ABN AMRO Hypotheken Groep B.V.

Annual Report

2023

Contents

ABN AMRO Hypotheken Groep B.V. at a glance

ABN AMRO Hypotheken Groep B.V. (AAHG) is a subsidiary of ABN AMRO Bank N.V. (ABN AMRO). It focuses primarily on providing residential real estate financing to, and managing such financing for, customers in the Netherlands.

Our active brands

florius

ABN·AMRO

moneyou

Registered office in

Amersfoort, the Netherlands

Number of employees (FTEs)

1,145

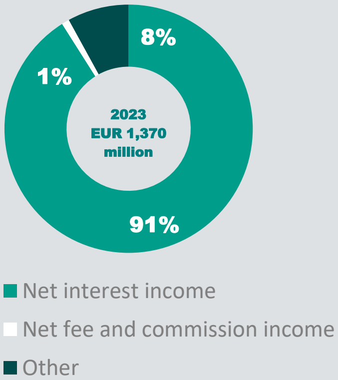
working for AAHG, seconded by ABN AMRO (2022: 1,118)

Operating income for 2023 (in EUR)

1,370 million

(2022: 1,399 million)

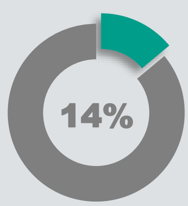
By type of income (in %)



Mortgage portfolio (in EUR)

Market share

(source: Dutch Land Registry)



(2022: 17%)

ABN·AMRO

Annual Report

Corporate structure

ABN AMRO Hypotheken Groep B.V. (AAHG), a private limited liability company founded under Dutch law on 30 December 1991, is a wholly owned subsidiary of ABN AMRO Bank N.V. (ABN AMRO). The financial information of AAHG has been incorporated into the 2023 consolidated financial statements of ABN AMRO.

ABN AMRO has issued a statement of joint and several liability with respect to AAHG. By virtue of this statement, ABN AMRO has assumed joint and several liability for all liabilities arising from legal acts of AAHG. The statement, which is governed by Section 403, Book 2 of the Dutch Civil Code, has been filed with the Trade Register of the Chamber of Commerce.

AAHG has a two-tier board structure; it has a Managing Board and a Supervisory Board.

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

Managing Board

Responsibilities

The Managing Board members collectively manage AAHG and are responsible for its strategy, structure and performance, including the assessment and management of risks associated with AAHG activities.

In performing their duties, the Managing Board members are guided by the interests and continuity of AAHG and its affiliated entities. As such, they take the interests of all AAHG stakeholders and society at large into consideration.

The Managing Board members report to the Supervisory Board and to the General Meeting. The Managing Board is required to inform the Supervisory Board about the following topics: risk, operational and financial objectives, the financial statements, strategy and the parameters applied in relation to the strategy.

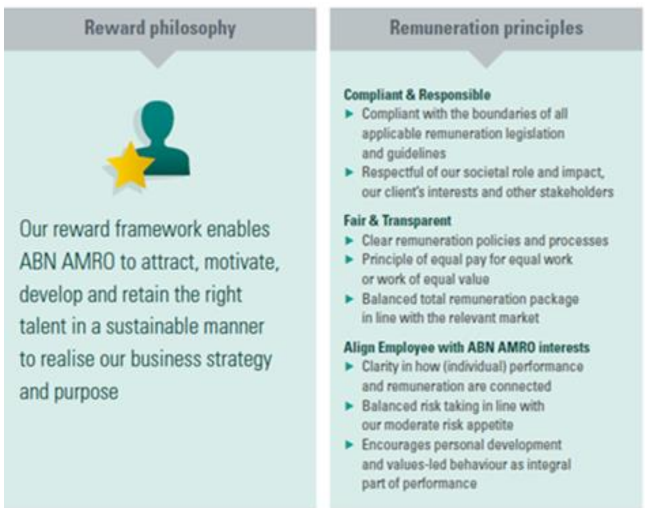
Appointment, suspension and dismissal

Managing Board members are appointed by the General Meeting. The Supervisory Board and the General Meeting may suspend a member of the Managing Board at any time. Managing Board members can only be dismissed by the General Meeting. These procedures are described in the Rules of Procedures of AAHG.

Remuneration

Managing Board members are subject to ABN AMRO's Global Reward Policy. This policy provides a framework for managing reward and performance effectively and applies globally within ABN AMRO at all levels and in all countries.

Remuneration principles



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.

In 2015, additional limitations with respect to remuneration and variable remuneration in particular, were introduced in the Dutch financial sector. In accordance with the Dutch Act on the Remuneration Policy for Financial Undertakings *(Wet beloningsbeleid financiële ondernemingen - Wbfo)*, variable remuneration has been capped at (an average of) 20% of the base salary of Dutch-based employees.

As long as the Dutch State holds any interest in ABN AMRO, ABN AMRO is required to apply the bonus prohibition to a specific group of senior employees, as defined in the Wbfo. Senior employees in scope of the bonus prohibition are not eligible for any variable remuneration or individual salary increases until the Dutch State has ceased to be a shareholder in ABN AMRO.

An overview of the remuneration of the Managing Board is provided in the notes to the Statutory Annual Financial Statements.

Supervisory Board

Responsibilities

The Supervisory Board supervises the Managing Board as well as the general course of affairs at AAHG. In addition, the Supervisory Board provides the Managing Board members with advice, both solicited and unsolicited.

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

The Supervisory Board meets at least six times a year and whenever any Supervisory Board member deems necessary. The Audit Committee and Risk Committee are the two sub-committees of the Supervisory Board. The responsibilities of the Audit Committee and Risk Committee include assessing all matters relating to the principles of valuation and determination of results, internal control, the financial reporting functions, internal audits, the external audit, risk assessments and compliance with regulations.

Appointment, suspension and dismissal

A list of the current members of the Supervisory Board is provided in the chapter on the Supervisory Board. Supervisory Board members are formally appointed and may be suspended or dismissed by the General Meeting.

Diversity

All members of the Managing Board and the Supervisory Board are natural persons. Two members of the Supervisory Board qualify as independent, one of the four members of the Supervisory Board is female and one of the three members of the Managing Board is female.

Dutch Banking Code

The Dutch Banking Code was introduced on 1 January 2010 and sets out principles that banks should adhere to in terms of corporate governance, risk management, audit and remuneration. The Dutch Banking Code applies to AAHG as a licensed bank under the Dutch Financial Supervision Act *(Wet op het financieel toezicht)*. ABN AMRO applies all principles of the Dutch Banking Code to every one of its consolidated subsidiaries.

In accordance with ABN AMRO's management framework, all group companies form an integral part of the ABN AMRO organisation. As a result, ABN AMRO's policies and standards related to compliance with internal and external regulations and best practices are applicable to the entire ABN AMRO group.

A principle-by-principle overview of the manner in which ABN AMRO and its subsidiaries comply with the Dutch Banking Code has been published on abnamro.com.

The updated Dutch Banking Code came into effect on 1 January 2015 along with the Social Charter (*Maatschappelijk Statuut*) which complements the Dutch Banking Code. The updated Dutch

Banking Code takes into account the recommendations of the Banking Code Monitoring Committee, the report of the Committee on the Structure of Banks, government views on the Dutch banking industry and the vision of the Dutch Banking Association. The updated Dutch Banking Code, along with the Social Charter, which includes the Banker's Oath and the associated rules of conduct and disciplinary rules, applies to all employees of financial institutions in the Netherlands and emphasises the social role of banks and their commitment to meeting the expectations of society at large.

General Meeting of Shareholders

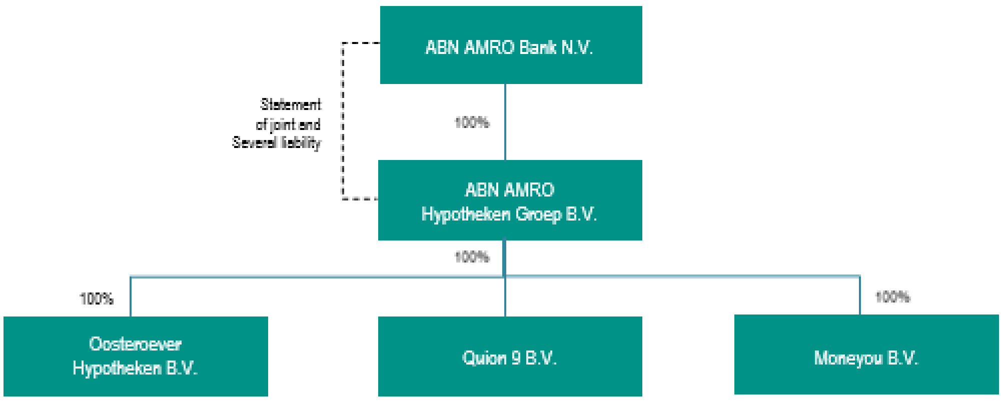
At least one General Meeting is held every year. The General Meeting is competent to adopt the annual reports and takes important decisions regarding the identity or character of AAHG. The agenda of the General Meeting includes the following items as a minimum: the annual report, adoption of the statutory annual financial statements, and granting discharge to the members of the Managing Board and the Supervisory Board.

The last General Meeting was held on 30 May 2023. The General Meeting adopted the 2022 statutory financial statements and granted discharge to the members of the Managing Board and the Supervisory Board.

Legal structure

AAHG is a fully licensed bank under the Single Supervisory Mechanism implemented in November 2014. AAHG is subject to prudential supervision by the European Central Bank (ECB).

AAHG has three wholly owned subsidiaries: Quion 9 B.V., Oosteroever Hypotheken B.V. and Moneyou B.V.



Report of the Managing Board

In 2023, AAHG achieved a market share (new production) of 14.3% (2022: 17.3%) and finished the year strongly as second in market share. Our mortgage portfolio remained stable in a competitive market with a total of EUR 147 billion (compared with EUR 146 billion in 2022).

General information

In the Netherlands, ABN AMRO's mortgage products and services are offered through the bank branches of ABN AMRO, through intermediaries and online. When it comes to these products, AAHG is responsible for product development and the total mortgage chain, including servicing, mortgage advice tooling and portfolio management. With respect to operations, use is made of service providers; the most important service provider being Stater N.V., to which AAHG has outsourced the back-office activities.

Strategy

The bank's purpose is: 'Banking for better, for generations to come'.

We are confident that we will achieve this purpose by focusing on the following three priorities over the coming years, in line with the bank-wide strategy:

<u>Supporting our customers' transition to sustainability:</u>
Our customers increasingly choose, or are showing more and more interest in, sustainable solutions for their homes, such as proper insulation and solar panels. We help them make this transition by offering our financial expertise and financing the investment.

In December 2022, ABN AMRO formulated a bank-wide climate strategy, to support the transition to a net zero economy in 2050, which was formalised by joining the Net Zero Banking Alliance (NZBA). The entire published climate strategy can be found on our ABN AMRO website.

AAHG has set a target of reducing the GHG intensity associated with our residential mortgage portfolio to 18.3 kgCO2 /m2 by 2030. GHG intensity is the amount of CO2 (in kg) that is emitted per square meter that ABN AMRO finances. Using GHG intensity as a metric contributes to the ideal of being a transition bank, helping existing customers to become more sustainable. Within AAHG, we are working on improving data quality regarding emissions, setting realistic targets for our portfolio, and developing business initiatives that support the climate plan.

<u>Reinventing the customer experience:</u>
ABN AMRO wants to be a customer-focused and data-driven bank that treasures the customer relationship and delivers an effortless and unique customer experience. We aim to exceed customer expectations.

We are proud that ABN AMRO and Florius once again received a 5-star Moneyview product rating (Moneyview's highest rating) for the mortgage conditions for annuity, linear and interest-only mortgages. ABN AMRO also received the Golden Lotus Award for innovation for the "Spotlight campaign for consumers and entrepreneurs", and Florius won the Golden Lotus Award for "Mortgage Lender of 2023".

In 2023, we continued our originate-to-distribute partnerships for long-term fixed rate mortgages and for equity release mortgages. These partnerships allow us to continue to serve our mortgage customers across a wide range of market segments.

<u>Building a future proof bank:</u>
Our strategy can only succeed if we unlock our people's full potential and provide them with the tools they need to contribute successfully to our purpose and strategy. In order to achieve our strategic ambition of becoming a future-proof

bank, AAHG focuses on becoming a data-driven and high-performing organisation with future-proof IT systems.

