertainty. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. IFRIC 23 applies to taxes that fall within the scope of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12. The interpretation addresses specifically whether an entity considers uncertain tax positions separately. The interpretation has no impact on the tax position reported by AACB as prescribed treatments were already effectively applied.

Amendments to IFRS 9 Financial Instruments

The IASB issued amendments to IFRS 9, Prepayment Features with Negative Compensation, which became effective on 1 January 2019. These amendments allow instruments with symmetric prepayment options to be measured at amortised cost or at fair value through other comprehensive income. Since AACB does not have financial instruments with these features, these amendments have no impact on the financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures

In October 2017, the IASB issued amendments to IAS 28 that became effective on 1 January 2019. The amendments state that IFRS 9 should be applied to long-term interests in an associate or joint venture to which the equity method is not applied. The implementation of these amendments has no impact on AACB.

Annual Improvements 2015-2017 Cycle

In December 2017, the IASB issued the Annual Improvements to IFRS Standards. These are required to be applied for reporting periods beginning on or after 1 January 2019.

From left to right: Martin Eichstädt-Krug, Frank Mecklenburg, Vincent van Lith - Frankfurt office.

This cycle of annual improvements comprises amendments to IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs. The amendments do not have a significant impact on the financial statements.

Change in accounting

Presentation of fee and commission income and expense

In 2019, AACB changed the presentation of fee and commission income and expenses related to pass-through fees resulting from clearing activities in the United States. Pass-through fees are collected from customers and fully passed through to third parties. Historically, these pass-through fees were presented 'gross'. After reconsideration of the judgement applied following IFRS 15, AACB changed the presentation of such fees to 'net' in the statement of comprehensive income. This change in the presentation of the fees means all fees with the same nature and related to clearing activities are presented consistently. The change in presentation does not have an impact on net fee and commission income. Due to the change, fee and commission income and expenses for 2019 decreased by EUR 966 million (2018: EUR 995 million).

New standards, amendments and interpretations not yet effective

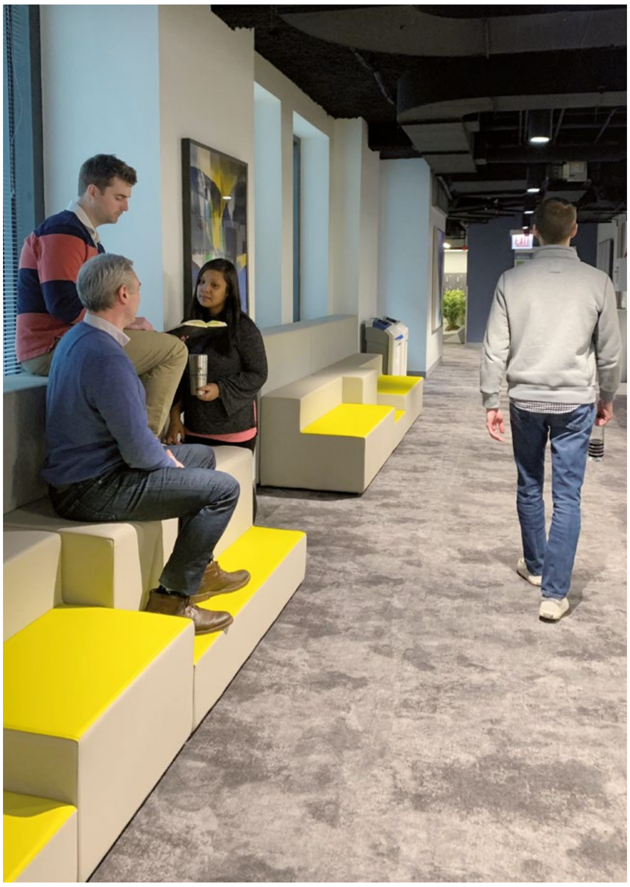
The following standards and amendments have been issued by the IASB and endorsed for use in the EU, but are not yet effective.

Revised Conceptual Framework for Financial Reporting (Amendments to IAS 1)

In March 2018, the IASB issued the revised Conceptual Framework for Financial Reporting. The Conceptual Framework provides guidance for developing consistent accounting policies and assistance with understanding the standards. The changes in the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. The revised Conceptual Framework is effective from 1 January 2020. Of the amendments to IAS 1, the classification of current or non-current liabilities has not yet been endorsed. The adoption of the endorsed amendments is not expected to have a material impact on the financial statements.

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments, which will become effective for reporting periods starting on or after 1 January 2020, revise the definition of material and align the definition across other IFRS publications such as IFRS Standards and IFRIC Interpretations. AACB does not expect the adoption of the amendments to have a significant impact on the financial statements.



From left to right: James Bushnell, Matt Lewis, Kim Viloria - Chicago office.

New standards, amendments and interpretations not yet endorsed

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

Amendments to IFRS 3 Business Combinations

In October 2018, the IASB issued amendments to IFRS 3 Business Combinations. These amendments, which resolve difficulties in determining whether an entity has acquired a business or a group of assets, are effective for business combinations with an acquisition date on or after 1 January 2020. AACB will use the revised IFRS 3 in the event of acquisitions with an acquisition date on or after 1 January 2020. The adoption of the Significant accounting principles amendment is not expected to have a material impact on the financial statements.

Significant accounting principles

Revised Conceptual Framework for Financial Reporting (Amendments to IAS 1)

The amendment to IAS 1 determining whether a liability should be classified as current or non-current has not yet been endorsed. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and is to be applied retrospectively. Earlier application is permitted. AACB is currently studying the proposed amendment and the potential impact on the financial statements.

Critical accounting estimates and judgements

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

- Impairments of Financial investments – Notes 9 and 17
- Fair value of financial instruments – Notes 14 and 18
- Income tax expense, tax assets and tax liabilities – Notes 10, 24 and 31
- Provisions – Note 29

Assessment of risk, rewards and control

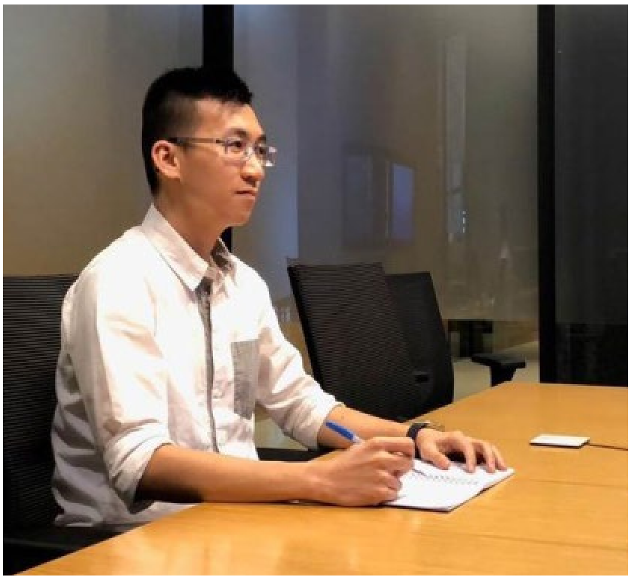
Whenever AACB is required to assess risks, rewards and control, when considering the recognition and de-recognition of assets or liabilities and the consolidation and deconsolidation of subsidiaries, AACB may sometimes be required to use judgement. Although management uses its best knowledge of current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

Basis of consolidation

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

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

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



Simon Chan - Hong Kong office.

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

Foreign currency

The Consolidated Financial Statements are stated in euros, which is the presentation and functional currency of AACB.

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Foreign currency differences

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

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

	Rates at year end		Average rates	
	2019	2018	2019	2018
1 Euro =				
Pound Sterling	0.85	0.90	0.88	0.88
Singapore Dollar	1.51	1.56	1.53	1.59
Japanese Yen	121.78	126.14	122.04	130.36
Hong Kong Dollar	8.74	8.98	8.77	9.26
Australian Dollar	1.60	1.62	1.61	1.58
US Dollar	1.12	1.15	1.12	1.18

Financial assets and liabilities

Classification and measurement of financial assets

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

Three business models are distinguished:

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

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

From left to right: Emily Attar, Daniel Ginis, Sarah Sherman, Nick Campanella - Chicago office.

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

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

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

Classification and measurement of financial liabilities

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

- Financial liabilities held for trading are measured at fair value through profit or loss;

- Financial liabilities that AACB has irrevocably designated at initial recognition as held at fair value through profit or loss when the instruments are held to reduce an accounting mismatch are managed on the basis of their fair value or include terms that have derivative characteristics in nature.
- Under IFRS 9, the changes in fair value attributable to changes in the credit risk of financial liabilities designated at FVTPL are presented in other comprehensive income. The cumulative amount of changes in fair value attributable to credit risk of such liabilities is presented as liability own credit risk reserve in equity. Financial liabilities are never reclassified after initial recognition.

Daniel Geresi, Amanda van Praag - Amsterdam office.

Classification of assets and liabilities held for trading

In both the current and prior reporting period a financial asset or financial liability is classified as held for trading if it is:

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

Recognition and derecognition

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

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

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

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

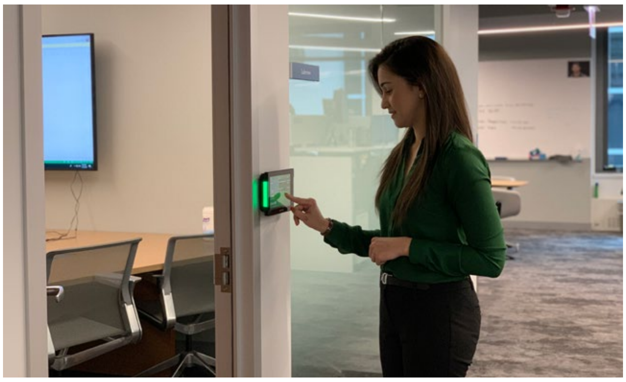
If the modification of the financial asset does not result in derecognition, the gross carrying amount of the financial asset is recalculated, based on the present value of the renegotiated or modified contractual cash flows, discounted at the financial asset's original effective interest rate. The effect will be recognised and disclosed as a modification loss in the income statement. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. Modifications due to forbearance measures or modification gains or losses are recognised in the impairment charges on financial instruments and disclosed separately. With regard to modifications not related to forbearance measures, the modification gains or losses are recognised in the income statement and presented according to the nature of the modification.

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

Impairments

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

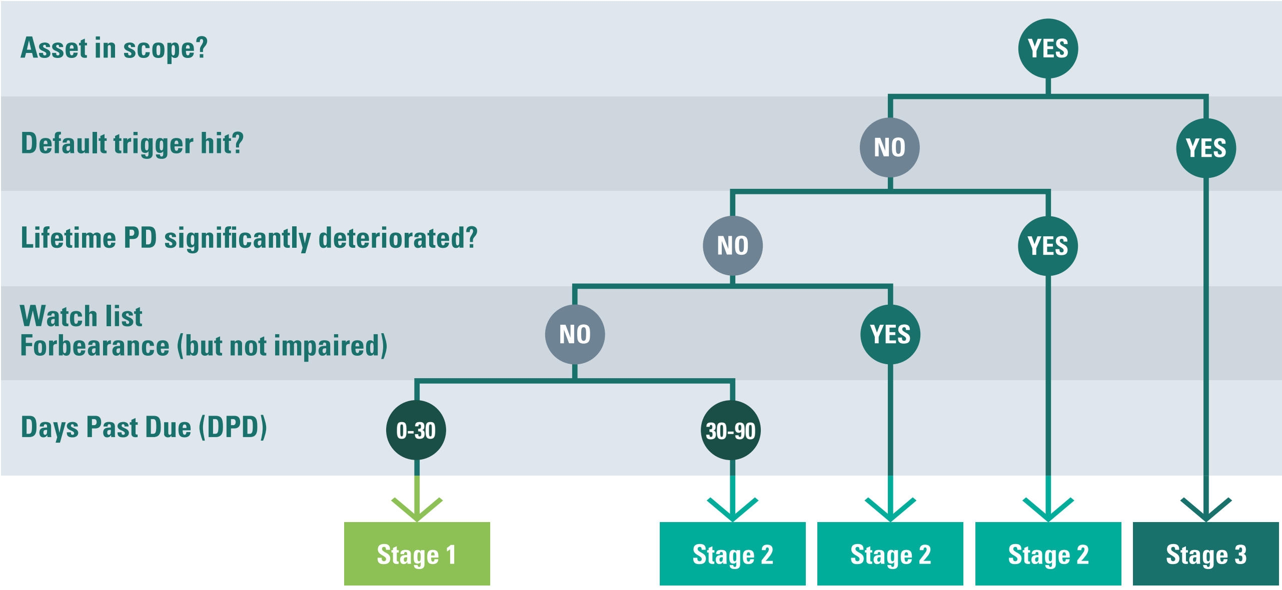
- Financial instruments without a significant increase in credit risk (stage 1): the portion of the lifetime expected credit losses associated with default events occurring in the next twelve months (12M ECL) is recognised. Interest income is recognised based on the gross carrying amount;
- Financial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



Maria Sami - Chicago office.

AACB has chosen to apply the same default definition under IFRS 9 as it has always used for credit risk management purposes. A default is considered to have occurred when one of the default triggers (e.g. unlikely to pay, involuntary restructuring, bankruptcy or fraud) is hit. When a financial instrument meets one of the following qualitative trigger, the bank transfers the instrument to stage 2:

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



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

Individual LECL for credit-impaired (stage 3) financial. If significant doubts arise regarding a client's ability to meet its contractual obligations and/or one of the default triggers is met. And;
12M ECL and LECL for (stage 1, 2 and 3) financial instruments are individually assessed for impairment losses. AACB has introduced new models to quantify the Probability of Loss (PL), Loss Given Loss (LGL) and Exposure at Loss (EAL) for calculating the individual 12M ECL and LECL for these financial assets.

The stage is determined per individual financial instrument. Due to the short term and nature of the exposures and the collateralized business model, a credit loss allowance is only calculated on the exposure related to Nostro accounts and debt securities at fair value through OCI and the 12M ECL and LECL are assumed to be equal.

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

Forward-looking information
For expected credit loss calculations, AACB uses three different scenarios of future economic developments: a baseline (or most likely) scenario, a negative scenario and

Change in credit quality since initial recognition

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

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a positive scenario. The three scenarios are incorporated into the expected credit loss calculation and risk stage determination in a probability-weighted manner (at 31 December 2019: baseline 60%, up 15%, down 25%). ABN AMRO has also aligned its forward-looking scenarios with those used in the budgeting process.

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

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

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

Non-performing versus default and impaired

For reporting purposes AACB distinguishes between performing and non-performing exposures. The criteria for non-performing exposures are broader than those applying to default.

Hong Kong visit.

An exposure is qualified as non-performing if it is:
- in default; or
- a performing forborne exposure in a probation period that was classified as non-performing at the time of the latest forbearance measure or as a consequence of entering the forbearance status and on which an additional forbearance measure is imposed; or
- a performing forborne exposure in a probation period that was classified as non-performing at the time of the latest forbearance measure or as a consequence of entering the forbearance status and becomes more than 30 days past due.

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

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

Cured financial assets

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

Write-off

When a loan is deemed no longer collectible, it is written off against the related loan loss allowance, specifically if:

- the likelihood of debt repayment falls below a certain point (e.g. in the event of bankruptcy or a cash flow shortfall); or
- the financial asset reaches a certain stage of delinquency (e.g. if agreed terms are no longer complied with or the borrower has left AACB).

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

Client clearing derivatives

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

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

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

Offsetting

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

Statement of cash flows

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

Levies and other regulatory charges

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

Overview of financial assets and liabilities by measurement base

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

(x EUR 1,000)					31 December 2018
	Amortised cost	Fair value through profit or loss - trading	Fair value through profit or loss - other	Fair value through other comprehensive income	Total
Financial Assets					
Cash and balances at central banks	50,596				50,596
Financial assets held for trading		34,429			34,429
Financial investments			211,662	173,063	384,725
Securities financing	6,363,318				6.363,318
Loans and advances banks	1,807,218				1.807,218
Corporate loans	7,251,185				7.251,185
Other loans and advances	5,563,534				5,563,534
Total financial assets	**21,035,851**	**34,429**	**211,662**	**173,063**	**21,455,005**
Financial Liabilities					
Financial liabilities held for trading		18,702			18,702
Securities financing	1,156,300				1,156,300
Due to banks	8,720,941				8,720,941
Due to customers	10,104,364				10,104,364
Issued debt	60				60
Total financial liabilities	**19,981,665**	**18,702**			**20,000,367**

Notes

Notes to the consolidated income statement

1. Net interest income and interest expense

Accounting policy for net interest income and interest expense

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

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

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

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

(x EUR 1,000)	2019	2018
Interest Income		
Of the interest income items the following amounts were related to:		
Interest income from ABN AMRO group companies	35,442	26,495
Interest income from third party customers/banks	471,227	450,289
Total interest income	**506,669**	**476,784**

The interest income of 2019 includes an amount of EUR 1,120 thousand (2018: EUR 948 thousand) concerning financial instruments that are at fair value through other comprehensive income. The remaining EUR 505,549 thousand (2018: EUR 475,836 thousand) relates to financial instruments carried at amortised cost. No interest income amounts relate to financial instruments measured at fair value through profit or loss.

(x EUR 1,000)	2019	2018
Interest Expense		
Of the interest expense items the following amounts were related to:		
Interest expense to ABN AMRO group companies	134,489	141,535
Interest expense to associates	3,946	3,193
Interest expense to third party customers/banks	178,195	162,171
Total interest expense	**316,630**	**306,899**

All interest expense amounts in 2019 and 2018, relate to financial instruments carried at amortised cost. No interest expense amounts relate to financial instruments measured at fair value through profit or loss.

Net interest income	**190,039**	**169,885**

2. Net fee and commission income

Accounting policy for net fee and commission income

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

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

(x EUR 1,000)	2019	2018
The components of net fee and commission income are:		
Net fees and commissions related to payment services	-2,611	-2,680
Net fees and commissions related to securities and derivatives	242,174	250,803
Other net fees and commissions	-193	1,984
Total net fee and commission income	**239,370**	**250,107**
Of the net fees and commissions item, the following amounts were with:		
Net fee and commission with ABN AMRO group companies	1,902	2,535
Net fee and commission with associates	-1,789	824
Net fee and commission with third party customers/banks	239,257	246,748
Total net fee and commission income	**239,370**	**250,107**

All fee and commission amounts in 2019 and 2018 relate to financial instruments carried at amortised cost and fair value through profit or loss.

During the second half of 2019, AACB reassessed the presentation of pass-through fees relating to clearing activities. This resulted in a restatement of fee and commission income and expense of 995 million as at 31 December 2018. Please refer to the accounting policies.

3. Net trading income

Accounting policy for net trading income

In accordance with IFRS 9, trading positions are held at fair value, and net trading income includes gains and losses arising from changes in the fair value of financial assets and liabilities. The latter comprises trading financial assets and liabilities, interest income and expenses related to trading financial assets and liabilities.

(x EUR 1,000)	2019	2018
Foreign exchange transaction results	**147**	**-109**

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

4. Share of result in equity accounted investments

(x EUR 1,000)	2019	2018
Total realised result on equity accounted investments	**-224**	**22**

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

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5. Other operating income

Accounting policy for other operating income

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

(x EUR 1,000)	2019	2018
Dividend	5,550	2,140
Realised gain on financial transactions *	4,903	7,855
Other **	7,169	5,508
Total other operating income	**17,622**	**15,503**

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

6. Personnel expenses

Accounting policy for personnel expenses

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

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

(x EUR 1,000)	2019	2018
Personnel expenses are specified as follows:		
Salaries and wages	89,556	86,234
Social security charges	10,663	10,453
Pension expenses	12,453	11,510
Other	6,482	6,200
Total personnel expenses	**119,154**	**114,397**

On a monthly basis the personnel expenses (including pension costs), concerning the employees of the Netherlands, are accrued and aligned with ABN AMRO. On a quarterly basis the payable amounts are settled. In 2019 this amount was EUR 51,113 thousand (2018: EUR 52,758 thousand).

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

The Dutch defined contribution plan is a Collective Defined Contribution (CDC) plan, based on an average salary plan. The normal retirement age is set at 68 years. The contribution payable by pension fund participants is 5.5% (2018: 5.5%).

For the disclosure of the remuneration of the Management Board and Supervisory Board members, refer to the note 34 on related parties.

	2019	2018
The average number of FTEs:		
Netherlands *	319	324
United Kingdom	90	95
Germany *	22	22
Belgium *	1	1
France *	1	3
Singapore	48	48
Japan	17	16
Australia	54	51
Hong Kong	21	20
United States	199	196
Brazil *	9	7
Total	**781**	**783**

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

7. General and administrative expenses

Accounting policy general and administrative expenses

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

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

(x EUR 1,000)	2019	2018
General and administrative expenses can be broken down as follows:		
Agency staff, contractors and consultancy costs	45,165	46,096
Financial statement audit fees	1,306	1,319
Audit related fees	66	107
Staff related costs	3,694	4,652
Information technology costs	51,130	49,145
Housing	1,702	4,864
Post, telephone and transport	893	819
Marketing and public relations costs	786	837
Recharges from ABN AMRO group companies	46,843	44,236
Dutch banking tax	9,680	10,770
Other	11,525	8,538
Total general and administrative expenses	**172,790**	**171,383**

* Audit related fees consists of fees paid for the audit of financial statements and other assurance engagements. No non-assurance services were provided to AACB by its auditors in 2019 and 2018.