In 2023, we continued our efforts to contact customers with interest-only mortgages or mortgages with any other uncertain repayment options in combination with high loan to market value (LtMV) levels. The objective is to provide these clients with greater insight into their personal situation once their mortgage has reached maturity. By providing information about their financial situation at maturity, we aim to give our customers an understanding of the future affordability of their mortgage. We do so by taking a customer approach, by offering them the ABN AMRO's online mortgage check and by giving them the option of a personal consultation with one of our mortgage specialists.

The Managing Board regularly informs the Supervisory Board about the contact with the main regulators (AFM, DNB and ECB). Discussions were held on various topics and included the subject of interest-only mortgages.

Although ABN AMRO manages its capital centrally, AAHG is sufficiently capitalised to comply with all local regulatory solvency and liquidity requirements and to meet any local business needs.

Financial information

Overall, we are content with the financial results we achieved in 2023. Our key financial indicators were as follows:

(x EUR 1M)	2023	2022
Profit	626	704
Operating income	1,370	1,399
Operating expenses	523	444
Loan impairments	36	51

The impairments charges are mainly caused by an increase in the management overlay for interest-only mortgages.

Principal risks and uncertainties

Non-banks, such as pension funds, insurance companies and asset managers continue to have a substantial share of the Dutch mortgage market, either directly or indirectly through so-called 'directing parties'. Restrictive bank regulations, such as Basel IV capital requirements, Dutch banking tax, and the EBA guidelines, do not apply to these non banking competitors.

Furthermore, there are many mortgage providers active in the market that pursue an active growth policy.

New mortgage providers often have a different funding profile and have a stronger appetite for longer-term fixed interest rate mortgages. This leads to a competitive environment with many mortgage providers.

Increasing regulations which AAHG is required to comply with results in additional pressure on the organization and related costs.

ABN AMRO pursues a moderate risk profile. In order to keep the risk profile at a moderate level, ABN AMRO and AAHG apply a three-lines-of-defence model.

The principal risks for AAHG are:
- Credit risk
- Market risk
- Liquidity risk
- Business risk
- Sustainability risk
- Operational risk
- Information risk
- Compliance risk
- Data risk
- Outsourcing risk

More information on these risks can be found in the 'Risk management' section.

<u>Rules and regulations</u>
Discussions with regulator on regulatory levies: ABN AMRO on behalf of AAHG is still in ongoing discussions with the Single Resolution Board (SRB), about the calculation method applied for annual Single Resolution Fund (SRF) contributions paid in the past. The outcome of these discussions is uncertain at this time. More information and details on the potential exposure are provided in the notes to the Statutory Annual Financial Statements.

In addition, increased regulatory challenges are also noticed around the topic of credit risk models and data. Increased senior management attention and additional capacity will have to be allocated going forward.

Changes in the Managing Board

On 1 January 2023, Claire Dumas stepped down as CEO of the company to continue her career outside ABN AMRO.

Gitte van Haaren joined AAHG as new CEO from mid-August 2023. She has been appointed by the shareholder for a period of four years.

Information on application of codes of conduct

Compliance with the Dutch Financial Supervision Act and the related regulations and codes of conduct is an important aspect of the business practices of AAHG. In this process, AAHG applies the principles as defined by ABN AMRO. AAHG has a Supervisory Board that monitors compliance with the codes of conduct. The Managing Board performed a self-assessment for 2023.

Amersfoort, the Netherlands, 16 May 2024

Managing Board

ABN AMRO Hypotheken Groep B.V.

Report of the Supervisory Board

The Supervisory Board is pleased to offer the Annual Report 2023 as presented by the Managing Board. 2023 was dominated by the sharp increase in interest rates and the consequences of the changes in the housing market, which had already started to be seen in 2022. The Supervisory Board appreciates the leadership the Managing Board showed to customers and employees during this period. Given all the developments and the difficult market conditions, the Supervisory Board is satisfied with AAHG's financial performance.

Composition of the Supervisory Board

During 2023, there were no changes in the composition of the Supervisory Board. In March 2023, Lieve Vanbockrijck was reappointed by the shareholder as member of the Supervisory Board for a period of 4 years.

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

Remuneration of the Supervisory Board

The chair of the Supervisory Board and one member signed a Supervisory Services Agreement and their roles are remunerated.

The other two members of the Supervisory Board qualify as employees of ABN AMRO and are not remunerated for their role on the Supervisory Board.

Supervisory Board meetings

The Supervisory Board held four regular meetings, as well as two half-year meetings and a summer session in 2023. Prior to each meeting, the Supervisory Board took sufficient time to discuss topics without the Managing Board being in attendance. All scheduled plenary meetings were held in the presence of the Managing Board and the Company Secretary.

The Company Secretary prepared agendas for Supervisory Board meetings in 2023. Recurring agenda items included financial performance, risk management, compliance, audit findings, market and regulatory developments, strategy and people management.

In addition, the Supervisory Board held three deepdives/lifelong learning sessions concerning the following topics:

- ECB supervisory expectations on e.g. interest-only mortgages
- Strategy, cross-buy and sustainability
- A company visit to Stater

Throughout the year, the Supervisory Board monitored the implementation of the strategy and supported the Managing Board in its efforts to put customer interests first and maintain a moderate risk profile as part of the long-term strategy. The Supervisory Board engages regularly with the Managing Board.

The Managing Board regularly informed and briefed the Supervisory Board about planned organisational changes, strategic initiatives, incidents and events.

Audit Committee and Risk Committee

The financial information was audited by both internal and external auditors. AAHG provides the information to the members of the Supervisory Board on a regular basis in order to educate them about the different risk types and share relevant results. The Managing Board regularly informs the Supervisory Board about the contact with the main regulators (AFM, DNB and ECB). Extensive discussions were held on the subject of interest-only mortgages.

EY is AAHG's independent external auditor. EY audited the 2023 Annual Report and the Statutory Financial Statements. The Annual Report and accompanying Statutory Financial Statements were discussed by the Supervisory Board on 16 May 2024. The members of the Supervisory Board have taken notice of the Auditor's Report. In addition, EY presented its Audit Plan for the 2023 audit to the Supervisory Board on 16 November 2023.

In 2023, the Audit Committee and Risk Committee held four plenary meetings. The Risk Management Report, which is provided to the Supervisory Board on a regular basis, served as the basis for effective discussions on material risks.

Overall, communications between Supervisory Board and Managing Board are perceived to be open and transparent. The Managing Board stays abreast of developments in the mortgage market and the Supervisory Board is confident that AAHG is on the right path to prepare for future challenges.

Changes in the Managing Board

Following the resignation of Claire Dumas as CEO on 1 January 2023, the Supervisory Board and the shareholder selected Gitte van Haaren for appointment as the new CEO with effect from mid-August 2023.

Advice to the General Meeting of Shareholders

The Supervisory Board recommends that the General Meeting adopt the Annual Report and Financial Statements and that it discharges the members of the Management Board for their leadership and the members of the Supervisory Board for their supervision.

Amersfoort, the Netherlands, 16 May 2024

Supervisory Board
ABN AMRO Hypotheken Groep B.V.

Annual Financial Statements

Statutory statement of financial position

(after profit appropriation)

(x EUR 1,000)	Note	31 December 2023	31 December 2022
Cash	3	905,538	1,316,287
Loans and advances - banks	4	392,973	426,846
Loans and advances - customers	5	146,809,193	146,265,835
Participating interests in group companies	6	25,379	22,432
Property and equipment	7	0	1,197
Other assets	8	1,177,528	2,178,147
Prepayments and accrued income	9	793	849
Total assets		**149,311,405**	**150,211,593**
Due to banks	10	134,902,204	138,622,770
Due to customers	11	2,642,090	2,526,162
Other liabilities	12	815,671	734,275
Derivatives	13	6,918	7,920
Accruals and deferred income	14	259,946	288,588
Provisions	15	2,662	2,676
Total liabilities		**138,629,491**	**142,182,391**
Subordinated notes	16	10,600,000	7,900,000
Total subordinated liabilities		**10,600,000**	**7,900,000**
- Paid-up and called-up capital		19	19
- Other reserves		81,896	129,183
Total equity	17	**81,914**	**129,202**
Total liabilities and equity		**149,311,405**	**150,211,593**
Irrevocable commitments	18	4,363,600	5,769,439

** Please note that certain figures in this report may not tally exactly due to rounding.*

Statutory income statement

(x EUR 1,000)	Note	2023	2022
Interest income		3,441,955	3,339,316
Interest expense		2,201,367	1,992,184
Net interest income	21	1,240,588	1,347,132
Share of profit of associates	6	23,959	21,012
Fee and commission income	22	11,590	8,802
Other operating income	23	93,474	21,622
Operating income		**1,369,611**	**1,398,568**
Personnel expenses and other general and administrative expenses	24	291,400	300,631
Depreciation	7	0	568
Other operating expenses	25	195,644	91,766
Impairment charges on financial instruments	26	36,395	51,149
Operating expenses		**523,439**	**444,114**
Operating profit before taxation		**846,172**	**954,454**
Income tax expense	27	220,542	250,012
Profit for the year		**625,630**	**704,443**

Statutory statement of cash flows

(x EUR 1,000)	Note	2023	2022
Cash flows from operating activities			
Operating profit before taxation		846,172	954,454
Adjustments of non-cash items included in profit:			
Depreciation	7	0	568
Changes in impairment charges	5	50,117	65,131
Unrealised fair value expense - Derivatives	25	1,381	-11,452
Provisions allocated	15	1,983	-24,862
Changes in operating assets and liabilities			
Changes in loans and advances - banks	4	33,872	11,603,911
Changes in loans and advances - customers	5	-593,474	-5,260,097
Changes in due to customers	11	115,928	-29,932
Changes in prepayments and accrued income	9	56	428
Changes in accruals and deferred income	14	-249,184	-286,665
Changes in provisions	15	-1,997	-2,840
Changes in other assets	8	1,000,618	4,208,339
Change in derivatives	13	-2,383	19,372
Changes in other liabilities	12	-11,261	-12,295,521
Net cash from operating activities		**1,191,827**	**-1,059,165**
Cash flows from investing activities			
Investments in property and equipment	7	0	-1,085
Disposals in property and equipment	7	1,197	0
Result from group companies	6	-23,959	-21,059
Dividends received from group companies	6	21,012	0
Net cash from investing activities		**-1,750**	**-22,144**
Cash flows from financing activities			
Dividends paid	17	-580,260	-811,945
Changes in due to banks	10	-3,720,566	-2,279,302
Subordinated notes issued	16	2,700,000	3,200,000
Net cash from financing activities		**-1,600,826**	**108,754**
Net increase/decrease in cash		**-410,749**	**-972,555**
Cash at 1 January		1,316,287	2,288,843
Increase/decrease in cash		-410,749	-972,555
Cash at 31 December	3	**905,538**	**1,316,287**

Notes to the Annual Financial Statements

The notes to the Statutory Annual Financial Statements of ABN AMRO Hypotheken Groep B.V. for 2023 are set out below.

1 General

ABN AMRO Hypotheken Groep B.V. (AAHG) is a private limited liability company. AAHG has its registered office at Netwerklaan 52, 3821 AG Amersfoort, the Netherlands. All ordinary shares are held by ABN AMRO Bank N.V. (ABN AMRO). AAHG is registered with the Dutch Chamber of Commerce under number 08024285.

AAHG has the following subsidiaries:
Oosteroever Hypotheken B.V.
having its registered office at:
Fascinatio Boulevard 1302
2909 VA Capelle aan den IJssel
The Netherlands
CoC no. 33112834

Quion 9 B.V.
having its registered office at:
Fascinatio Boulevard 1302
2909 VA Capelle aan den IJssel
The Netherlands
CoC no. 24272135

Moneyou B.V.
having its registered office at:
Netwerklaan 52
3821 AG Amersfoort
The Netherlands
CoC no. 32084697

AAHG offers residential mortgages in the Netherlands.

ABN AMRO is the ultimate parent company and all shares in ABN AMRO's capital are held by two foundations: Stichting Administratiekantoor Beheer Financiële Instellingen (NLFI) and Stichting Administratiekantoor Continuïteit ABN AMRO Bank (STAK AAB). For ABN AMRO's consolidated financial statements, please visit www.abnamro.com/annualreport.

1.1 Accounting policies

The Annual Financial Statements have been prepared in accordance with the provisions of Part 9, Book 2 of the Dutch Civil Code. As of 1 January 2018, AAHG has adopted the expected credit loss impairment principles of IFRS 9 "Financial Instruments", including the related disclosure requirements of IFRS 7, which is an option offered in Dutch Accounting Standard 290 "Financial Instruments" applicable under Book 2 of the Dutch Civil Code. With effect from 1 January 2022, AAHG has applied accounting policies for derivatives.