8. Depreciation and amortisation of (in)tangible assets

The accounting policy for depreciation and amortisation is described in notes 21 and 22.

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

(x EUR 1,000)	2019	2018
Leasehold improvements – depreciation	776	656
Equipment – depreciation	265	264
IT equipment – depreciation	1,373	2,113
Purchased software – amortisation	1,060	902
Internal software – amortisation	5	
Right of use assets – depreciation	4,441	
Depreciation and amortisation expenses	**7,920**	**3,935**
Equipment – depreciation rebilled by ABN AMRO group companies	13	15
IT equipment – depreciation rebilled by ABN AMRO group companies	323	172
Purchased software – amortisation rebilled by ABN AMRO group companies	469	424
Right of use assets – depreciation rebilled by ABN AMRO group companies	188	
Total depreciation and amortisation expenses	**8,913**	**4,546**

9. Impairment charges on loans and other receivables

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

(x EUR 1,000)	2019	2018
Stage 1 – twelve month expected credit loss	1	-77
Stage 2 – lifetime expected credit loss		
Stage 3 – lifetime expected credit loss	-121*	-4,309
Total impairment charges on loans and other receivables	**-120**	**-4,386**

* The impairment charges in stage 3 are related to the top up of the Default Fund contribution of AACB at Nasdaq Clearing AB (EUR 4,424 thousand) and a recovery of a previously impaired loan (EUR -8,733 thousand) in 2018. The 2019 amount is a recovery of EUR 121 thousand of the Nasdaq Clearing AB Default Fund contribution.

10. Income tax expenses

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

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

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

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

(x EUR 1,000)	2019	2018
The details of the current and deferred income tax expense are presented below:		
Current tax	35,880	33,777
Deferred tax	-1,253	-3,238
Total income tax expenses	**34,627**	**30,539**

The table below shows a reconciliation between the expected income tax expense and the actual income tax expense. The expected income tax expense has been calculated by multiplying the profit before tax to the weighted average rate from branches and subsidiaries.

Profit before taxation	146,217	149,468
Weighted applicable tax rate	23.04%	23.61%
Expected income tax expense	**33,695**	**35,293**
Change in taxes resulting from:		
Tax exemptions	1,736	2,393
Adjustments for tax of prior periods	87	-5,549
Change in tax rate	-4	-86
Other	-887	-1,512
Actual income tax expenses	**34,627**	**30,539**

Effective tax rate	**23.68%**	**20.43%**

See also tax note 24 in the notes to the consolidated statement of financial position.

Country by country reporting 2019

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

Country	Principal subsidiary	Total Operating Income (x EUR 1,000)	Average number of FTEs	Profit/(loss) before taxation (x EUR 1,000)	Income tax expense (x EUR 1,000)	Profit (loss) for the year (x EUR 1,000)
Netherlands	ABN AMRO Clearing Bank N.V.	201,287	319	10,147	6,534	3,613
International activities						
Great Britain	ABN AMRO Clearing Bank London Branch	2,228	90	4,787	473	4,313
United States	ABN AMRO Clearing Chicago LLC	146,017	199	76,751	21,361	55,391
Singapore	ABN AMRO Clearing Bank Singapore Branch	33,783	48	19,430	2,632	16,798
Japan	ABN AMRO Clearing Tokyo Co Ltd	13,039	17	2,580	723	1,857
Hong Kong	ABN AMRO Clearing Hong Kong Ltd	38,057	21	29,253	2,056	27,197
Australia	ABN AMRO Clearing Sydney Pty Ltd	12,543	53	3,269	848	2,421
Other			34			
Total		**446,954**	**781**	**146,217**	**34,627**	**111,590**

Country by country reporting 2018

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

Country	Principal subsidiary	Total Operating Income (x EUR 1,000)	Average number of FTEs	Profit/(loss) before taxation (x EUR 1,000)	Income tax expense (x EUR 1,000)	Profit (loss) for the year (x EUR 1,000)
Netherlands	ABN AMRO Clearing Bank N.V.	189,155	324	-3,388	-2,489	-899*
International activities						
Great Britain	ABN AMRO Clearing Bank London Branch	6,284	95	9,185	1,190	7,995
United States	ABN AMRO Clearing Chicago LLC	143,997	196	88,888	23,587	65,301
Singapore	ABN AMRO Clearing Bank Singapore Branch	30,408	48	16,846	2,040	14,806
Japan	ABN AMRO Clearing Tokyo Co Ltd	15,770	16	6,224	1,195	5,029
Hong Kong	ABN AMRO Clearing Hong Kong Ltd	35,589	20	26,496	3,457	23,039
Australia	ABN AMRO Clearing Sydney Pty Ltd	14,205	51	5,217	1,559	3,658
Other			33			
Total		**435,408**	**783**	**149,468**	**30,539**	**118,929**

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

Notes to the consolidated statement of financial position

Assets

11. Cash and balances at central banks

Accounting policy for cash and balances at central banks
Cash and balances at central banks are held at amortised cost. This item includes cash on hand and available demand balances with central banks. Mandatory reserve deposits are disclosed in note 16, loans and receivables - banks.

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

(x EUR 1,000)	31 December 2019	31 December 2018
Total cash and balances at central banks	**5,110**	**50,596**

12. Financial assets and liabilities held for trading

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

Financial assets held for trading

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

(x EUR 1,000)	31 December 2019	31 December 2018
The trading assets consists of the following financial instruments:		
Contract for differences (CFDs)	9	16,120
Equity instruments held for trading*	5,724	18,309
Total financial assets held for trading	**5,733**	**34,429**

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

Financial liabilities held for trading

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

(x EUR 1,000)	31 December 2019	31 December 2018
The financial liabilities held for trading consist of the following:		
Contract for differences (CFDs)	68	14,681
Equity instruments held for trading*	183	4,021
Total financial liabilities held for trading	**251**	**18,702**

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

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13. Financial investments

Accounting policy for financial investments

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

Accounting policy for instruments at fair value through other comprehensive income

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

Accounting policy for instruments at fair value through profit and loss

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

Critical accounting estimates and judgements

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

See also Note 14 for the accounting policy relating to the fair value of financial instruments for more information about the measurement of financial investments.

(x EUR 1,000)	2019	2018
Debt securities held at fair value through other comprehensive income	295,631	173,063
Held at fair value through profit or loss	220,857	211,662
Total financial investments	**516,488**	**384,725**

(x EUR 1,000)	2019	2018
Movements in the financial investments were as follows:		
Opening balance as at 1 January	**384,725**	**390,321**
Sales to third parties		-29,378
Additions	118,458	6
Impairments		
Gross revaluation to equity	-1	-11
Gross revaluation to income	10,452	10,025
Dividends received	-5,536	-2,140
Exchange rate differences	8,390	15,902
Closing balance as at 31 December	**516,488**	**384,725**

(x EUR 1,000)	2019	2018
Interest-earning securities:		
United States	236,168	121,974
European Union	59,463	51,089
Non-financial institutions	178,257	174,490
Subtotal	**473,888**	**347,553**
Equity instruments	42,600	37,172
Closing balance as at 31 December	**516,488**	**384,725**

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

(x EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 january 2019	173,063			173,063
Change in carrying amount due to purchase and repayment (excluding write offs)	118,387			118,387
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	4,181			4,181
At 31 December 2019	**295,631**			**295,631**

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

(x EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 january 2018	194,985			194,985
Change in carrying amount due to purchase and repayment (excluding write offs)	-29,383			-29,383
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	7,461			7,461
At 31 December 2018	**173,063**			**173,063**

14. Fair value of financial instruments carried at fair value

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

Accounting policy for fair value of financial instruments

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

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

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

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

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

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

Valuation techniques

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

Derivatives

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

Government debt securities

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

Equity instruments

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

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

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

At 31 December 2019

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

(x EUR 1,000)

At 31 December 2018

	Quoted prices in active market	Valuation technique observable market data	Valuation technique unobservable market data	Total
Financial assets held for trading	18,309	16,120		34,429
Financial investments	367,644		17,081	384,725
Total financial assets	**385,953**	**16,120**	**17,081**	**419,154**
Financial liabilities held for trading	4,021	14,681		18,702
Total financial liabilities	**4,021**	**14,681**		**18,702**

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

Transfers between levels 1 and 2

There were no material transfers between levels 1 and 2.

Transfers from levels 1 and 2 into 3

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

Movements in level 3 financial instruments measured at fair value

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

(x EUR 1,000)

	Financial investments
Balance at 1 January 2018	**12,108**
Dividends	-960
Gains/(losses) recorded in profit and loss	6,119
Unrealised gains/(losses)	-186
Balance at 31 December 2018	**17,081**
Dividends	-5,450
Gains/(losses) recorded in profit and loss	6,717
Unrealised gains/(losses)	185
Other movements	8,650
Balance at 31 December 2019	**27,182**

15. Securities financing

Accounting policy for securities financing

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

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

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

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

(x EUR 1,000)	31 December 2019	31 December 2018
Assets		
Reverse repurchase agreements	935,109	1,214,942
Securities borrowing transactions	5,113,362	4,304,214
Transactions related to securities *	1,141,802	844,162
Total securities financing	**7,190,273**	**6,363,318**
Liabilities		
Securities lending transactions	561,381	461,528
Transactions related to securities **	477,809	694,772
Total securities financing	**1,039,190**	**1,156,300**

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

Of the securities financing the following counterparties were involved:

(x EUR 1,000)	31 December 2019	31 December 2018
Assets		
ABN AMRO group companies	1,417,439	233,421
Banks	1,746,397	3,068,294
Customers	4,026,437	3,061,603
Total securities financing	**7,190,273**	**6,363,318**
Liabilities		
Banks	574,222	475,455
Customers	464,968	680,845
Total securities financing	**1,039,190**	**1,156,300**

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

(x EUR 1,000)

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

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

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 january 2018	4,226,433			4,226,433
Change in carrying amount due to origination, repayment and other movements	2,014,983			2,014,983
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	121,902			121,902
At 31 December 2018	**6,363,318**			**6,363,318**

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

16. Loans and advances banks

The accounting policy for loans and advances

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

Impairment losses on loans and advances

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

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

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

As at 31 December 2019, no amount has a maturity of more than 12 months (2018: nil).

(x EUR 1,000)	31 December 2019	31 December 2018
Loans and advances - banks consists of the following:		
Demand receivables	823,606	1,805,872
Interest bearing deposits	951	345
Mandatory reserve deposits with central banks	1,147	1,159
Less: loan impairment allowance	-160	-158
Net loans and advances - banks	**825,544**	**1,807,218**

None of the amounts in the loans and advances - banks items were subordinated in 2019 or 2018.

(x EUR 1,000)	31 December 2019	31 December 2018
Of the loans and advances - banks item the following amounts were due from:		
ABN AMRO group companies	696,669	1,243,301
Third parties	128,875	563,917
Total loans and advances - banks	**825,544**	**1,807,218**

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

(x EUR 1,000)

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

(x EUR 1,000)

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

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 january 2018	1,447,203			1,447,203
Change in carrying amount due to origination and repayment (excluding write offs)	347,237			347,237
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments	12,778			12,778
At 31 December 2018	**1,807,218**			**1,807,218**

(x EUR 1,000)

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

17. Loans and advances customers

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

As at 31 December 2019, EUR 1,369 thousand has a maturity of more than 3 months but less than one year (2018: EUR 7,957 thousand).

(x EUR 1,000)	31 December 2019	31 December 2018
Loans and advances customers consists of the following:		
Corporate loans, gross	6,831,804	7,251,185
Less: loan impairment allowances - corporate loans		
Corporate loans	**6,831,804**	**7,251,185**
Government and official institutions	3,422	2,563
Receivables from Central Counter Parties	4,924,991	5,565,396
Less: loan impairment allowances - other	-4,303	-4,424
Other loans and advances	**4,924,110**	**5,563,534**
Loans and advances customers	**11,755,914**	**12,814,719**

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

(x EUR 1,000)	31 December 2019	31 December 2018
Of the loans and advances customers item, the following amounts were due from:		
ABN AMRO group companies	82	82
Third parties	11,755,832	12,814,637
Loans and advances customers	**11,755,914**	**12,814,719**

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

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 january 2019	7,251,142	43		7,251,186
Change in carrying amount due to origination and repayment (excluding write offs)	-486,591			-486,591
Transfers to Stage 1	75	-75		0
Transfers to Stage 2	-17,948	-17,948		0
Transfers to Stage 3				
Amounts written off				-14.721
Foreign exchange adjustments	67,159	51		67,210
At 31 December 2019	**6,813,837**	**17,967**		**6,831,804**

The ECL for 2019 is nil.

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 january 2018	11,674,215	13,218	23,454	11,710,888
Change in carrying amount due to origination and repayment (excluding write offs)	-4,771,142	-13,708	-8,733	-4,793,583
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off			-14,721	-14,721
Foreign exchange adjustments	348,069	533		348,602
At 31 December 2018	**7,251,142**	**43**	**0**	**7,251,185**

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 january 2018			-23,454	-23,454
New assets originated or purchased				
Assets derecognised or repaid (excluding write offs)			8,733	8,733
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off			14,721	14,721
Foreign exchange adjustments				
At 31 December 2018			**0**	**0**

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

(x EUR 1,000)

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

(x EUR 1,000)

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

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 january 2018	5,726,306			5,726,306
Change in carrying amount due to origination and repayment (excluding write offs)	-239,420		-2,000	-241,420
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3	-6,424		6,424	0
Amounts written off				
Foreign exchange adjustments	78,648			78,648
At 31 December 2018	**5,559,110**		**4,424**	**5,563,534**

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 january 2018				
New assets originated or purchased				
Assets derecognised or repaid (excluding write offs)			2,000	2,000
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3			-6,424	-6,424
Amounts written off				
Foreign exchange adjustments				
At 31 December 2018			**-4,424**	**-4,424**

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

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

Valuation methodologies

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

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

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

(x EUR 1,000) **2019**

At 31 December 2019	Carrying Value	Quoted prices in active market	Valuation technique observable market data	Valuation technique unobservable market data	Total fair value
Cash and balances at central banks	5,110	5,110			5,110
Securities financing	7,190,273		7,190,273		7,190,273
Loans and advances - banks	825,544		825,544		825,544
Corporate loans	6,831,804		6,830,435	1,369	6,831,804
Other loans and advances customers	4,924,110		4,924,110		4,924,110
Total financial assets	**19,776,841**	**5,110**	**19,770,362**	**1,369**	**19,776,841**
Securities financing	1,039,190		1,039,190		1,039,190
Due to banks	9,673,374		6,771,824	2,901,550	9,673,374
Due to customers	8,072,981		8,044,100	28,881	8,072,981
Issued debt	60		60		60
Total financial liabilities	**18,785,605**		**15,855,174**	**2,930,431**	**18,785,605**

(x EUR 1,000) 2018

At 31 December 2018	Carrying Value	Quoted prices in active market	Valuation technique observable market data	Valuation technique unobservable market data	Total fair value
Cash and balances at central banks	50,596	50,596			50,596
Securities financing	6,363,318		6,363,318		6,363,318
Loans and advances - banks	1,807,218		1,807,218		1,807,218
Corporate loans	7,251,185		7,251,185		7,251,185
Other loans and advances customers	5,563,534		5,563,534		5,563,534
Total financial assets	**21,035,851**	**50,596**	**20,985,255**		**21,035,851**
Securities financing	1,156,300		1,156,300		1,156,300
Due to banks	8,720,941		6,545,019	2,175,922	8,720,941
Due to customers	10,104,364		10,104,364		10,104,364
Issued debt	60		60		60
Total financial liabilities	**19,981,665**		**17,805,743**	**2,175,922**	**19,981,665**

19. Group structure

Accounting policy for business combinations

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

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

There were no acquisitions or divestments during 2019 and 2018.

Accounting policy for subsidiaries

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

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

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

Accounting policy for associates and joint ventures

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

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

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

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

Restrictions on assets

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

20. Equity accounted investments

Accounting policy for equity accounted investments

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

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

Refer to note 19 for more accounting policies on equity accounted investments.

(x EUR 1,000)	31 December 2019	31 December 2018
Equity accounted investments consist of the following:		
EuroCCP		8,931
ABN AMRO Investments USA LLC	281	279
Total equity accounted investments	**281**	**9,210**

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.

Mid December 2016, AACB completed the sale of 5% of the shares of EuroCCP, thereby reducing the stake of AACB in EuroCCP to 20%.
In December 2019, the share in EuroCCP is reclassified to assets held for sale. On reclassification, an impairment loss of EUR 867 thousand is reported and EUR 16 thousand is reclassified from other comprehensive income to the income statement.The shares will be sold in the first half of 2020 to Cboe Global Markets. See note 23.

The shares of EuroCCP are not quoted on any market. There are five shareholders each holding 20% of the shares. The company's supervisory board consists of 7 supervisory board members (a representative from four shareholder and three independent members).

ABN AMRO Investments USA LLC (AAIU)

On 13 January 2016, ABN AMRO Bank N.V. (AAB) and ABN AMRO Clearing Chicago LLC (AACC), a wholly owned subsidiary of ABN AMRO Clearing Bank N.V. (AACB), each acquired 50% of the investment in AAIU. The two entities together have joint control over AAIU and its relevant activities as a Digital Asset House incorporated in the State of Delaware, the United States of America. The shareholding has not changed in the 2017 financial year.

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

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

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

(x EUR 1,000)	31 December 2019		31 December 2018	
	Associates	Joint ventures	Associates	Joint ventures
Cash and cash equivalents			566,267	
Financial investments		492		482
Loans and receivables			39,106	
Property and equipment			892	
Intangible assets			373	
Other assets		95	8,601	92
Total assets		**587**	**615,239**	**574**
Due to banks			326,731	
Due to customers			234,232	
Accrued interest, expenses and other liabilities		26	9,621	16
Total liabilities		**26**	**570,584**	**16**
Total Equity		561	44,655	558
Net revenue			21,248	-564
Expenses		9	18,985	
Gains/Losses equity instruments (FVTPL)				-13
Other comprehensive income / expenses			-3	
Tax expenses			985	-136
Total comprehensive income		**-9**	**1,275**	**-441**

(x EUR 1,000)	31 December 2019		31 December 2018	
	Associates	Joint ventures	Associates	Joint ventures
Equity accounted investment		**281**	**8,931**	**279**

21. Property and equipment

Accounting policy for property and equipment and leases

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

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

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

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

(x EUR 1,000)	31 December 2019	31 December 2018
Total property and equipment	**24,915**	**9,348**

The table below shows the categories of property and equipment at 31 December 2019 against net book value.

2019

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

2018

	Leasehold improvements	IT equipment	Other property and equipment	Right of use assets	Total
Acquisition costs as at 1 January 2018	**10,605**	**48,609**	**2,099**		**61,313**
Additions	99	1,015	103		1,217
Disposals	-441	-7,359	-578		-8,378
Losses on disposals		-36			-36
Foreign exchange differences	372	821	1		1,194
Acquisition costs as at 31 December 2018	**10,635**	**43,050**	**1,625**		**55,310**
Accumulated depreciation as at 1 January 2018	**-5,709**	**-43,560**	**-1,012**		**-50,281**
Depreciation expense	-656	-2,113	-264		-3,033
Disposals	441	7,225	578		8,244
Foreign exchange differences	-241	-657	6		-892
Accumulated depreciation as at 31 December 2018	**-6,165**	**-39,105**	**-692**		**-45,962**
Property and equipment as at 31 December 2018	**4,470**	**3,945**	**933**		**9,348**

No impairments to property and equipment have been recorded in 2019 or 2018.

Leasing

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

(x EUR 1,000)	2019	2018
Where AACB is the lessee, the future minimum lease payments under IFRS 16 are as follows:		
Within 3 months	998	
More than 3 months but within 1 year	1,716	
More than 1 year but within 5 years	7,428	
More than 5 years	11,641	
Total operating lease agreements	**21,783**	

22. Intangible assets

Accounting policy for intangible assets

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

(x EUR 1,000)	2019	2018
Acquisition costs as at 1 January	**18,610**	**19,457**
Additions	764	58
Disposals	-2,412	-1,423
Transfer	35	
Foreign exchange differences	556	518
Acquisition costs as at 31 December	**17,553**	**18,610**
Accumulated amortisation 1 January	**-17,504**	**-17,560**
Amortisation expense	-1,065	-902
Disposals	2,412	1,422
Transfer		
Foreign exchange differences	-531	-464
Accumulated amortisation as at 31 December	**-16,688**	**-17,504**
Total intangible assets as at 31 December	**865**	**1,106**

No impairments to intangible assets have been recorded in 2019 or 2018.