As an intermediate holding company, AAHG applies the consolidation exemption provided by Section 408, Book 2 of the Dutch Civil Code.

1.2 Going concern

The annual financial statements have been prepared on a going concern basis. Within the scope of Section 403, Book 2 of the Dutch Civil Code, ABN AMRO has provided liability for any debts arising from the legal acts of AAHG and its subsidiaries.

1.3 Estimates and assumptions

The preparation of the annual financial statements requires the management of AAHG to use judgements, estimates and assumptions. These affect the application of the accounting policies and the reported amounts of assets and liabilities, and income and expense.

The principal judgements and estimates, including the related assumptions, mainly concern the measurement of financial instruments (including the identification of impairments for credit losses), provisions, fair values and legal matters. For further information, see the 'Risk management' chapter.

1.4 Recognition and derecognition

Financial assets are generally derecognised when AAHG is no longer exposed to the economic risks and rewards associated with the contractual rights that comprise an asset. This occurs when the rights are realised, sold, or expire or substantially all risk and rewards are transferred. Financial assets are also derecognised if the bank has neither transferred nor retained substantially all risks and rewards of ownership and has no control over these financial assets.

1.5 Related parties

Parties are deemed to be related if one party has control over the other party, can exercise significant influence on the other party's financial and operating activities or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. AAHG's related parties are:

- The Managing Board of AAHG
- The Supervisory Board of AAHG
- Covered Bond Company B.V.
- Covered Bond Company 2 B.V.
- Moneyou B.V.
- Oosteroever Hypotheken B.V.
- Quion 9 B.V.
- Stater N.V.
- ABN AMRO Bank N.V. and its subsidiaries

1.6 Foreign currency translation

The Statutory Annual Financial Statements are denominated in euros (rounded to the nearest thousand unless indicated otherwise). AAHG does not conduct any transactions in foreign currencies.

1.7 Amortised cost

Amortised cost means that, at initial recognition, a financial instrument is measured at fair value adjusted for expected repayments and amortisation of coupons, fees and expenses to represent the effective interest rate of the instrument.

1.8 Fair value

Fair value is the price at which an asset can be exchanged or a liability can be settled in an orderly transaction between independent market participants.

1.9 Maturities of assets and liabilities

Current assets and liabilities have a maturity of less than one year. Non-current assets and liabilities have a maturity of one year or longer.

1.10 Impairments

The expected credit loss model (ECL) is forward-looking. The IFRS 9 impairments are applicable to financial assets measured at amortised cost and to loan commitments. Financial instruments are divided into three groups, depending on credit risk quality:

- Financial instruments without a significant increase in credit risk (stage 1, performing);
- Financial instruments with a significant increase in credit risk (stage 2, underperforming);
- Credit-impaired financial instruments (stage 3, default).

For further details, see the 'Risk management' section.

2 Accounting policies for the statement of financial position and income statement

2.1 Cash

Cash represents account balances that are immediately due and payable. Cash is measured at nominal value.

2.2 Loans and advances - banks

Loans and advances - banks include receivables from ABN AMRO that are and are not payable on demand. At initial recognition, loans and advances - banks are measured at fair value; they are subsequently measured at amortised cost using the effective interest rate method, net of impairment losses.

2.3 Loans and advances - customers

Loans and advances - customers consist of mortgage loans less impairments. A mortgage loan is always originated on the basis of collateral. At initial recognition, loans and advances - customers are measured at fair value; they are subsequently measured at amortised cost using the effective interest rate method, net of impairment losses.

2.4 Participating interests in group companies

Participating interests in group companies are recognised using the net asset value method.

Mergers and acquisitions
In the case of a transaction under common control, the carry-over accounting method is applied. This means that the transaction is stated at the carrying amount in the financial statements for the financial year, in line with the amount included in the financial statements of the parent, as of the merger date. The comparative figures are not restated. The difference between cost and the carrying amounts of the acquired assets and liabilities is recognised in equity.

2.5 Property and equipment

Property and equipment are measured at cost, net of accumulated depreciation and impairment.

The cost of the assets consists of the acquisition price and other costs associated with bringing the assets to the location and in the condition necessary for them to be capable of operating.

Depreciation is based on cost using the straight-line method based on useful life. Assets are depreciated from the time they are available for their intended use and are no longer depreciated when they are decommissioned or sold.

The useful life is as follows:

- Hardware 3 years

2.6 Other assets

Other assets consist of receivables from group companies, cash in transit, trade receivables and other assets. At initial recognition, other assets are measured at fair value; they are subsequently measured at amortised cost using the effective interest rate method, net of impairment losses.

2.7 Prepayments and accrued income

Prepayments reflect expenses paid at the reporting date that relate to future periods. Accrued income reflects the difference between recognised interest income and interest payments received to date.

2.8 Due to banks

Amounts due to banks consist of debts to ABN AMRO that are not payable on demand. At initial recognition, amounts due to banks are measured at fair value; they are subsequently measured at amortised cost using the effective interest rate method.

2.9 Due to customers

Amounts due to customers consist of deposit accounts for premium deposits paid on savings-based mortgages that will be used by customers to pay future premiums on their mortgage loans and of savings accrued by customers. At initial recognition, amounts due to customers are measured at fair value; they are subsequently measured at amortised cost using the effective interest rate method.

2.10 Other liabilities

Other liabilities consist of trade payables, dividends payable and other liabilities. At initial recognition, trade payables and other liabilities are measured at fair value; they are subsequently measured at amortised cost using the effective interest rate method. Dividends payable are measured at nominal value.

2.11 Derivatives

At initial and subsequent recognition, derivatives are measured at fair value. Gains and losses, both on subsequent measurement and derecognition, are recognised through other operating income in the income statement.

2.12 Accruals and deferred income

Accruals and deferred income comprise interest payable and other deferred items. At initial recognition, accruals and deferred income are measured at fair value; they are subsequently measured at amortised cost using the effective interest method.

2.13 Provisions

A provision is recognised in the statement of financial position when:

- there is a present obligation (legal or constructive) as a result of past events;
- a reliable estimate can be made of the amount of the obligation; and
- it is probable that an outflow of resources will be required to settle the obligation.

Provisions are recognised based on the best estimate of the expenditure that is expected to be required to settle the obligations and losses. Unless otherwise indicated, provisions are measured at present value.

A provision for claims, disputes and legal proceedings is recognised if it is probable that an outflow of resources will be required to settle the claims, disputes or court cases. The provision is based on the best estimate of the amount for which the claim can be settled.

2.14 Subordinated liabilities

Subordinated liabilities cannot be paid upon liquidation unless the claims of other higher priority creditors have been settled. At initial recognition, subordinated liabilities are measured at fair value; they are subsequently measured at amortised cost using the effective interest rate method.

2.15 Equity

The share capital comprises the issued and paid-up ordinary shares in AAHG.

2.16 Net interest income

Interest income and interest expense are recognised in the period to which they relate and accounted for based on the effective interest rate method. Repayment fees are allocated to consecutive reporting periods in the form of interest expense such that, together with the interest due on the loan, the effective interest rate is recognised through profit or loss and the amortisation value in the statement of financial position.

2.17 Fee and commission income

Fees and commissions are recognised as and when the services are provided. Service fees are recognised on a straight-line basis over the service contract period; portfolio and other management advisory fees are recognised based on the applicable service contracts.

Fees and commissions dependent on the outcome of a particular event or based on performance are recognised when the relevant conditions are met.

2.18 Other operating income

Other operating income is recognised in the period to which it relates. Other operating income mainly concerns reimbursements, advice and handling fees.

2.19 Personnel expenses and other general and administrative expenses

Personnel expenses relate to all externally hired staff. The related expense is recognised in the income statement in the period in which the work is performed. The employees are hired from ABN AMRO on the basis of a secondment contract. ABN AMRO charges this expense to AAHG on a monthly basis.

General and administrative expenses include housing, office and IT expenses, as well as selling and advertising expenses incurred in the reporting period. As from 2023, the costs associated with hardware are also recharged from ABN AMRO to AAHG on a monthly basis. External staff are hired (from other parties than ABN AMRO) to perform operational activities. The costs associated with external hires are recognised as services provided by third parties.

2.20 Depreciation

This item comprises depreciation charges for property and equipment. For details, see the notes relating to property and equipment.

2.21 Other operating expenses

Other operating expenses are recognised in the period to which they relate.

2.22 Impairment charges on financial instruments

Loan impairment charges are recognised in the income statement as an addition to, or release of, the loan impairment charges within the 'Loans and advances - customers' item in the statement of financial position.

2.23 Income tax expense

Current tax assets and liabilities are based on the prevailing tax rate, with reference to the profit or loss and taking into account tax-exempt items and any partly or non-deductible expenses.

Deferred tax is recognised for qualifying temporary differences. Temporary differences represent the difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax 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 reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered.

AAHG forms a corporate income tax group with ABN AMRO and several of ABN AMRO's Dutch subsidiaries. Each member of the tax group bears joint and several liability for the corporate income tax payable by the members of the tax group. Taxes are settled within this tax group as if each company were an autonomous taxpayer.

2.24 Statement of cash flows

The statement of cash flows has been prepared using the indirect method and provides an understanding of the source of the cash that became available during the year as well as its application during the year. Where net cash from operating activities is concerned, the operating profit before taxation is adjusted for items in the income statement and the statement of financial position that effectively result in cash flows in the reporting period. Cash flows from operating, investing and financing activities are presented separately.

2.25 Changes in accounting estimates

There were no changes in accounting estimates during the current or prior financial year.

3 Cash

This item can be broken down as follows:

(x EUR 1,000)	2023	2022
Cash	905,538	1,316,287
Cash	**905,538**	**1,316,287**

Cash is at AAHG's free disposal. A bank guarantee exists for an amount of EUR 2.7 billion (2022: EUR 2.6 billion) at 31 December 2023.

4 Loans and advances - banks

This item can be broken down as follows:

(x EUR 1,000)	2023	2022
Receivables from group companies	392,973	426,846
Loans and advances - banks	**392,973**	**426,846**

5 Loans and advances - customers

This item can be broken down as follows:

(x EUR 1,000)	2023	2022
Mortgage loans	147,003,559	146,410,084
Loan loss allowances	-194,366	-144,249
Loans and advances - customers	**146,809,193**	**146,265,835**

Mortgages are collateralised. The collateral (i.e. the net collateral value) provided for the mortgage loans was worth EUR 263 billion on 31 December 2023 (2022: EUR 280 billion). The collateral for bank savings was EUR 2.5 billion (2022: EUR 2.4 billion) The surplus value of the collateral amounted to EUR 125 billion (2022: EUR 140.5 billion). Reference is made to the section on credit risk for further details on the collateral obtained.

A total of EUR 35.5 billion of mortgage loans has been pledged in relation to ABN AMRO Covered Bond Company B.V. (2022: EUR 35 billion), EUR 47.5 billion has been pledged in relation to ABN AMRO Covered Bond Company 2 B.V. (2022: EUR 47.4 billion) and EUR 3.3 billion has been pledged to a.s.r. (2022: EUR 3.4 billion).

Movements in mortgage loans were as follows:

(x EUR 1,000)	2023	2022
At 1 January	146,410,084	141,149,920
Originated	13,744,789	22,186,937
Repayments	-12,834,522	-17,232,408
Change in deeds of assignment	183,257	305,636
Mortgages sold	-500,049	0
At 31 December	**147,003,559**	**146,410,084**

Mortgages sold relate to the sale of a portfolio of mortgages in 2023. The result is reported under ‘Other operating income (expenses)’ accordingly.

The remaining contractual terms to maturity of the mortgage loans can be broken down as follows:

(x EUR 1,000)	2023	2022
Short-term (less than 3 months)	260,641	199,041
Long-term (between 3 months and 1 year)	151,343	87,632
Long-term (between 1 and 5 years)	3,388,025	3,247,651
Long-term (more than 5 years)	143,203,550	142,875,760
At 31 December	**147,003,559**	**146,410,084**

Loan loss allowances

Movements in this item can be broken down as follows:

(x EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2023	18,615	54,308	71,326	144,249
Transfer to stage 1	14,022	-17,167	-621	-3,765
Transfer to stage 2	-1,802	26,884	-18,665	6,417
Transfer to stage 3	-789	-4,441	28,367	23,137
Impairment charges for the period / Reversal of impairment no longer required	-12,818	-5,271	54,045	35,956
Change in existing allowances	*-1,386*	*6*	*63,126*	*61,745*
Subtotal	**17,229**	**54,314**	**134,452**	**205,994**
Originated (production)	3,519			3,519
Repayments	-804	-5,742	-10,199	-16,746
Write-offs			-1,385	-1,385
Changes in risk parameters and models	3,641	-736	78	2,983
At 31 December 2023	**23,585**	**47,835**	**122,946**	**194,366**

The loan loss allowance for stage 1 includes an amount of EUR 0.2 million for loan commitments.
The loan loss allowances increased mainly as a result of an increase of management overlay for interest only mortgages, due to inherent credit risk not fully captured in our models.