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23. Assets held for sale

Accounting policy for Assets held for sale

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

(x EUR 1,000)	31 December 2019	31 December 2018
Assets		
Other Assets	8,650	
Total assets held for sale	**8,650**	

In Decemer 2019, the share in EuroCCP is reclassified from equity accounted investment to assets held for sale. The fair value is determined by using the selling price minus selling costs. See note 20.

24. Tax assets and liabilities

Accounting policy for tax assets and liabilities

AACB applies IAS 12 Income Taxes in accounting for taxes on income. Deferred tax is recognised for qualifying temporary differences. Temporary differences represent the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts utilised for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.
A deferred tax asset is recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect accounting profit or taxable profit.

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

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

(x EUR 1,000)	31 December 2019	31 December 2018
Total current tax assets	**5,347**	**6,538**
The deferred tax assets can be categorised into:		
Net investment hedge	9,241	8,730
Property and equipment	1,152	1,150
Financial investments	5	5
Deferred income, accrued expenses and other	3,521	3,152
Total deferred tax assets	**15,329**	**13,037**
Of the deferred tax assets as per 2019 an amount of EUR 4,673 thousand is recorded through the income statement and an amount of EUR 9,246 thousand is recorded through equity.		
Total tax assets	**20,676**	**19,575**

(x EUR 1,000)

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

(x EUR 1,000)

	As at 1 January 2018	Income statement	Equity	Other	As at 31 December 2018
Deferred tax assets					
Financial Investments	5				5
Net investment hedges - forex contracts	10,662		-1,917	-15	8,730
Loans and advances	50*	-9			41
Deferred income, accrued expenses and other	1,646	245		1,220	3,111
Property and equipment	857	283		10	1,150
Total deferred tax assets	**13,220**	**519**	**-1,917**	**1,215**	**13,037**

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

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

(x EUR 1,000)	31 December 2019	31 December 2018
Total current tax liabilities	**18,684**	**14,761**
The deferred tax liabilities can be categorised into:		
Property and equipment	858	608
Financial investments	3,944	3,750
Other	-25	
Total deferred tax liabilities	**4,777**	**4,358**
Total tax liabilities	**23,462**	**19,119**

(x EUR 1,000)

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

(x EUR 1,000)

	As at 1 January 2018	Income statement	Equity	Other	As at 31 December 2018
Deferred tax liabilities					
Financial Investments	1,846	1,904			3,750
Property and equipment	1,543	-997		62	608
Corporate loans at amortised cost	3,626	-3,626			
Total deferred tax liabilities	**7,015**	**-2,719**		**62**	**4,358**

25. Other assets

(x EUR 1,000)	31 December 2019	31 December 2018
The table below shows the components of other assets at 31 December:		
Related to securities transactions*	45,826	18,303
Accrued other income	3,592	3,467
Prepayments	5,706	4,835
VAT and other tax receivable	4,438	2,884
Other	1,033	5,238
Total other assets	**60,596**	**34,727**

* These include transitory amounts related to securities transactions.

Liabilities

26. Due to banks

Accounting policy for due to banks and due to customers

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

(x EUR 1,000)	31 December 2019	31 December 2018
The table below shows the components of due to banks:		
Demand deposits	1,367,606	918,387
Time deposits	8,305,768	7,802,554
Total due to banks	9,673,374	8,720,941
Of the due to banks item the following amounts were with:		
Demand deposits due to banks ABN AMRO group companies	631,104	277,151
Time deposits due to banks ABN AMRO group companies	8,305,762	7,798,586
Total ABN AMRO group companies	8,936,866	8,075,737
Demand deposits due to third party banks	736,502	641,236
Time deposits due to third party banks	6	3,968
Total third party banks	736,508	645,204
Total due to banks	**9,673,374**	**8,720,941**

As at 31 December 2019, an amount of EUR 2,902 million has a maturity of more than 3 months but less than one year (2018: EUR 2,176 million).

27. Due to customers

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

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

(x EUR 1,000)	31 December 2019	31 December 2018
The table below shows the components of due to customers:		
Demand deposits	6,727,394	8,142,080
Time deposits	1,345,586	1,962,284
Total due to customers	**8,072,981**	**10,104,364**
The due to customers item can be split between ABN AMRO group companies customers and third party customers as follows:		
Demand deposits due to customers ABN AMRO group companies	74,364	108,361
Total ABN AMRO group companies	**74,364**	**108,361**
Demand deposits due to customers third party	6,653,030	8,033,719
Time deposits due to customers third party	1,345,586	1,962,284
Total third party customers	**7,998,617**	**9,996,003**
Closing balance as at 31 December	**8,072,981**	**10,104,364**

As at 31 December 2019, an amount of EUR 28,881 thousand has a maturity of more than 3 months but less than one year (2018: EUR 32,991 thousand).

28. Issued debt

Accounting policy for issued debt

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

This debt was issued on 14 August 2017 for regulatory reasons and has a duration of three years.

(x EUR 1,000)	31 December 2019	31 December 2018
The issued debt consists of the following:		
Bonds and notes issued	60	60
Total issued debt	**60**	**60**

29. Provisions

Accounting policy for provisions

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

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

(x EUR 1,000)	31 December 2019	31 December 2018
Total provisions	**2,096**	**2,555**

The provision amount mainly relates to a restructuring provision. On the basis of information currently available, AACB determines with reasonable certainty that the full amount represents the expected cash outflow of the provisions for the 2019 financial year.

(x EUR 1,000)	31 December 2019	31 December 2018
Opening balance as at 1 January	2,555	5,898
Additions	2,096	585
Used	-471	-2,791
Unused amounts reversed	-2,084	-1,137
Closing balance as at 31 December	**2,096**	**2,555**

30. Other liabilities

(x EUR 1,000)	31 December 2019	31 December 2018
The table below shows the components of other liabilities at 31 December:		
Related to securities transactions*	110,809	166,859
Accounts payable	12,664	13,398
VAT and other tax payable	281	578
Rebilling cost by ABN AMRO group companies	49,399	48,186
Accrued expenses	6,398	13,604
Other	34,401	25,093
Lease liabilities	21,783	
Total other liabilities	**235,736**	**267,718**

* These include transitory amounts related to securities transactions.

31. Equity attributable to owner of the company

Accounting policy for equity

Share capital and other components of equity

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

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

Defined benefit obligation (DBO) of post employment plans reserve
The DBO reserve comprises the actuarial remeasurements of the defined benefit obligation within the equity accounted associate.

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

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

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

The issued and paid-up share capital of AACB did not change in the 2019 financial year. Authorised share capital amounts to EUR 50,000,000 distributed over 50,000 shares each having a par value of EUR 1,000. Of this authorised share capital, 15,000 shares have been issued at a par value of EUR 1,000. At year-end 2019, all shares were held by ABN AMRO.

(x EUR 1,000)	31 December 2019	31 December 2018
Share capital	15,000	15,000
Share premium	55,363	55,363
Other reserves (incl. retained earnings/profit for the period)	1,240,274	1,128,704
Other comprehensive income	57,256	40,145
Equity attributable to owner of the company	**1,367,893**	**1,239,212**

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 2019	31 December 2018
Gross fair value reserve	-46	-44
Related tax	6	6
Fair value reserve	-40	-38
Gross remeasurement of net DBO on post employment plans		-19
Remeasurement of net DBO on post employment plans		-19
Gross currency translation reserve	106,582	90,071
Related Tax	192	121
Currency translation reserve	106,774	90,192
Gross net investment hedge reserve	-64,229	-64,229
Related tax	14,751	14,239
Net investment hedge reserve	-49,478	-49,990
Total other comprehensive income	**57,256**	**40,145**

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

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

The tax on revaluation reserve can be split in two categories. From the total amount of EUR 14.7 million an amount of EUR 9.2 million is related to the deferred tax asset of the NIH (see note 24). The remaining amount of EUR 5.5 million is related to the changes in the NIH up to and including 2009. Until that year the tax amount of the NIH was already settled with the tax authorities.

(x EUR 1,000)	2019	2018
Unrealised gains as at 1 January	40,145	6,1858*
Unrealised gains during the year	17	-15
Unrealised currency translation differences	16,583	35,893
Related tax	512	-1,918
Other comprehensive income as at 31 December	**57,257**	**40,145**

* As a result of the adoption of IFRS 9, an amount of EUR 10,538 thousand is transferred from other comprehensive income to retained earnings.

32. Commitments and contingent liabilities

Accounting policy for commitments and contingent liabilities

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

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

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

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

(x EUR 1,000)	31 December 2019	31 December 2018
The committed credit facilities consist of the following:		
Total committed credit facilities	**169,358**	**356,290**
The guarantees and other commitments consist of the following:		
Guarantees	11,420	11,395
Irrevocable payment commitment	3,422	2,563
Total guarantees and other commitments	**14,842**	**13,958**
The guarantees have been given to third parties and are divided as follows:		
Guarantees given to exchanges	11,420	11,395
Total Guarantees	**11,420**	**11,395**
Other commitments arising from securities borrowing consists partly of related parties. Most of these securities are borrowed from the parent company.		
Total guarantees and other commitments	**14,842**	**13,958**

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

(x EUR 1,000) — 31 December 2019

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

(x EUR 1,000) — 31 December 2018

	Less than one year	Between one and three years	Between three and five years	After five years	Total
Guarantees given to exchanges				11,395	11,395
Total Guarantees				**11,395**	**11,395**

Other contingencies

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

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

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 january 2018	370,248			370,248
Change in carrying amount due to origination and repayment (excluding write offs)	-220,890			-220,890
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments				
At 31 December 2018	**169,358**			**169,358**

(x EUR 1,000)

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 january 2018	404,814			404,814
Change in carrying amount due to origination and repayment (excluding write offs)	-34,566			-34,566
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
Amounts written off				
Foreign exchange adjustments				
At 31 December 2018	**370,248**			**370,248**

33. Pledged and encumbered assets

Accounting policy for pledged, encumbered and restricted assets

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

In principle, pledged assets are encumbered assets.

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

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

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

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

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

(x EUR 1,000)	31 December 2019	31 December 2018
Assets pledged:		
Securities financing assets	6,048,471	5,519,156
Financial assets held for trading	5,733	34,429
Loans and advances banks	160,625	274,066
Other loans and advances customers	4,924,110	5,563,534
Total assets pledged as security	**11,138,939**	**11,391,185**

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

34. Related parties

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

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

Labour contract employees Amsterdam
Every employee of AACB in the Netherlands has a labour contract with ABN AMRO. The total salary costs including pensions and social security charges in 2019 was EUR 51.11 million (2018: EUR 52.76 million). The salary costs are paid by ABN AMRO and rebilled to AACB.