(x EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2022	7,649	20,370	51,098	79,118
Transfer to stage 1	5,442	-7,782	-603	-2,943
Transfer to stage 2	-1,460	18,602	-13,032	4,111
Transfer to stage 3	-872	-2,141	19,013	16,001
Impairment charges for the period / Reversal of impairment no longer required	*-13,653*	*4,517*	*13,963*	*4,828*
Change in existing allowances	*-10,541*	*13,197*	*19,341*	*21,996*
Subtotal	**-2,892**	**33,567**	**70,439**	**101,114**
Originated (production)	5,930			5,930
Repayments	-1,228	-6,942	-8,393	-16,563
Write-offs			-2,587	-2,587
Changes in risk parameters and models	16,804	27,683	11,867	56,355
At 31 December 2022	**18,615**	**54,308**	**71,326**	**144,249**

In 2022, the loan loss allowance for stage 1 included an amount of EUR 0.2 million for loan commitments. AAHG uses impairment models developed by ABN AMRO to calculate expected losses on the mortgage portfolio. For more details, see the ‘Risk management’ section.

Write-offs

When a customer cannot recover from payment arrears, their home is foreclosed and the residual debt is written off. If any payments are received after the residual debt has been fully written off, these are recognised in the income statement within impairment charges.

6 Participating interests in group companies

AAHG’s participating interests in group companies are as follows:

(x EUR 1,000)		2023	2022
Quion 9 B.V.	100%	17,839	14,870
Oosteroever Hypotheken B.V.	100%	7,490	7,512
Moneyou B.V.	100%	50	50
Participating interests in group companies		**25,379**	**22,432**

Quion 9 B.V. generated a profit for 2023 of EUR 17.6 million (2022: EUR 14.6 million) and Oosteroever Hypotheken B.V. posted a profit for the year of EUR 6.4 million (2022: EUR 6.4 million). All of these profits will be distributed to AAHG in the form of dividend. As the dividend was declared after the year end, the participations are recognised inclusive of the 2023 result.

Movements in participating interests in group companies can be broken down as follows:

(x EUR 1,000)	Quion 9 B.V.	Oosteroever Hypotheken B.V.	Moneyou B.V.	Total
At 1 January 2022	**236**	**1,134**	**0**	**1,370**
Shares acquired	0	0	50	50
Profit for the year	14,634	6,378	0	21,012
Interim and final dividend	0	0	0	0
At 31 December 2022	**14,870**	**7,512**	**50**	**22,432**
Shares acquired	0	0	0	0
Profit for the year	17,603	6,356	0	23,959
Interim and final dividend	-14,634	-6,378	0	-21,012
At 31 December 2023	**17,839**	**7,490**	**50**	**25,379**

Moneyou B.V. has been a subsidiary of ABN AMRO Hypotheken Groep B.V. since 1 January 2022.

7 Property and equipment

This item can be broken down as follows:

(x EUR 1,000)	Hardware	Total
Accumulated acquisition costs	4,823	4,823
Accumulated depreciation	-3,626	-3,626
At 1 January 2023	**1,197**	**1,197**
Investments	0	0
Divestment/disposal	-1,197	-1,197
Depreciation	0	0
Accumulated acquisition costs	0	0
Accumulated depreciation	0	0
At 31 December 2023	**0**	**0**

All of AAHG's hardware was transferred from AAHG to ABN AMRO with effect from 1 January 2023.

The transfer price corresponded to the carrying amount of all AAHG hardware as at 31 December 2022. As a result of this transaction, AAHG no longer has its own hardware. The costs associated with hardware are now recharged from ABN AMRO to AAHG on a monthly basis.

(x EUR 1,000)	Hardware	Total
Accumulated acquisition costs	3,738	3,738
Accumulated depreciation	-3,057	-3,057
At 1 January 2022	**681**	**681**
Investments	1,085	1,085
Divestment/disposal	0	0
Depreciation	-568	-568
Accumulated acquisition costs	4,823	4,823
Accumulated depreciation	-3,626	-3,626
At 31 December 2022	**1,197**	**1,197**

Hardware is depreciated using the straight-line method based on an estimated useful life of three years.

8 Other assets

This item can be broken down as follows:

(x EUR 1,000)	2023	2022
Receivables from group companies	24,083	79,896
Cash in transit	489,930	320,021
Trade receivables	17,491	14,140
Current account with insurers	463,744	1,235,673
Other receivables	182,281	528,418
Other assets	**1,177,528**	**2,178,147**

Receivables from group companies consist of receivables from subsidiaries.

Cash in transit mainly consists of mortgage loans for which money is held in escrow by a civil-law notary.

The item ‘Current account with insurers’ mainly consists of receivables from various insurers relating to savings-linked mortgages.

The migration of the savings value portfolio (relating to ABN AMRO’s prior year sale of shares in ABN AMRO Verzekeringen B.V) was finalised in 2023. Consequently, the items ‘current account with insurers’ and ‘Other receivables' decreased significantly.

All receivables except for “Other receivables” have a remaining term to maturity of less than three months.

An additional contribution of approximately EUR 120 million was paid (under protest) to the Single Resolution Board in mid-2023 and is included under “Other receivables”. Further details can be found in note 19.
The rest of “Other receivables” comprise receivables with a remaining term to maturity of between three months and one year.

9 Prepayments and accrued income

This item can be broken down as follows:

(x EUR 1,000)	2023	2022
Prepaid expenses	793	849
Prepayments and accrued income	**793**	**849**

All prepayments and accrued income have a remaining term to maturity of less than twelve months. There was no accrued income in 2022 and 2023.

10 Due to banks

This item can be broken down as follows:

(x EUR 1,000)	2023	2022
- Due to ABN AMRO - Funding	134,387,308	137,778,813
- Due to ABN AMRO - Bank accounts	1,611	396,188
- Due to group companies	513,286	447,769
Due to banks	**134,902,204**	**138,622,770**

ABN AMRO provides AAHG (including its subsidiaries) with funding for the purpose of issuing mortgage loans and AAHG transfers part of the funding to its subsidiaries (EUR 4.3 billion). The contractual term to maturity of this funding runs until the date of cancellation of the funding agreement. As from the date of cancellation of all or part of the funding, AAHG may request further drawings under all or part of the funding agreement to be cancelled until six months after the cancellation date. After that date, no further drawings may be requested under all or part of the funding agreement. This is referred to as the cut-off date.

The expected maturity of this funding is in line with the average liquidity maturity of the mortgage loans. The interest paid on funding is at arm's length. The required funding is reassessed and settled every month.

The item 'Due to ABN AMRO – Bank accounts' in the table above concerns the overdraft in the intercompany account with ABN AMRO. The term to maturity of this debt is less than three months.

The item 'Due to group companies' is payable on demand.

11 Due to customers

This item can be broken down as follows:

(x EUR 1,000)	2023	2022
Bank savings deposits linked to mortgages	2,547,054	2,404,749
Bank savings deposits not linked to mortgages	7,372	10,241
Savings deposits not linked to mortgages	81,951	103,662
Premium deposit accounts	5,712	7,510
Due to customers	**2,642,090**	**2,526,162**

The maturity of the liabilities can be broken down as follows:

(x EUR 1,000)	Between 0 and 12 months	Between 1 and 5 years	More than 5 years	Total at 31 December 2023
Bank savings deposits linked to mortgages	1,826	37,739	2,507,490	2,547,054
Bank savings deposits not linked to mortgages	7,372			7,372
Savings deposits not linked to mortgages	81,951			81,951
Premium deposit accounts	251	359	5,102	5,712
Due to customers	**91,400**	**38,097**	**2,512,592**	**2,642,090**

(x EUR 1,000)	Between 0 and 12 months	Between 1 and 5 years	More than 5 years	Total at 31 December 2022
Bank savings deposits linked to mortgages	1,914	29,843	2,372,992	2,404,749
Bank savings deposits not linked to mortgages	10,241			10,241
Savings deposits not linked to mortgages	103,662			103,662
Premium deposit accounts	405	354	6,751	7,510
Due to customers	**116,221**	**30,197**	**2,379,743**	**2,526,162**

Movements in bank savings deposits linked to mortgages can be broken down as follows:

(x EUR 1,000)	Bank savings deposits linked to mortgages
At 31 December 2022	**2,404,749**
Deposits	209,841
Interest	68,778
Withdrawal	-136,315
At 31 December 2023	**2,547,054**

The bank savings deposits are linked to mortgage loans, which means that customers cannot demand their immediate payment.

The bank savings deposits not linked to mortgage loans are due to customers.

The savings deposits not linked to mortgage loans are due to insurers.

Customers use premium deposit accounts to pay future premiums for their mortgage loans. At 31 December 2023, the majority of the premium deposit accounts had an insurer as the counterparty (2023: EUR 5.3 million; 2022: EUR 7 million); the remaining part of the premium deposit accounts had a consumer as the counterparty.

12 Other liabilities

This item can be broken down as follows:

(x EUR 1,000)	2023	2022
Dividends payable	672,917	580,260
Due to group companies	41,221	46,544
Trade payables and cash in transit	72,054	72,050
Current account with insurers	5,356	7,078
Other liabilities	24,123	28,342
Other liabilities	**815,671**	**734,275**

The remaining contractual term to maturity of the other liabilities, is less than three months.

The item ‘Due to group companies’ mainly consists of liabilities to subsidiaries.

13 Derivatives

The derivative liability is as follows:

(x EUR 1,000)	2023	2022
Derivative liability	6,918	7,920
Derivative liability	**6,918**	**7,920**

In July 2022, ABN AMRO Verzekeringen B.V. paid AAHG an amount at fair value to redeem the residual risk related to the guaranteed amount of the savings-linked mortgages. This derivative liability is both initially and subsequently measured at fair value.

14 Accruals and deferred income

This item can be broken down as follows:

(x EUR 1,000)	2023	2022
Advance mortgage receivables	19,413	18,201
Accounts payable	13,166	14,026
Mortgages payable	7,123	6,545
Tax payable to shareholder	193,507	249,816
Deferred tax payable	26,737	0
Accruals and deferred income	**259,946**	**288,588**

Deferred income relates to the item ‘Advance mortgage receivables’, i.e. customers who have made prepayments on their mortgage. Accruals relate to accrued expenses. All accruals and deferred income have terms to maturity of between three months and one year.
AAHG forms a corporate income tax group with ABN AMRO and several of ABN AMRO’s Dutch subsidiaries. Deferred tax is recognised for qualifying temporary differences.

15 Provisions

This item can be broken down as follows:

(x EUR 1,000)	2023	2022
Other provisions	2,662	2,676
Provisions	**2,662**	**2,676**

The level of the provisions is determined based on the best estimate of the expenditure required to settle the obligations and losses at the reporting date. Unless indicated otherwise, provisions are measured at present value. No provision has been recognised if the expenditure required to settle the obligation cannot reliably be estimated.

Other provisions:
Other provisions contains an amount of EUR 2.7 million relating to outsourcing activities.

(x EUR 1,000)	Statutory	Restructuring provision	Other	Total
At 1 January 2022	**27,283**	**969**	**2,126**	**30,378**
Allocated	119	0	3,022	3,141
Utilised during the year	-59	-607	-2,174	-2,840
Released	-28,378	-362	-297	-29,037
Accretion of interest	1,034	0	0	1,034
At 31 December 2022	**0**	**0**	**2,676**	**2,676**
Allocated	0	0	1,983	1,983
Utilised during the year	0	0	-1,997	-1,997
Released	0	0	0	0
Accretion of interest	0	0	0	0
At 31 December 2023	**0**	**0**	**2,662**	**2,662**

Statutory provisions:
The release of the remaining statutory provisions in 2022 was due to the release of the Euribor 'woninghypotheken'-related provision. On 11 October 2022, the Court of Appeal The Hague ruled in favour of ABN and the remaining provision was released as a result.