Balances with related parties

(x EUR 1,000)

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

	Associates	Parent	Other related parties
For the period ending 31 December 2018			
Assets	344,629	1,406,295	116,482
Liabilities	56,555	8,099,519	134,080
Irrevocable facilities	68,823		
Collateral received	195,569	419,823	73,199
2018			
Income received	2,509	18,559	10,629
Expenses paid	6,554	298,790	2,773

The transactions with associates consist of transactions with European Central Counterparty NV.
There were no transactions between AACB and the joint venture, ABN AMRO Investments USA LLC during 2018 or 2019

Remuneration of the Management Board
The remuneration of the Management Board members, which consists of 4 FTEs (2018: 4 FTEs) is stated in the table below. The remuneration of the Supervisory Board members in 2019 was nil (2018: nil).

(x EUR 1,000)

	Base salary	Total pension related contributions	Total
Total in 2019	1,345	380	1,725
Total in 2018	1,270	352	1,622

35. Cash flow statement

Accounting policy for cash flow statement

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

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

(x EUR 1,000)	31 December 2019	31 December 2018
Cash and balances at central banks	5,110	50,596
Loans and advances banks*	772,906	1,127,415
Total cash and cash equivalents	**778,016**	**1,178,011**

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

36. Share-based payment

Accounting policy for share-based payment

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

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

The carrying amount of the liability relating to the non-cash award at 31 December 2019 was EUR 328 thousand (2018: nil).

The expense recognised for the variable compensation plan during 2019 is EUR 293 thousand. The 2019 IFRS 2 expense includes the costs for 2016, 2017 and 2018 because the non-cash variable compensation for these years became a share-based payment plan, as defined by IFRS, when the Supervisory Board approved the variable compensation plan in the first quarter of 2019. The IAS 19 Employee benefit liability recorded to that date was released to the income statement. Consequently there was no significant impact on employee costs in 2019. There were no cancellations or modifications to the awards in 2018 or 2017.

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

						31 December 2019
(number of DRs)	Up to one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Total
Number of granted DRs by vesting period	5,273	6,811	2,426	2,426	1,253	18,189

37. Post-balance sheet date events

As a result of the unprecedented volumes and volatility in financial markets following the outbreak of COVID-19, ABN AMRO Clearing recorded a large loss for one of its US clients. This client had a specific strategy, trading US options and futures, and failed to meet the minimum risk and margin requirements following extreme stress and dislocations in US markets. To prevent further losses, ABN AMRO Clearing decided to close-out the positions of this client. Mainly due to this loss, ABN AMRO Clearing reported as per Q1 2020 total impairment charges of EUR 235 million before taxation. Although this loss is caused by an extraordinary combination of events and unlikely to happen again, analyses are ongoing to identify potential measures and controls to prevent future losses similar in size and circumstances.

Legal procedures

In February 2019, ABN AMRO Clearing Bank N.V. (AACB) and its subsidiaries were served with a complaint (the "Proshares Complaint") filed in the U.S. District Court for the Southern District of New York (SDNY) in which Plaintiffs sued Proshares Trust II and its related parties (the "Trust"), along with approximately 21 other financial institutions, including AACB, that acted as authorised participants for the creation and redemption of shares in various exchange-traded funds issued by the Trust.
With respect to the authorised participants, the Plaintiffs alleged that the authorised participants, including AACB, violated §11 of the Securities Act of 1933, because the Plaintiffs believe that the registration statement filed by the Trust was false and misleading, and omitted various material facts. The Plaintiffs further alleged that the authorised participants, including AACB, were responsible for the content and dissemination of the registration statement filed by the Trust, and that none of the authorised participants made a reasonable investigation into the statements contained in the registration statement. On 3 January 2020, the SDNY dismissed the complaint. However, on 31 January 2020, the Plaintiffs filed a notice of appeal in the U.S. Court of Appeals for the Second Circuit, and consequently, this matter will continue for the foreseeable future. The Plaintiffs are seeking unspecified damages; however, AACB believes that Plaintiff claims are without merit. AACB cannot express an opinion as to the ultimate outcome of this proceeding and intends to mount a vigorous defence against the Proshares Complaint. As a result, no provision has been made in the financial statements for any loss that may result from this matter.

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

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

Company Financial Statements

Company income statement

(x EUR 1,000)	Note	2019	2018
Income			
Interest income calculated using the effective interest method		422,658	379,822
Interest expenses calculated using the effective interest method		308,164	275,663
Net interest income	**1**	**114,494**	**104,159**
Fee and commission income		193,673	201,986
Fee and commission expense		81,684	88,160
Net fee and commission income	**2**	**111,989**	**113,826**
Net trading income	3	-75	-302
Share of result in equity accounted investments	4	88,323	99,051
Other operating income	5	8,774	8,432
Operating income		**323,505**	**325,166**
Expenses			
Personnel expenses	6	72,012	70,434
General and administrative expenses	7	128,879	126,585
Depreciation and amortisation of (in)tangible assets	8	2,173	1,781
Operating expenses		**203,064**	**198,800**
Impairment charges on financial instruments	9	-111	4,428
Total expenses		**202,953**	**203,228**
Operating profit / (loss) before taxation		**120,552**	**121,938**
Income tax expense	10	8,959	3,008
Profit (loss) for the year		**111,593**	**118,930**
Attributable to:			
Owner of the company		111,593	118,930

Company statement of financial position

(x EUR 1,000)	Note	31 December 2019	31 December 2018
Assets			
Cash and balances at central banks	11	5,110	50,596
Financial assets held for trading	12	5,733	34,429
Financial investments	13	77,105	67,280
Securities financing	14	3,689,098	2,715,592
Loans and advances banks	15	504,164	1,491,211
Corporate loans at amortised cost	16	8,962,404	9,084,220
Other loans and advances	16	3,690,681	3,835,704
Participating interest in group companies	17	911,684	903,741
Property and equipment	18	2,678	1,170
Intangible assets	19	35	90
Tax assets	20	10,376	9,770
Other assets	21	53,300	28,351
Total assets		**17,912,368**	**18,222,154**
Liabilities			
Financial liabilities held for trading	12	251	18,702
Securities financing	14	425,494	341,737
Due to banks	22	9,549,687	8,550,374
Due to customers	23	6,439,520	7,909,129
Issued debt	24	60	60
Provisions	25	2,096	2,555
Tax liabilities	20	9,653	6,915
Other liabilities	26	117,714	153,470
Total liabilities		**16,544,475**	**16,982,942**
Equity			
Share capital		15,000	15,000
Share premium		55,363	55,363
Other reserves (incl. retained earnings/profit for the period)		1,240,274	1,128,704
Accumulated other comprehensive income		57,256	40,145
Total equity	**27**	**1,367,893**	**1,239,212**
Total liabilities and equity		**17,912,368**	**18,222,154**
Committed credit facilities	28	160,178	334,911
Net guarantees and other commitments	28	345,351	336,717

Company statement of changes in equity

(x EUR 1,000)

			Other reserves		Accumulated other comprehensive income				
	Share capital	Share premium	Retained earnings	Unappropriated result of the year	Fair value reserve	Equity associates reserve	Currency translation reserve	Net investment hedging reserve	Total
Balance at 1 January 2018	**15,000**	**55,363**	**929,739**	**79,114**	**-27**	**-15**	**54,299**	**-48,073**	**1,085,400**
Total comprehensive income				118,929	-11	-5	35,893	-1,917	152,889
Transfer			79,114	-79,114					
Other			922						922
Balance at 31 December 2018	**15,000**	**55,363**	**1,009,775**	**118,929**	**-38**	**-20**	**90,192**	**-49,990**	**1,239,212**
Total comprehensive income				111,593	-2	20	16,583	512	128,706
Transfer			118,929	-118,929					
Other			-23	-0					-23
Balance at 31 December 2019	**15,000**	**55,363**	**1,128,681**	**111,593**	**-40**	**0**	**106,775**	**-49,478**	**1,367,893**

Accounting principles for the company statement

Basis of preparation

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

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

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

Notes
to the company income statement

1. Net interest income and interest expense

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

(x EUR 1,000)	2019	2018
Interest Income		
Of the interest income items the following amounts were related to:		
Interest income from ABN AMRO group companies	156,536	117,372
Interest income from third party customers/banks	266,122	262,450
Total interest income	**422,658**	**379,822**

The interest income of 2019 includes an amount of EUR 1,119 thousand (2018: EUR 948 thousand) concerning financial investments that are at fair value through other comprehensive income. The remaining EUR 421,539 thousand (2018: EUR 378,874 thousand) relates to financial investments carried at amortised cost. No interest income amounts relate to financial instruments measured at fair value through profit or loss.

Interest expense		
Of the interest expense items the following amounts were related to:		
Interest expense paid to ABN AMRO group companies	194,055	182,308
Interest expense paid to associates	3,946	3,193
Interest expense paid to third party customers/banks	110,163	90,162
Total interest expense	**308,164**	**275,663**

All interest expense amounts in 2019 and 2018, relate to financial investments carried at amortised cost. No interest expense amounts relate to financial instruments measured at fair value through profit or loss.

Net interest income	**114,494**	**104,159**

2. Net fee and commission income

(x EUR 1,000)	2019	2018
The components of net fee and commission income are:		
Net fees and commissions for payment services	-2,547	-2,614
Net fees and commissions for securities and derivatives	113,220	114,509
Other net fees and commissions	1,316	1,931
Total net fee and commission income	**111,989**	**113,826**
Of the net fees and commissions amount, the following amounts were with:		
Net fees and commissions with ABN AMRO group companies	-3,642	-2,326
Net fees and commissions with associates	-1,788	824
Net fees and commissions with third party customers/banks	117,419	115,328
Total net fee and commission income	**111,989**	**113,826**

All fee and commission amounts in 2019 and 2018 relate to financial instruments carried at amortised cost and fair value through profit or loss.

3. Net trading income

(x EUR 1,000)	2019	2018
Foreign exchange transaction results	**-75**	**-302**

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

4. Share of result in equity accounted investments

(x EUR 1,000)	2019	2018
Total realised result on equity accounted investments	**88,323**	**99,051**

See note 17 for more information.