Restructuring provisions:
AAHG's insurance products were transferred to another party in July 2022. The insurance department was closed and the affected employees have left the organisation.

16 Subordinated liabilities

This item can be broken down as follows:

(x EUR 1,000)	2023	2022
Subordinated notes	10,600,000	7,900,000
Subordinated liabilities	**10,600,000**	**7,900,000**

Subordinated liabilities increased by EUR 2.7 billion, as a result of the issuance of 27 notes of EUR 100 million to ABN AMRO Bank N.V. The notes were issued on 1 December 2023 and are redeemable on 30 June 2029. In 2022 EUR 3.2 billion in notes were issued. The notes were issued to comply with the Single Resolution Board's minimum requirement for own funds and eligible liabilities (iMREL). AAHG was expected to comply with the phase-in requirements by 1 January 2022 and the requirements were fully phased in on 1 January 2024. The annual interest rate of the newly issued notes is 4.14%.

The issued loans qualify as subordinated liabilities and have been subordinated to all other current and future liabilities.

(x EUR 1,000)	2023	2022
At 1 January	7,900,000	4,700,000
Issuance	2,700,000	3,200,000
Redemption	0	0
At 31 December	**10,600,000**	**7,900,000**

17 Equity

This item can be broken down as follows:

(x EUR 1,000)	Paid-up and called-up capital	Other reserves	Total
At 1 January 2022	**19**	**5,000**	**5,019**
Profit for the year		704,443	704,443
(Interim) dividend		-580,260	-580,260
At 31 December 2022	**19**	**129,183**	**129,202**
Profit for the year		625,630	625,630
(Interim) dividend		-672,917	-672,917
At 31 December 2023	**19**	**81,896**	**81,914**

The other reserves concern a required minimum amount under the Dutch Financial Supervision Act (EUR 5 million). The application of prudential and liquidity requirements on an individual basis has been waived in accordance with Articles 7 and 8 of the Capital Requirements Regulation (Regulation (EU) No. 575/2013).

Proposed profit appropriation

The Managing Board has proposed to distribute a dividend of EUR 673 million. Retained earnings will be added to the other reserves.

18 Irrevocable commitments

Construction facilities are recognised together with mortgage offers as irrevocable commitments. The construction facilities amounted to EUR 1.9 billion in 2023 (2022: EUR 3.2 billion). Mortgage offers stood at EUR 2.4 billion (2022: EUR 2.5 billion).

AAHG has Service Level Agreements (SLAs) in place for outsourced mortgage operations and affiliated services provided by third parties. The agreement for the outsourced mortgage operations (Stater N.V.) is in effect until 22 May 2024 The negotiations for the new agreement are ongoing. While the new agreement will not be ready by 22 May 2024, a separate agreement will be finalised by this date, in which the current agreement and its arrangements will continue for one more year. The aim is to conclude the new agreement in the third quarter of 2024. AAHG has also signed several intragroup agreements for outsourced services. These agreements are in effect for an indefinite period.

19 Off-balance sheet commitments and contingent liabilities

<u>Claims and disputes</u>

As a financial company, AAHG is inherently exposed to legal risks, particularly in the regulatory or statutory domain.

Single Resolution Fund contribution: Irrevocable Payment Commitment.
The annual Single Resolution Fund (SRF) contribution is a levy introduced by the European Union in 2016. The Single Resolution Board (SRB) allows institutions to use irrevocable payment commitments (IPCs) to pay part of their contribution. AAHG uses this option and accounts for the IPCs as a contingent liability, based on the assessment that until the IPCs are called by the SRB there is no present obligation to pay. Hence, IPCs have not been taken through profit and loss, but are already deducted from own funds for regulatory purposes. The IPC for 2023 amounts to EUR 12.4 million, which is 22.5% of the annual contribution. The cumulative amount of IPCs entered into is EUR 50.4 million. (included as an 'other asset'). The IPCs are secured by collateral to ensure full and punctual payment of the contribution when called by the SRB.

Proceedings against regulator on regulatory levies:
ABN AMRO and AAHG are still in discussion with the Single Resolution Board (SRB), about the calculation method applied for annual Single Resolution Fund (SRF) contributions paid in the past. At this time, the outcome of these discussions are still uncertain. The SRB calculates the SRF contribution based on the information provided annually by the credit institutions in the European Banking Union in scope of the SRF. The SRB is of the opinion that ABN AMRO and AAHG incorrectly reported variables to calculate the annual SRF contribution for the 2016 to 2022 period. ABN AMRO and AAHG disagree with the SRB point of view and as from 2016, has repeatedly and extensively communicated its position with regard to the adjusted amount to the SRB. The SRB has a different point of view on the interpretation of the regulation with regard to the annual SRF contribution in comparison to ABN AMRO and AAHG. On 11 May 2023, ABN AMRO received the final decision from the SRB regarding the ex-ante contributions to the SRF. In its final decision, SRB reiterated its arguments and did not agree with ABN AMRO and AAHG's position. The SRB has recalculated the contribution of AAHG over the years 2016 - 2022, resulting in the invoice for the year 2023 amounting to EUR 177 million. This amount consists of both the contribution for the year 2023 (approximately EUR 57 million) and the amount AAHG is required to pay in additional contributions for the years 2016 - 2022 (approximately EUR 120 million, included as an 'other asset').

Upon DNB's and SRB's explicit request and in order to comply with Dutch legislation, which requires the SRF contribution for 2023 to be paid within six weeks after the notification of the final decision (under penalty of fines), AAHG paid, under protest, the SRF contribution for 2023 to the SRB on 22 June 2023.

AAHG and ABN AMRO challenged the SRB's final decision by filing a petition with the Court of Justice of the European Union on 14 July 2023. On 15 November 2023, SRB filed a 'preliminary objection' with the court in which the SRB asserted the inadmissibility of the appeal of AAHG and ABN AMRO. AAHG and ABN AMRO filed a response to this initial defence of SRB on 23 January 2024. This suspends the further continuation of the proceedings until the court's assessment of this initial defence. The court has informed the parties that it will assess this initial defence soon (without scheduling an oral hearing). The outcome of this challenge is uncertain because the SRF regulation is relatively new and there is little to no case law on the subject.

AAHG nevertheless considers it more likely than not that any such challenge will be successful. Therefore, no provision has been recognised.

20 Remuneration of Supervisory Board and Managing Board

Two members of the Supervisory Board qualify as employees of ABN AMRO. They do not receive any remuneration for their roles as Supervisory Board members. The Chair and one member of the Supervisory Board signed a Supervisory Services Agreement and their roles are remunerated. The total remuneration of the members of the Supervisory Board of AAHG was EUR 82,500 in 2023 (2022: EUR 82,500).

The total remuneration of the (former) members of the Managing Board was EUR 613,340 in 2023 (2022: EUR 903,983).
The loans AAHG had granted to the incumbent members of the Managing Board and the Supervisory Board, and the related interest rates, were as follows on 31 December 2023:

(x EUR 1,000)	**2023**	Weighted average interest rate (%)	2022	Weighted average interest rate (%)
Loans to members of Managing Board	1,330	1.4	2,420	1.7
Loans to members of Supervisory Board	1,653	2.2	1,653	2.5
Outstanding loans	**2,983**		**4,073**	

In 2023, no new loans were granted to the members the Managing Board. No new loans were granted to the members of the Supervisory Board during 2023.

21 Net interest income

This item can be broken down as follows:

(x EUR 1,000)	2023	2022
Interest received on mortgage loans	3,392,925	3,102,054
Interest paid on funding	-2,198,114	-1,835,239
Portfolio-related net interest income	1,194,811	1,266,814
Other interest income	49,030	237,262
Other interest expense	-3,252	-156,945
Non-portfolio-related net interest income	45,777	80,317
Net interest income	**1,240,588**	**1,347,132**

The decrease in “other interest income” and “other interest expense” relates to the closing and subsequent liquidation of the Dolphin securitisation programme in September 2022.
If a customer falls behind on their mortgage loan (> 90 days), interest income is no longer recognised in portfolio-related net interest income.

22 Fee and commission income

This item can be broken down as follows:

(x EUR 1,000)	2023	2022
Service fees	11,560	8,484
Collection fee	29	31
Other fee and commission income	1	286
Fee and commission income	**11,590**	**8,802**

Fee and commission income mainly concerns portfolio management fees for services provided to third parties.

23 Other operating income

This item can be broken down as follows:

(x EUR 1,000)	2023	2022
Servicing fee received from SPEs	0	2,800
Unrealised fair value income - Derivatives	0	11,452
Other operating income	953	7,370
Breakfunding fee income	92,521	0
Other operating income	**93,474**	**21,622**

Other operating income mainly concerns reimbursements.

AAHG sold a portfolio of mortgages in 2023. As part of the transaction, AAHG received a break funding fee of EUR 92.5 million. This is part of the same transaction in note 25 relating to the line item 'Loss on sale of mortgages'.

24 Personnel expenses and other general and administrative expenses

This item can be broken down as follows:

(x EUR 1,000)	2023	2022
Personnel expenses	81,507	75,786
Housing, office and IT expenses	27,775	11,675
Services provided by third parties	52,525	57,861
Selling and advertising expenses	3,586	4,788
Statutory levies	93,214	115,643
Other expenses	32,794	34,877
Personnel expenses and other general and administrative expenses	**291,400**	**300,631**

At 31 December 2023, 1,145 persons (FTEs) were directly involved in managing the mortgage portfolio (2022: 1,118 FTEs). Of these, 820 FTEs were employees of ABN AMRO (2022: 739); ABN AMRO recharges the costs associated with employing them to AAHG on a monthly basis. AAHG does not have any employees of its own. The other FTEs were external hires. Costs for external hires are included in the line item 'Services provided by third parties'.

During 2023, AAHG continued the transformation of the IT environment by migrating the Local IT Environment to the IT Platforms of ABN AMRO, as part of the SIGMA Program. As a result, housing, office and IT expenses have increased mainly as a result of around EUR 15 million in IT costs recharged from ABN AMRO to AAHG.

Statutory levies include Dutch banking tax and contributions to the European Single Resolution Board (SRB) and have decreased mainly as a result of a lower annual contribution to the SRB. The SRB adjusted the target level and reduced the 2023 contribution accordingly in response to lower-than-expected growth in European deposit volumes.

Banks operating in the Netherlands are liable to Dutch banking tax. There are two Dutch banking tax rates: a rate of 0.044% for current liabilities and a rate of 0.022% for non-current liabilities. In addition, banks governed by the Single Resolution Mechanism Directive are expected to contribute to the resolution fund that is administrated by the Single Resolution Board (SRB) in Brussels, Belgium. The purpose of the resolution fund is to facilitate an effective resolution toolkit. The SRB determines a bank's contribution based on its total liabilities (less a number of deductible items).

Other expenses mainly comprise advisory fees and operating expenses.

25 Other operating expenses

This item can be broken down as follows:

(x EUR 1,000)	**2023**	2022
Outsourced mortgage operations and affiliated services	82,474	91,701
Other operating expenses	99	65
Unrealised fair value expense - Derivatives	1,381	0
Loss on sale of mortgages	111,690	0
Other operating expenses	**195,644**	**91,766**

Outsourced mortgage operations and affiliated services are costs incurred for services provided by third parties.

Other operating expenses consist of such costs as annual subscription and membership fees.

In July 2022, ABN AMRO Verzekeringen B.V. paid AAHG an amount at fair value to redeem the residual risk related to the guaranteed amount of the savings-linked mortgages. This derivative liability is initially and subsequently measured at fair value.

Loss on sale of mortgages relates to the loss on the sale of a portfolio of mortgages in 2023. This is part of the same transaction in note 23 relating to the line item ‘Breakfunding fee income’.

26 Impairment charges on financial instruments

This item can be broken down as follows:

(x EUR 1,000)	**2023**	2022
Change in impairments	49,770	66,434
Recovery and other charges	-13,375	-15,285
Impairment charges on financial instruments	**36,395**	**51,149**

The item ‘Change in impairments’ includes several items that are not included in the loan loss allowances addressed in note 5 and is mainly attributable to increased provisions for interest only mortgages.

27 Income tax expense

This item can be broken down as follows:

(x EUR 1,000)	2023	2022
Income tax expense	193,805	250,012
Deferred income tax expense	26,737	0
Income tax expense	**220,542**	**250,012**

Corporate income tax group

AAHG forms a corporate income tax group with ABN AMRO and several of ABN AMRO's Dutch subsidiaries. Each member bears joint and several liability for the income tax payable by the tax group. Given that ABN AMRO remits tax to the tax authorities, taxes are recognised through AAHG's intercompany account with ABN AMRO in the statement of financial position.

Corporate income tax is due at the highest rate of 25.8% (2022: 25.8%). The effective tax rate is 26% (2022: 26.2%). The annual banking tax is not tax deductible.

Deferred tax is recognised for qualifying temporary differences and is mainly attributable to the unrealised fair value on the equity release mortgages.

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28 Events after the reporting date

No material events after the reporting date have been identified.

Risk management

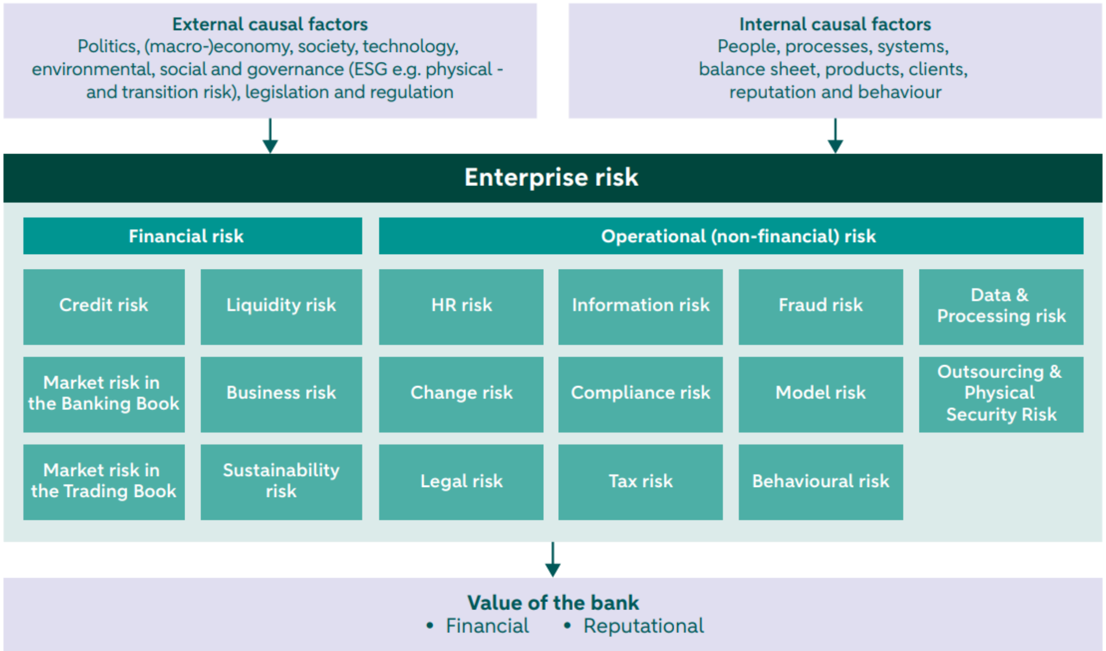
Strategy

In line with ABN AMRO's group strategy, AAHG actively seeks to maintain a moderate risk profile for its residential mortgage portfolio.

The following are key elements that help to keep the risk profile at a moderate level:

- Risk taxonomy
- Risk appetite framework
- Risk governance
- Risk measurement

Within the **risk taxonomy**, risks are classified into risk types that might occur at AAHG. The taxonomy ensures that all identified material risks are defined and are taken into account in the risk governance framework. It creates a common risk vocabulary, provides a checklist of risk types that are used in risk assessments, and helps to ensure that all material risks are managed and that roles and responsibilities are identified and defined

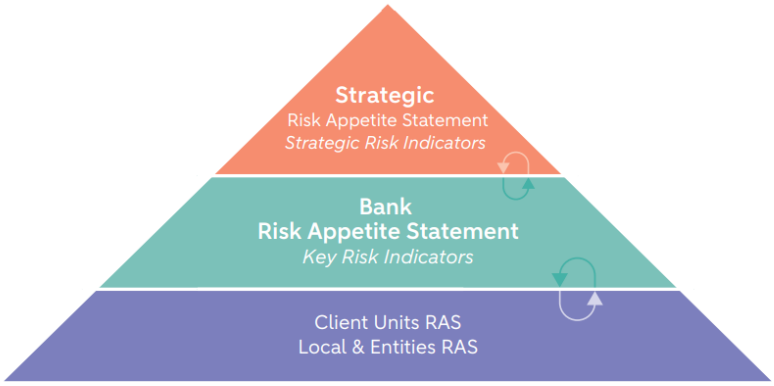


The principal risks AAHG incurs are:

- Credit risk
- Market risk banking book (specifically interest rate risk)
- Liquidity risk
- Business risk
- Sustainability risk
- Operational risk
- Information risk
- Compliance risk

- Data risk
- Outsourcing risk

Risk appetite refers to the risk level that AAHG is willing to assume in pursuing its strategy. It is regularly evaluated and updated, to ensure alignment with the strategy; our goal is to maintain a moderate risk profile. AAHG's risk appetite statement qualifies as an entity risk appetite statement (ERAS) and is part of ABN AMRO's risk appetite framework.



The strategic risk appetite statement is substantiated by concrete strategic risk indicators (SRIs). The strategic risk appetite statement SRIs are further articulated in the bank-wide (BRAS) and key risk indicators (KRIs), which are cascaded into an underlying risk indicator framework at client unit level RAS, local level (LRAS) and entity level (ERAS). This risk indicator framework consists of statements set for each main and sub-risk type presented in the risk taxonomy. For every key risk indicator (KRI), a limit is set against which the actual risk profile is monitored. If the limit of a KRI is breached, action is required to bring the risk profile back within the limit. To allow for timely action, early warning tools are in place to prevent breaches and/or to engage in a strategic discussion.

Examples of KRIs in AAHG's risk appetite include:

- Return on (allocated) equity
- Bad-rate new loans
- Portfolio size and specific segments in our portfolio to manage concentration risk
- Cost/income ratio
- Energy label

AAHG addresses risks at various levels; AAHG's Supervisory Board is provided with and discusses the risk reports on a quarterly basis. As soon as a risk indicator approaches or exceeds a checkpoint or limit, actions are defined and approved in accordance with the relevant policy and breach management process. AAHG has an Audit & Risk Committee, which is a sub-committee of the Supervisory Board.

Risk governance

The **Risk Governance Charter** defines ABN AMRO's risk governance and decision framework (delegated authorities and mandates). The Risk Governance Charter is in place to support efficient and effective risk control management throughout, and at all levels of, the bank, including the subsidiaries of ABN AMRO.

AAHG, as a subsidiary of ABN AMRO, operates within the framework described in the Risk Governance Charter and the Entities Risk Charter. The Entities Risk Charter defines the risk governance, risk organisational structure, reporting lines, entities' committee structures, responsibilities and composition of the committees, delegation of mandates, escalation requirements and the key roles and responsibilities of the risk function. The

Charter aims to sustain effective decision making on risk identification, risk-taking, risk monitoring, risk management and risk mitigation in the entities. Within the boundaries of the Risk Governance Charter and the Entities Risk Charter, AAHG has formulated its own entity specific Risk Governance Charter, including the Entity Enterprise Risk Committee, the Risk Reporting & Monitoring Committee, the Mortgages Credit Committee, and the Client Acceptance and Review Committee. Risk decisions are taken in the relevant risk committees within the mandates of this Charter.

As a wholly owned subsidiary of ABN AMRO, AAHG comes under ABN AMRO's governance structure, including its three Lines of Defence (3LoD) model. The **three-lines-of-defence** principle entails a clear division of risk management activities and responsibilities at different levels within ABN AMRO and at different stages in the lifecycle of risk exposures. AAHG aims to create a risk culture that addresses risk awareness and risk-taking behaviour by way of communication and training. Employees are expected to be familiar with the drivers of AAHG's risk profile and to assess and take ownership of the risks they take through their actions, decisions and behaviours.

The three lines of defence model aims to clarify the interrelations between risk-takers and the different internal control functions, and to provide clarity for all employees at AAHG with regard to their risk management responsibilities. AAHG operates mostly in the first line of defence (LoD) and is responsible for risk ownership and for the design and execution of effective and efficient controls. AAHG conforms to the Risk governance as described in the Entities Risk Charter and has a local second line risk management team under the responsibility of the AAHG Chief Risk Officer.

To enable the AAHG Chief Risk Officers in the independent position, he has a hierarchical reporting line to risk management within ABN AMRO. To enhance control consistency in bank-wide strategy, policies, procedures and execution, the Bank maintains the concept of dual hierarchical lines for its Risk function within the entities. The other hierarchical line rests within the business. The AAHG Risk Charter sets out the roles and responsibilities of key players involved in AAHG's risk management (first and second LoD staff) including their reporting lines. The-three-lines-of-defence principle is explained in the figure below.

Risk measurement

AAHG uses risk models and systems developed by ABN AMRO, for instance to determine provisions and risk-weighted assets (RWAs). Intragroup agreements are in place between ABN AMRO in its capacity as the supplier and AAHG in its capacity as the customer to ensure that AAHG can rely on the services provided by ABN AMRO.

ABN AMRO develops and uses internal models to quantify the risk for most risk types in the risk taxonomy. The models for credit, operational, market and liquidity risk are most widely used and allow for measuring the level of risk. They support day-to-day decision-making as well as periodic monitoring and reporting on developments in the bank's portfolios and activities. In most cases, models quantify the probability and severity of an event, i.e. the likelihood that an event will occur and the loss the bank may suffer as a consequence of that event. These model outcomes serve as the basis for ABN AMRO's internal risk controls and form key input for the calculation of the minimum regulatory capital requirements of the Basel framework (regulatory capital). The estimated Basel IV capital requirements are still subject to uncertainties. These include data limitations, finalisation of the Regulatory and Implementing Technical Standards and portfolio developments.

New models require approval before they can be implemented and applied. Within the bank, the use (or continued use) of a model is subject to the approval of the Methodology Acceptance Group (MAG), a sub-committee of the Group Risk Committee. If required, external approval is sought from the regulator. The current credit risk models that were implemented in November 2021 have been validated by the ECB. The credit risk models related to mortgage business are currently in the process of being reviewed by the regulator. This could lead to required updates of the models.

The modelling departments develop models in close cooperation with AAHG business and risk experts. The models are reviewed annually. This means that models are back-tested against historical and the most recent data and, where relevant, benchmarked against external studies.

The independent model risk management department within ABN AMRO independently validates internal models. The model risk management framework, which includes model validation standards and procedures, ensures that models are validated in a consistent and independent manner. Model data, methodology, performance and implementation are checked against to these standards and reviewed on the basis of internal and regulatory requirements.

The credit risk models for calculating PD, LGD and EAD were developed in line with the EBA Guidelines and Regulatory Technical Standards.

AAHG uses **stress testing** and scenario analysis as key risk management instruments. In doing so, it reviews profitability and capital from a mortgage portfolio perspective in various scenarios on an annual basis.

Credit risk

AAHG's credit risk showed a stable development over the past year. Housing prices decreased in the first half of 2023 but bounced back from the end of May 2023. According to the Dutch Land Registry (Kadaster) house prices increased by 1.6% in December 2023 compared to December 2022, but were still 3.0% down on the peak in July 2022. It should be noted that the indexation of the AAHG mortgage portfolio collateral is updated with a delay of one quarter. Various factors play a role regarding the end of the house price correction. Firstly, the Dutch labour market remained tight, and wage increases partly compensated rising interest rates and inflation and thereby improved borrowing capacity. Moreover, the housing shortage remained high as the number of newly built homes lags behind demand.

At the same time the number of housing transactions remains under pressure. The total number of house sales in 2023 decreased by 5.5% compared to 2022. House sales remain under pressure not due to a lack of demand but due to the aforementioned housing shortage while new construction is failing to keep up with demand. Credit quality indicators were not impacted and remained positive.

The mortgage portfolio increased by EUR 0.6 billion. The share of redeeming mortgages increased to 47% of the mortgage portfolio at 31 December 2023 (31 December 2022: 45%).