5. Other operating income

(x EUR 1,000)	2019	2018
Dividend	5,463	2,093
Other*	3,311	6,339
Total other operating income	**8,774**	**8,432**

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

6. Personnel expenses

(x EUR 1,000)	2019	2018
Personnel expenses are specified as follows:		
Salaries and wages	51,384	50,801
Social security charges	6,596	6,841
Pension expenses	10,378	9,559
Other	3,654	3,233
Total personnel expenses	**72,012**	**70,434**

7. General and administrative expenses

(x EUR 1,000)	2019	2018
General and administrative expenses can be broken down as follows:		
Agency staff, contractors and consultancy costs	35,713	36,010
Financial statement audit fees	222	383
Audit related fees	24	62
Staff related costs	2,331	3,328
Information technology costs	33,148	31,049
Housing	204	-267
Post, telephone and transport	379	258
Marketing and public relations costs	670	664
Recharges from ABN AMRO group companies	38,390	36,797
Dutch banking tax	9,680	10,770
Other	8,118	7,531
Total general and administrative expenses	**128,879**	**126,585**

8. Depreciation and amortisation of (in)tangible assets

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

(x EUR 1,000)	2019	2018
Leasehold improvements – depreciation	125	28
Equipment – depreciation	15	13
IT equipment – depreciation	756	976
Purchased software – amortisation	67	153
Internal software – amortisation	5	
Right of use assets – depreciation	213	
Depreciation and amortisation expenses	**1,181**	**1,170**
Equipment – depreciation rebilled by ABN AMRO group companies	13	15
IT equipment – depreciation rebilled by ABN AMRO group companies	323	172
Purchased software – amortisation rebilled by ABN AMRO group companies	468	424
Right of use assets – depreciation rebilled by ABN AMRO group companies	188	
Total depreciation and amortisation expenses	**2,173**	**1,781**

9. Impairment charges/releases on loans and other receivables

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

(x EUR 1,000)	2019	2018
Stage 1 - twelve month expected credit loss	10	4
Stage 2 - lifetime expected credit loss		
Stage 3 - lifetime expected credit loss	-121	4,424*
Total impairment charges/releases on loans and other receivables	**-111**	**4,428**

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

10. Income tax expenses

(x EUR 1,000)	2019	2018
The details of the current and deferred income tax expense are presented below:		
Current tax	8,820	5,968
Deferred tax	139	-2,960
Total income tax expenses	**8,959**	**3,008**

The table below shows a reconciliation between the expected income tax expense and the actual income tax expense. The expected income tax expense has been calculated by multiplying the profit before tax to the weighted average rate from branches and subsidiaries.

Profit before taxation	120,552	121,938
Weighted applicable tax rate	27.96%	22.96%
Expected income tax expense	**33,709**	**27,997**
Change in taxes resulting from:		
Tax exemptions	-25,990	-19,809
Adjustments for current tax of prior periods	1,288	-2,727
Change in tax rate	-4	-89
Other	-44	-2,364
Actual income tax expenses	**8,959**	**3,008**
Effective tax rate	7.43%	2.47%

Notes to the company statement of financial position

Assets

11. Cash and balances at central banks

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

(x EUR 1,000)	31 December 2019	31 December 2018
Total cash and balances at central banks	**5,110**	**50,596**

12. Financial assets and liabilities held for trading

Financial assets held for trading

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

(x EUR 1,000)	31 December 2019	31 December 2018
The trading assets consists of the following financial instruments:		
Contract for differences (CFDs)	9	16,119
Equity instruments held for trading*	5,724	18,310
Total financial assets held for trading	**5,733**	**34,429**

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

Financial liabilities held for trading

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

(x EUR 1,000)	31 December 2019	31 December 2018
The financial liabilities held for trading consist of the following:		
Contract for differences (CFDs)	68	14,681
Equity instruments held for trading*	183	4,021
Total financial liabilities held for trading	**251**	**18,702**

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

13. Financial investments

(x EUR 1,000)	31 December 2019	31 December 2018
Movements in the financial investments were as follows:		
Opening balance as at 1 January	**67,280**	**60,905**
Additions	6,663	6
Gross revaluation to equity	-1	-11
Gross revaluation to income	6,717	7,261
Dividends received	-5,450	-2,102
Exchange rate differences	1,896	1,221
Closing balance as at 31 December	**77,105**	**67,280**

(x EUR 1,000)	31 December 2019	31 December 2018
Interest-earning securities in the European Union	59,463	51,089
Equity instruments	17,642	16,191
Closing balance as at December 31	**77,105**	**67,280**

14. Securities financing

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

(x EUR 1,000)	31 December 2019	31 December 2018
Assets		
Securities borrowing transactions	3,000,498	2,186,538
Transactions related to securities*	688,600	529,054
Total securities financing	**3,689,098**	**2,715,592**
Liabilities		
Transactions related to securities**	425,494	341,737
Total securities financing	**425,494**	**341,737**

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

Of the securities financing the following counterparties were involved:

(x EUR 1,000)	31 December 2019	31 December 2018
Assets		
ABN AMRO group companies	1,330,291	183,046
Banks	1,368,201	1,761,133
Customers	990,605	771,413
Total securities financing	**3,689,097**	**2,715,592**
Liabilities		
Banks	2,082	887
Customers	423,412	340,850
Total securities financing	**425,494**	**341,737**

15. Loans and advances banks

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

As of 31 December 2019 no amount has a maturity of more than 3 months (2018: nil).

(x EUR 1,000)	31 December 2019	31 December 2018
Loans and receivables banks consists of the following:		
Demand receivables	503,123	1,490,148
Mandatory reserve deposits with central banks	1,147	1,159
Less: loan impairment allowance	-107	-96
Net loans and receivable banks	**504,164**	**1,491,211**

None of the amounts in the loans and receivables - banks items were subordinated in 2019 or 2018.

(x EUR 1,000)	31 December 2019	31 December 2018
Of the loans and receivables banks item, the following amounts were due from:		
ABN AMRO group companies	347,552	1,243,301
Third parties	156,612	247,910
Total loans and receivables banks	**504,164**	**1,491,211**

16. Loans and advances customers

As at 31 December 2019, EUR 1,369 thousand has a maturity of more than 3 months but less than one year (2018: EUR 7,957).

(x EUR 1,000)	31 December 2019	31 December 2018
Loans and advances customers consists of the following:		
Corporate loans, gross	8,962,404	9,084,220
Less: loan impairment allowances - corporate loans		
Corporate loans	8,962,404	9,084,220
Government and official institutions	3,422	2,563
Receivables from Central Counter Parties	3,691,562	3,837,566
Less: loan impairment allowances - other	-4,303	-4,425
Other loans and advances	3,690,681	3,835,704
Loans and advances customers	**12,653,085**	**12,919,924**

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

(x EUR 1,000)	31 December 2019	31 December 2018
Of the loans and advances customers item, the following amounts were due from:		
ABN AMRO group companies	3,545,996	3,415,972
Third parties	9,107,089	9,503,952
Total loans and advances customers	**12,653,085**	**12,919,924**

17. Participating interest in group companies

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

(x EUR 1,000)	31 December 2019	31 December 2018
Balance as at 1 January	**903,741**	**748,087**
Increase of capital	730	22,280
Unrealised gains/losses	-82	27
Dividend paid out	-97,469	
Foreign exchange differences	16,441	34,297
Result for the year	88,323	99,051
Balance as at 1 January	**911,684**	**903,741**

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

2019

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

2018

	Entitlements	Currency	Shareholders' equity 2018	Net result 2018	Shareholders' equity 2018
			(x 1,000)	(x 1,000)	(x EUR 1,000)
ABN AMRO Clearing Chicago LLC, registered office in Chicago, United States;	100%	USD	569,680	77,379	497,015
ABN AMRO Clearing Sydney Pte.Ltd, registered office in Sydney, Australia;	100%	AUD	74,063	5,780	45,639
ABN AMRO Clearing Hong Kong Ltd, registered office in Hong Kong;	100%	HKD	2,071,742	213,292	230,790
ABN AMRO Clearing Tokyo Ltd, registered office in Tokyo, Japan;	100%	JPY	12,250,846	655,593	97,125
ABN AMRO Clearing Singapore Pte, registered office in Singapore;	100%	SGD	4,465	57	2,861
ABN AMRO Clearing Investments BV, registered office in Amsterdam, The Netherlands.	100%	EUR	30,311	2,216	30,311
					903,741

18. Property and equipment

(x EUR 1,000)	31 December 2019	31 December 2018
Total property and equipment	**2,678**	**1,170**

The tables below shows the categories of property and equipment at 31 December 2019 against net book value, and the comparatives.

(x EUR 1,000)					2019
	Leasehold improvements	IT equipment	Other property and equipment	Right of use assets	Total
Acquisition costs as at 1 January 2019	**843**	**19,980**	**284**		**21,107**
Impact of adopting IFRS 16				24	24
Additions	560	46	21	1,901	2,528
Foreign exchange differences	35	1,037	10	22	1,104
Acquisition costs as at 31 December 2019	**1,438**	**21,063**	**315**	**1,947**	**24,763**
Accumulated depreciation 1 January 2019	**-843**	**-18,834**	**-260**		**-19,937**
Depreciation expense	-125	-756	-15	-213	-1,109
Foreign exchange differences	-30	-997	-9	-2	-1,038
Accumulated depreciation as at 31 December 2019	**-998**	**-20,587**	**-284**	**-215**	**-22,084**
Property and equipment as at 31 December 2019	**440**	**476**	**31**	**1,732**	**2,679**

(x EUR 1,000)					2018
	Leasehold improvements	IT equipment	Other property and equipment	Right of use assets	Total
Acquisition costs as at 1 January 2018	**820**	**19,525**	**276**		**20,621**
Additions		531			531
Foreign exchange differences	23	-76	8		-45
Acquisition costs as at 31 December 2018	**843**	**19,980**	**284**		**21,107**
Accumulated depreciation 1 January 2018	**-793**	**-17,938**	**-240**		**-18,971**
Depreciation expense	-28	-976	-13		-1,017
Foreign exchange differences	-22	80	-7		51
Accumulated depreciation as at 31 December 2018	**-843**	**-18,834**	**-260**		**-19,937**
Property and equipment as at 31 December 2018		**1,146**	**24**		**1,170**

No impairments to property and equipment have been recorded in 2019 or 2018.

Leasing

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

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

(x EUR 1,000)	2019	2018
Where AACB is the lessee, the future minimum lease payments under IFRS 16 are as follows:		
Within 3 months	69	
More than 3 months but within 1 year	219	
More than 1 year but within 5 years	1,478	
Total operating lease agreements	**1,765**	

19. Intangible assets

(x EUR 1,000)	2019	2018
Acquisition costs as at 1 January	**5,029**	**5,027**
Additions	14	15
Foreign exchange differences	258	-13
Acquisition costs as at 31 December	**5,301**	**5,029**
Accumulated amortisation 1 January	**-4,939**	**-4,802**
Amortisation expense	-72	-153
Foreign exchange differences	-255	16
Accumulated amortisation as at 31 December	**-5,266**	**-4,939**
Total intangible assets as at 31 December	**35**	**90**

No impairments to intangible assets have been recorded in 2019 or 2018.

20. Tax assets and tax liabilities

Tax assets

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

(x EUR 1,000)	31 December 2019	31 December 2018
Total current tax assets	**215**	**47**
The deferred tax assets can be categorised into:		
Net investment hedge	9,241	8,730
Other assets	45	44
Fixed assets	875	949
Total deferred tax assets	**10,161**	**9,723**
Of the deferred tax assets an amount of EUR 920 thousand is recorded through the income statement and an amount of EUR 9,241 thousand is recorded through equity.		
Total tax assets	**10,376**	**9,770**

Tax liabilities

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

(x EUR 1,000)	31 December 2019	31 December 2018
Total current tax liabilities	**7,393**	**4,679**
The deferred tax liabilities can be categorised into:		
Financial investments	2,260	2,211
Other assets		25
Total deferred tax liabilities	**2,260**	**2,236**
Total tax liabilities	**9,653**	**6,915**

21. Other assets

(x EUR 1,000)	31 December 2019	31 December 2018
The table below shows the components of other assets at 31 December:		
Related to securities transactions*	43,645	16,719
Accrued other income	1,492	1,699
ABN AMRO group companies	1,362	1,748
Prepayments	3,403	2,326
VAT and other tax receivable	3,156	1,543
Other	242	4,316
Total other assets	**53,300**	**28,351**

* These include transitory amounts related to securities transactions.

Liabilities

22. Due to banks

(x EUR 1,000)	31 December 2019	31 December 2018
The table below shows the components of due to banks:		
Demand deposits	1,333,047	902,255
Time deposits	8,216,640	7,648,119
Total due to banks	**9,549,687**	**8,550,374**
Of the due to banks item the following amounts were with:		
Demand deposits due to banks ABN AMRO group companies	631,104	277,151
Time deposits due to banks ABN AMRO group companies	8,216,634	7,644,151
Total ABN AMRO group companies	8,847,738	7,921,302
Demand deposits due to third party banks	701,943	625,104
Time deposits due to third party banks	6	3,968
Total third party banks	701,949	629,072
Total due to banks	**9,549,687**	**8,550,374**

As at 31 December 2019, an amount of EUR 2,902 million has a maturity of more than 3 months but less than one year (2018: EUR 2,175 million).

23. Due to customers

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

(x EUR 1,000)	31 December 2019	31 December 2018
The table below shows the components of due to customers:		
Demand deposits	5,806,844	7,208,177
Time deposits	632,675	700,952
Total due to customers	**6,439,520**	**7,909,129**
The due to customers item can be split up between ABN AMRO group companies customers and third party customers as follows:		
Demand deposits due to customers ABN AMRO group companies	749,676	620,827
Total ABN AMRO group companies	**749,676**	**620,827**
Demand deposits due to customers third party	5,057,168	6,587,350
Time deposits due to customers third party	632,675	700,952
Total third party customers	**5,689,844**	**7,288,302**
Closing balance as at 31 December	**6,439,520**	**7,909,129**

As at 31 December 2019, an amount of EUR 32,2991 thousand has a maturity of more than 3 months but less than one year (2018: 32,991 thousand).

24. Issued debt

This debt was issued on 14 August 2017 for regulatory reasons and has a duration of three years.

(x EUR 1,000)	31 December 2019	31 December 2018
The issued debt consists of the following:		
Bonds and notes issued	60	60
Total Issued debt	**60**	**60**

25. Provisions

(x EUR 1,000)	31 December 2019	31 December 2018
Total Provisions	**2,096**	**2,555**

The majority of the provision relates to restructuring. On the basis of information currently available, AACB determines with reasonable certainty that the full amount represents the expected cash outflow of the provisions for the 2019 financial year.

(x EUR 1,000)	31 December 2019	31 December 2018
Opening balance as at 1 January	**2,555**	**5,898**
Additions	2,096	585
Used	-471	-2,791
Unused amounts reversed	-2,084	-1,137
Closing balance as at 31 December	**2,096**	**2,555**

26. Other liabilities

(x EUR 1,000)	31 December 2019	31 December 2018
The table below shows the components of other liabilities at 31 December:		
Related to securities transactions*	28,817	74,136
Accounts payable	12,417	12,593
VAT and other tax payable		327
Rebilling cost by ABN AMRO group companies	49,349	47,802
Accrued expenses	3,241	5,818
Lease liabilities	1,766	
Other	22,124	12,794
Total other liabilities	**117,714**	**153,470**

* These include transitory amounts related to securities transactions.

27. Equity

	31 December 2019	31 December 2018
Total Equity	**1,367,893**	**1,239,212**

For more information, see the notes to the Consolidated financial statements, note 31, Equity.

28. Commitments and contingent liabilities

(x EUR 1,000)	31 December 2019	31 December 2018
The committed credit facilities consist of the following:		
Total committed credit facilities	**160,178**	**334,911**
The guarantees and other commitments consist of the following:		
Securities borrowing		
Guarantees	341,929	334,154
Irrevocable payment commitment	3,422	2,563
Total guarantees and other commitments	**345,351**	**336,717**
The guarantees have been given to third parties and are divided as follows:		
Guarantees given to subsidiaries	330,509	322,759
Guarantees given to clients		
Guarantees given to exchanges	11,420	11,395
Total Guarantees	**341,929**	**334,154**

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

Total guarantees and other commitments	**345,351**	**336,717**
Secured by collateral		
Net guarantees and other commitments	**345,351**	**336,717**

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.

* This figure has been restated in the 2018 comparative figures to include an additional EUR 71 million. The nominal amount of the guarantee is reported, in stead of the usage of the guarantee.

Acquisitions

No acquisitions were made by ABN AMRO Clearing Bank N.V. in 2019.
Amsterdam, 15 May 2020.

Management Board

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

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

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

Profit appropriation

The ABN AMRO group policy is to upstream dividends from subsidiaries where appropriate. The dividend 2019 will be based on our current and projected consolidated capital ratios and local regulatory and exchange requirements in combination with our growth strategy. AACB proposes not to pay any dividend due to higher regulatory capital requirements. The final dividend amount will be decided at the General Meeting of Shareholders in May 2020.

Other information

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Independent auditor's report

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

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of ABN AMRO Clearing Bank N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:
- The accompanying consolidated financial statements give a true and fair view of the financial position of ABN AMRO Clearing Bank N.V. as at 31 December 2019, and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of ABN AMRO Clearing Bank N.V. as at 31 December 2019, and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:
- The consolidated statement of financial position as at 31 December 2019
- The following statements for 2019: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:
- The company statement of financial position as at 31 December 2019
- The company income statement for 2019
- The company statement of changes in equity for 2019
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

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

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

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

Materiality

Materiality	EUR 7.2 million (2018: EUR 7.4 million).
Benchmark applied	5% of profit before taxes.
Explanation	Based on our professional judgment, a benchmark of 5% of profit before taxes is an appropriate quantitative indicator of materiality and it best reflects the financial performance of the Company.

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

We agreed with the supervisory board that misstatements in excess of EUR 363.000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

The Company is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of ABN AMRO Clearing Bank N.V..

Our group audit mainly focused on significant group entities in the Netherlands and the United States. We were responsible for the scope and direction of the audit process. On a regular basis, we interacted with the component teams during various stages of the audit. Based on our risk assessment, we visited component locations in the United States, reviewed key local working papers and conclusions and met with local management.

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

Our key audit matters

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

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

Complexity and diversity of fee schedules	
Risk	Clients' fee schedules are customized and depend on a variety of factors including the kind of transaction, the investment type and the related exchanges. Furthermore, both fixed fees and fees dependent on volume exist. These complex and diverse fee schedules, in combination with significant volumes, lead to an increased risk of material misstatement in relation to revenue recognition, specifically commission income, in the financial statements (See Note 2). As the larger clients typically have the most tailored fee schedules, we deem the risk to be inherent in the Company's main clients' fee schedules. As the fee and commission income represents the majority of the Company's income and given the complexity and diversity of the schedules we consider this a key audit matter.
Our audit approach	We tested the design, implementation and operating effectiveness of the key controls over fee schedules origination and changes, data input and – recording in source systems, automated calculation of fees and reconciliation controls with external parties. We applied data-analytics on a sample of clients to recalculate the fees and commissions recorded, thereby verifying their completeness and accuracy. We tested appropriate recognition of fees from the source systems in the general ledger and on clients' clearing statements. In addition, we obtained confirmations from a selection of customers confirming their year-end cash balances in clearing accounts to which fees are charged.
Key observations	Based on our procedures performed we consider the net fee and commission income to be reasonably stated.

IT reliability and continuity	
Risk	The Company relies extensively on a relatively complex IT environment for trading, collateral management, reconciliations, and financial and risk reporting. The dependency on IT systems could lead to undetected misstatements in financial reporting. Further, complex identity and access management processes increase the risk of inappropriate access to applications and data and increase the risk of inappropriate segregation of duties.
Our audit approach	We tested the IT general controls related to logical access, change management and application controls as embedded in automated data processing systems, where we relied upon for financial reporting. In some areas we performed additional procedures on access management for the related systems. We also assessed the reliability and continuity of the IT environment and the possible impact of changes during the year either from ongoing internal restructuring initiatives or to meet external reporting requirements. In addition, our audit procedures consisted of assessing developments in the IT infrastructure and analyzing the impact on the IT organization. We assessed the role of IT to the extent necessary within the scope of the audit of the financial statements.
Key observations	For the audit of the annual financial statements we found the role of IT adequate.

Emphasis of matter relating to Corona developments

The developments surrounding the Corona (Covid-19) virus have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The financial statements and our auditor's report thereon reflect the conditions at the time of preparation. The situation changes on a daily basis giving rise to inherent uncertainty.

The impact of these developments on ABN AMRO Clearing Bank N.V. is disclosed in the management board report and the notes to the financial statements within post-balance sheet date events. We draw attention to these disclosures. Our opinion is not modified in respect of this matter.

Report on other information included in the annual report

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

- The management report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

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

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

Report on other legal and regulatory requirements

Engagement

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

No prohibited non-audit services

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

Other non-prohibited services provided

In addition to the statutory audit of the consolidated financial statements we provided the following services:

- Assurance-report over the segregation of assets ('Vermogensscheiding') of the Company
- Assurance-report on the Company's controls as a service organization (ISAE 3402 Type I)
- Assurance-report on the Company's deposit guarantee scheme (ISAE 3402 Type I)

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

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

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

Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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

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

Amsterdam, 15 May 2020

Ernst & Young Accountants LLP

signed by W.J. Smit

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