Breakdown of mortgage loans by type of loan

(x EUR 1,000)	**2023**	**%**	2022	%
Interest-only	60,892,528	41	62,093,094	42
Redeeming mortgages (annuity / linear)	69,364,468	47	65,486,720	45
Savings	8,453,798	6	9,135,254	6
Life (investment)	5,070,971	3	5,609,276	4
Other	3,221,795	2	4,085,740	3
At 31 December	**147,003,559**	**100**	**146,410,084**	**100**

The total of EUR 147.0 billion is the gross carrying amount, excluding loan loss allowances

The government-guaranteed (NHG) share of total outstanding residential mortgage portfolio remained stable at 19% at 31 December 2023. The share of origination backed by government guarantees sharply increased to 22% (2022: 8%) mainly due to a significant decline in the refinancing market and an increase in the Nationale Hypotheek Garantie (NHG) limit.

Mortgages to indexed market value (LtMV)

(x EUR 1,000)	**2023**	**%**	2022	%
Government-guaranteed mortgages (NHG)	28,057,054	19	27,865,490	19
< 50%	45,872,386	31	51,015,220	35
50% - 80%	50,688,789	34	51,013,717	35
80% - 90%	9,683,505	7	7,996,132	5
90% - 100%	7,226,954	5	6,306,822	5
> 100%	5,474,871	4	2,212,702	2
At 31 December	**147,003,559**	**100**	**146,410,084**	**100**

The total of EUR 147.0 billion is the gross carrying amount, excluding loan loss allowances

AAHG's credit risk on NHG loans is low because of the government guarantee. As a mortgage lender, AAHG incurs a risk of 10% under the scheme of government-guaranteed mortgage loans granted with effect from 1 January 2014. Government guarantees expire in equal instalments.

Declining house prices and origination up to 106% to cover the cost of energy saving measures led to a slight deterioration in the average Loan to Market Value (LtMV) in 2023. AAHG uses the Calcasa automated valuation model to determine the current market value. This model produces accurate values because it relies on the current market values of available collateral. The current market value of collateral for which no Calcasa market value is available is determined by applying indexation based on house price indices published by Statistics Netherlands to the market value as specified in the valuation report.

The gross carrying amount of mortgages with an LtMV of above 100% increased to EUR 5.5 billion (31 December 2022: EUR 2.2 billion). This increase is mainly attributable to declining house price but also to origination financed at a LtMV of up to 106% to cover the cost of energy saving measures. A LtMV in excess of 100% does not necessarily mean that the customers in question are in financial difficulties. In case of redeeming mortgages, the LtMV will usually show a decreasing pattern following contractual monthly redemptions. AAHG actively approaches customers with interest-only mortgages or mortgages with any other uncertain repayment options in combination with a high LtMV. AAHG informs them of the risks associated with their interest-only mortgage and discusses actions customers might want to take to keep their mortgage affordable, for instance after they retire, at loan maturity or if the Dutch government decides to further restrict mortgage interest tax relief. The development of the LtMV in the portfolio is affected by both housing price developments as well as a shift in the portfolio to more amortising loans as a result of current tax regulations.

Mortgage indicators

(x EUR 1,000)	**2023**	2022
Gross carrying amount	147,003,559	146,410,084
- of which guaranteed mortgages (NHG)	28,057,054	27,865,490
Credit quality indicators		
Past due ratio	0.8%	0.6%
Stage 3 Impaired ratio	0.9%	0.8%
Stage 3 Coverage ratio	9.7%	6.4%
Mortgage indicators		
Average LtMV (indexed)	58%	54%
Average LtMV - excluding NHG loans (indexed)	58%	55%
Total risk mitigation/gross carrying amount	181%	193%
Cost of risk (year to date, in bps)	2	4

The stage 3 impaired ratio increased slightly in 2023. The stage 3 coverage ratio sharply increased as a result of increased provisions for interest only mortgages and anticipated changes to risk classification.

AAHG's credit risk is managed based on ABN AMRO's programme lending methodology and a policy framework consisting of a bank-wide credit risk policy and a detailed credit risk policy for mortgage loans. These risk policies cover all phases of the credit cycle, from product planning to origination to customer management, prevention, and early and late arrears. Management is responsible for managing and monitoring credit risk (first line of defence). The business identifies, assesses, monitors and reports potential and actual credit risk losses within the defined credit risk framework. Credit risk is monitored on an ongoing basis to ensure that credit risk developments remain within the set limits of the risk appetite. Customers with payment arrears are transferred to our debt collection partners, who help to identify the root cause of a payment problem and, if possible, resolve these problems.

Uncollateralised portions of mortgage loans

(x EUR 1,000)	**2023**	2022
Loans and advances customers	146,809,193	146,254,101
Collateral value	263,422,169	280,229,034
Collateral bank savings	2,547,054	2,404,749
Other guarantees (e.g. NHG)	604,136	245,109
Surplus value of collateral	-124,969,615	-140,505,015
At 31 December	**5,205,448**	**3,880,223**

The uncollateralised portions of loans in the mortgage portfolio increased as a result of more loans having an LtMV in excess of 100%. This was mainly attributable to decreasing house prices in 2023 and origination to cover the cost of energy saving measures.

Uncollateralised portions of credit-impaired mortgage loans (>90 days and covered by an impairment)

(x EUR 1,000)	**2023**	2022
Credit-impaired portfolio	1,264,178	1,109,268
Collateral value	1,973,098	1,811,142
Collateral bank savings	11,053	9,762
Other guarantees (e.g. NHG)	2,265	519
Surplus value of collateral	-846,432	-783,486
At 31 December	**124,193**	**71,330**

The uncollateralised portions of the credit-impaired portfolio increased in line with the increase in the portfolio as a whole.

Breakdown of past due mortgage loans (<90 days)

A mortgage loan is past due if a customer fails to make a payment on the contractual due date or if the counterparty has exceeded an agreed limit. AAHG measures days past due regardless of the amount.

(x EUR 1,000)	**2023**	2022
Mortgages	147,003,559	146,410,084
Breakdown by days past due:		
≤ 30	1,715,863	1,180,108
> 30 & ≤ 60	2,796	123,986
> 60 & ≤ 90	17,597	42,286
At 31 December	**1,736,256**	**1,346,380**

The amount of EUR 147.0 billion is the gross carrying amount, excluding loan loss allowances

This breakdown shows that past due mortgages increased during 2023.

Forbearance, past due credit exposures and loan loss allowances

Mortgage loans at risk primarily consist of exposures for which there are signs indicating that the customer may become credit-impaired in the future. Loans at risk are classified into different risk categories for individual customers and into days-in-arrears buckets for groups of aggregated customers in order to optimise monitoring and review of these loans.

Forbearance

Forbearance is the process of making concessions to customers who are or will soon be experiencing financial difficulties, with the intention of bringing them back within their payment capacity. A forborne asset is any contract that has been entered into with a customer who is in, or is about to face, financial difficulties, and that has been refinanced or modified on terms and conditions that would not have been accepted if the customer had been in good financial health.

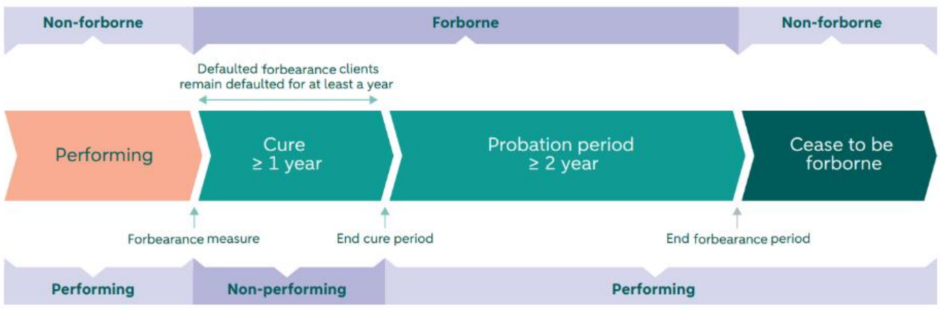
Forbearance measures can be applied to mortgages on which the customer has already defaulted, as well as to contracts that are still performing.

A mortgage will cease to qualify as forborne only if all of the following conditions have been met:

- The mortgage is considered performing;
- A minimum probation period of two years has passed since the last forbearance measure and/or the date the forborne contract was considered performing (whichever is later);

- Regular and timely payments of more than an insignificant amount of the principal or interest have been made during at least half of the probation period;
- The customer does not have any contract, within the credit agreement, that is more than 30 days past due at the end of the probation period.

If the forborne contract is or has become non-performing at the time of the forbearance measure, a mandatory cure period of at least one year applies to the contract before it is returned to performing status. The cure period starts when the contract becomes non-performing or, if the contract was already non-performing, when the last forbearance measure was taken.



Forborne assets remained relatively stable over the course of 2023. Total forborne assets amounted to EUR 1.0 billion at 31 December 2023.

(x EUR 1,000)	**2023**	2022
Total forborne assets	1.025.237	1.032.019
Forborne assets not past due and not stage 3	622.546	601.022
Forborne assets past due but not stage 3	7.503	60.427
Impaired forborne assets	395.188	370.570
Allowance (collective)	46.013	31.287

Past due credit exposures

A mortgage loan is past due if a customer fails to make a payment on the contractually agreed due date or if the customer has exceeded an agreed limit. AAHG uses instalments past due as a proxy for days past due.

Accounting policy for measuring allowances for expected credit losses (ECL)

The IFRS 9 impairment requirements are applicable to mortgage loans measured at amortised cost, loan commitments and financial guarantee contracts. At each reporting date, mortgage loans are classified into one of three stages, depending on the current credit quality.

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
Performing (Initial recognition)	**Credit quality 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 income		
Effective interest on gross carrying amount	Effective interest on gross carrying amount	Effective interest on amortised cost (gross carrying amount less loss allowance)

Classification in stage 2

AAHG uses quantitative and qualitative stage triggers to determine whether a mortgage should be classified as stage 1 or stage 2.

Quantitative stage triggers

The key quantitative metric for determining when a financial instrument should be transferred from stage 1 to stage 2 is the deterioration in the lifetime probability of default (LPD) from the date of origination to the reporting date, based on internal data. The LPD represents the likelihood that a counterparty will default during the lifetime of the financial instrument and depends on credit risk drivers such as:

- product characteristics (e.g. repayment and interest terms, or term of the product);
- the financial situation of the borrower;
- the number of days past due;
- expected developments in the economy.

The LPD deterioration (LPDD) measures the relative difference between the remaining LPD at reporting (LPDR) and the remaining lifetime PD at origination (LPDO) as LPDD = LPDR/LPDO. If the LPDD of an exposure is above a predefined threshold, the LPD is considered to be significantly deteriorated. The exposure is then transferred to stage 2 and impairment allowances equal to the lifetime expected credit loss are recognised. If the LPDD subsequently reduces and falls below the threshold, the customer is transferred back to stage 1. The threshold for mortgages lies between 1.7x and 2.0x, depending on the ECL model.

Qualitative stage triggers

The bank transfers a mortgage loan from stage 1 to stage 2 if it meets any of the following qualitative triggers:

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

Reclassification to stage 1

As a general rule, favourable changes in credit risk are recognised consistently with unfavourable changes, and a mortgage is transferred back to stage 1 when quantitative or qualitative triggers are no longer met. In some cases, a probation period applies:

- Forborne mortgages are transferred back from stage 2 to stage 1 only after a probation period of at least 2 years has ended, in line with the ABN AMRO forbearance policy. Stage 3 forborne mortgages transfer back to stage 2 after a cure period of at least one year;
- For mortgages that are 30 days past due, a three-month probation period is applied for transfers from stage 2 to stage 1.

Classification in stage 3

Default will always result in a transfer to stage 3. The definition of default was developed in line with the EBA Guidelines. All models use a consistent definition of default. A default is deemed to have occurred when:

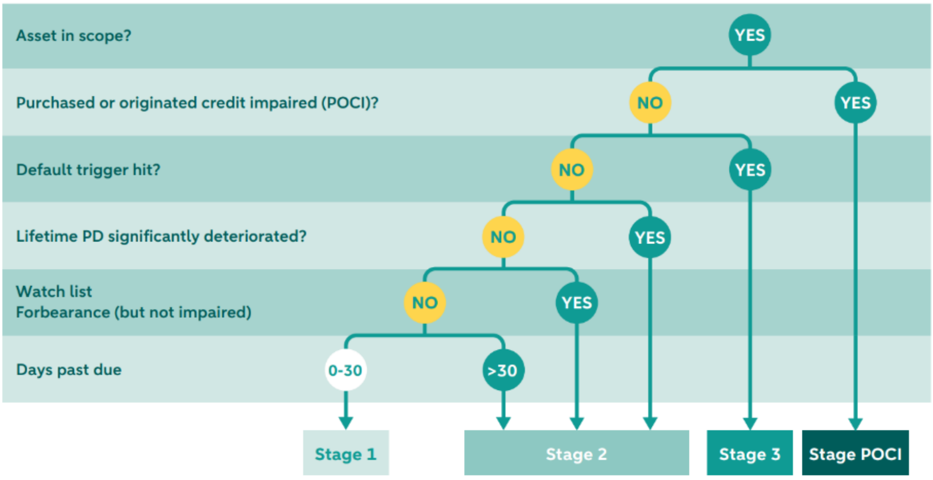
- the counterparty is past threshold by more than 90 days with regards to any material financial credit obligation to the bank; or
- the bank considers the borrower to be unlikely to meet its contractual obligations (unlikely-to-pay or UTP).

The materiality of a past-due financial obligation is assessed against an absolute and a relative threshold. To determine unlikeliness-to-pay, AAHG has defined default triggers.

Reclassification to stage 2 or 1

The default classification of non-forborne exposures ends when none of the default triggers apply and a (probation) cure period of at least three months has passed since the default trigger was last applied. For default forborne exposures, a twelve-month cure period starts from the moment the last forbearance measure or default trigger was applied. If there are no remaining past-due amounts after the cure period, the default classification will end.

The staging model can be represented as follows:



Classification of interest-only mortgages

The dedicated programme for interest-only mortgages or mortgages with any other uncertain repayment options includes an affordability test to determine whether a customer can refinance their mortgage at maturity. Based on the results of the affordability test, customers with a significant increase in credit risk are transferred to stage 2 or stage 3.

Calculation method
ABN AMRO recognises loss allowances based on the expected credit losses (ECL) of IFRS9, which is designed to be forward-looking. The amount of expected loan loss allowances is based on the probability-weighted present value of all expected cash shortfalls over the remaining life of the mortgage loan for exposures both presented and not presented in the statement of financial position. AAHG uses ABN AMRO models to calculate credit loss allowances on a collective basis. Collective 12-month ECL (stage 1) and lifetime ECL (stages 2 and 3) for mortgage loans that have similar credit risk characteristics are clustered into segments and collectively assessed for impairment losses (see the section headed ‘Quantitative stage triggers’). A collective impairment calculation approach based on individual parameters is applied. ABN AMRO has models to quantify the Probability of Loss (PL), Loss Given Loss (LGL) and Exposure at Loss (EAL) for the purposes of calculating the collective 12-month ECL and LECL for these mortgage loans.

Lifetime expected credit losses
AAHG defines the lifetime as the maximum contractual period for which the bank is exposed to credit risk. This will not stretch beyond the maximum contractual period, even if a longer period is consistent with business practices.

Forward-looking information
For ECL calculation, ABN AMRO uses three different scenarios of future economic developments: a baseline (or most likely) scenario, a negative scenario and a positive scenario.
The three scenarios are incorporated into the IFRS 9 ECL calculation and the risk stage determination in a probability-weighted manner (31 December 2023: baseline 60%, positive 15%, negative 25%).
In order to incorporate the latest economic outlook, the scenarios and their weights are reviewed each quarter and adjusted if necessary. Macroeconomic variables (e.g. GDP, unemployment rate, 10-year government bond yield, house price index) forecast by ABN AMRO Group Economics are used for the ECL calculation and are chosen for each specific segment based on statistical relevance, such as credit risk drivers and expert judgement of the business. ABN AMRO has aligned its forward-looking scenarios with those used in the budgeting process. Specific forecasts of macroeconomic variables are made for two to three years; subsequent periods are gradually moved to their potential or equilibrium values.

Management overlays and other adjustments
Where necessary to reflect the credit risk dynamics not captured by our models, management judgement is applied via a management overlay or other IFRS 9 adjustment. A management overlay is a temporary adjustment in a loss allowance until a long-term solution (e.g. model adjustment) is effective, and must be an amount commensurate to the model limitation. All overlays require a decision of the Impairment and Provision Committee (IPC). AAHG currently has management overlays in place for interest only mortgages, anticipated changes to risk classification and to compensate the effect of sharp increases in the house price index.

Climate and environmental risks in ECL
Incorporating climate risk explicitly into ECL models is challenging due to the lack of historical data and the horizon on which climate and environmental risks (CER) are expected to materialise. We are taking steps to gain deeper insight into how CER affect our customers, and to eventually embed them into our IFRS 9 ECL models. The target state is to have CER reflected in all four modelling frameworks (IRB models, IFRS, stress testing and EC). Although the impact of climate risk on ECL can only be estimated with a high degree of uncertainty regarding amounts of losses and the time horizon on which it will materialize, it is partially embedded into our ECL estimates through our macroeconomic forecasts. CER are playing an increasing role in government policies and macroeconomic developments. To capture CER in ECL and related scenario processes, each macroeconomic scenario is accompanied by an overview that illustrates which of these risks are included in the various projected macroeconomic indicators.

Management overlays on ECL can be put in place for identifiable events that are not (yet) included in the macroeconomic forecasts, can be taken.

Impairments

(x EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	134,948,750	10,790,632	1,264,177	147,003,559
Allowances for credit losses	23,585	47,835	122,946	194,366
Coverage ratio	0.0%	0.4%	9.7%	
Stage ratio	91.8%	7.3%	0.9%	

Of the total exposure, 8.2% is classified as stage 2 or stage 3. Stage 2 exposure increased as a result of the implementation of new Watch triggers to comply with EBA guidelines on loan origination and monitoring. The total loan loss allowances amounted to EUR 194.4 million. Coverage ratios increased in 2023 as a result of increased provisions for interest only mortgages and anticipated changes to risk classification.

Credit quality by internal rating scale mapped to stages

The probability of default (PD) shows the likelihood that a customer will default within a one-year time horizon. Mortgage products with the same characteristics are pooled and a PD is assigned to each pool and expressed as an internal uniform counterparty rating (UCR).

(x EUR 1,000)	PD scale	UCR range	Stage 1	Stage 2	Stage 3	Total
Investment grade	0.0000% - < 0.0346%	1				
	0.0346% - < 0.1265%	2	63,154,523	1,529,944		64,684,468
	0.1265% - < 0.4648%	3	50,231,530	2,721,912		52,953,441
Sub-investment grade	0.4648% - < 2.2249%	4	21,093,695	3,690,306		24,784,002
	2.2249% - < 19.9706%	5	446,922	2,334,889		2,781,811
	19.9706% - < 100%	6+	22,079	513,582		535,660
Default	100%	6 - 8			1,264,177	1,264,177
Total			**134,948,750**	**10,790,632**	**1,264,177**	**147,003,559**

Maximum credit risk

The maximum exposure to credit risk was EUR 153.7 billion (2022: EUR 156.0 billion), consisting of EUR 146.8 billion in mortgage loans (2022: EUR 146.3 billion), EUR 2.5 billion in other assets (2022: EUR 4.0 billion) and EUR 4.4 billion in irrevocable commitments (2022: EUR 5.8 billion).

Market risk

Market risk is the risk of a decline in the market value of the mortgage portfolio or the earnings of AAHG as a result of unfavourable market developments. The market risk of the mortgage portfolio consists predominantly of interest rate risk.

The main sources of interest rate risk related to the mortgage portfolio are the maturity mismatch between the mortgages (assets) and their funding (liabilities), including those resulting from differences in actual versus predicted customer behaviour.

AAHG has a funding agreement with ABN AMRO to finance the mortgage loans issued. AAHG pays ABN AMRO a funds transfer price (FTP) for financing the mortgage loans. The FTP is considered an at arm's length funding price that makes allowance for interest rate risk and liquidity risk stemming from the mortgage contracts. For this reason, as part of this agreement, market-risk-type interest rate risk related to such aspects as customer behaviour is hedged by AAHG under the agreement with ABN AMRO.

The interest maturities of the mortgage portfolio, including the related weighted average interest rates, can be broken down as follows:

(x EUR 1,000)	2023	%	2022	%
Short-term (less than 3 months)	5,020,746	5.1	6,076,296	3.3
Long-term (between 3 months and 1 year)	2,915,331	3.2	2,675,210	2.8
Long-term (between 1 and 5 years)	35,075,085	2.6	29,772,846	2.6
Long-term (more than 5 years)	103,992,395	2.3	107,885,732	2.1
At 31 December	**147,003,559**		**146,410,084**	

The interest rate paid on the funding is in line with market rates.

Another key aspect of interest rate risk is the difference between actual and predicted customer behaviour, mainly with respect to prepayments. ABN AMRO has developed a behavioural model to predict prepayments and penalties specifically for the risk of prepayments. Product conditions also contribute to managing the prepayment risk, e.g. by limiting annual penalty-free prepayments. Prepayment penalties are transferred to ABN AMRO Asset and Liability Management and Treasury (ALM/T) and are part of the FTP framework described above.

Fair value

(x EUR 1,000)	2023 Carrying amount	2023 Fair value	2022 Carrying amount	2022 Fair value
Financial assets				
Cash	905,538	905,538	1,316,287	1,316,287
Loans and receivables - banks	392,973	392,973	426,846	426,846
Loans and receivables - customers	146,809,193	135,341,214	146,265,835	131,193,842
Other assets	1,177,528	1,177,528	2,178,147	2,178,147
Prepayments and accrued income	793	793	849	849
Financial liabilities				
Due to banks	134,902,204	134,902,204	138,622,770	138,622,770
Due to customers	2,642,090	2,450,281	2,526,162	2,282,145
Other liabilities	815,671	815,671	734,275	734,275
Derivative liabilities	6,918	6,918	7,920	7,920
Accruals and deferred income	259,946	259,946	288,588	288,588
Subordinated notes	10,600,000	10,441,233	7,900,000	7,238,364

The fair value of current financial assets and liabilities is considered to be virtually the same as their carrying amount. The difference is of minor significance.

The fair value of non-current financial assets and liabilities is based on estimates. The estimates are based on certain assumptions regarding the term to maturity, the timing of future cash flows and the discount rate.

The fair value of the mortgage portfolio (recognised within ‘Loans and advances - customers’) has been determined by calculating the discounted cash flows, which were estimated based on the average of all mortgage loan interest rates, by maturity and by risk category on 31 December 2023, using online public information.

Liquidity risk

Liquidity risk is the risk that actual and potential payments or collateral posting obligations cannot be met on a timely basis, or only at excessive costs. There are two types of liquidity risk: funding liquidity risk and market liquidity risk. Similar to interest rate risk, both types of liquidity risk are centrally managed by the ALM and Treasury departments of ABN AMRO. AAHG uses the FTP to transfer liquidity risk to ABN AMRO, enabling central monitoring and management.

The remaining contractual terms to maturity of the mortgage loans is included in the table in note 5.

AAHG has signed a loan agreement with ABN AMRO for EUR 141.8 billion. This limit can be increased by means of an amendment to the loan agreement if required. ABN AMRO has issued a statement of joint and several liability for AAHG, which means that ABN AMRO guarantees all of AAHG's obligations. ABN AMRO cannot cancel the loan agreement unless for valid reason.

Business risk

Business risk is the risk that business earnings and the value of the business will decline and/or deviate from expectations because of uncertainty in business income or in the expenses that need to be incurred to generate business income. In 2023, the mortgage market declined sharply due to significantly higher interest rates on the money and capital markets. The number of providers has increased in recent years, and so there is growing competition in a small market. The major banks also face additional prudential requirements from the ECB on among others the management of the bank's interest-only mortgage book. In addition, we see that the housing market after a stagnation improved by the end of 2023. All these developments put pressure on commercial and financial objectives, with a material risk that both volume and margin targets will not be achieved.

Sustainability risk

AAHG has performed climate scenario analyses (CSA) of its residential real estate (RRE) mortgage portfolio since 2019. As the ECB issued the Guide on climate-related and environmental risks in 2020, a bank-wide implementation plan was developed to comply with regulatory expectations for climate risk management. This plan included the implementation of a process for climate scenario analysis consistent with the banks' stress test and scenario framework and repetition and improvement of climate scenario analyses of four priority portfolios including RRE (i.e. the AAHG mortgage portfolio).

ABN AMRO's climate risk methodology is continuously improving as new external data and insights relating to climate risk become available. AAHG has monitored climate-related KRI's (e.g. properties with a potential high climate risk since the first quarter of 2022). The second time this monitoring was performed, additional physical risks (e.g. wildfires, heat stress) and transition risk were added to the analysis. In 2023, the third iteration of the climate risk analysis was performed. In this iteration, the analysis was improved by using improved methodologies for all physicals risks and by using updated data of a higher data quality for foundation risks. More insights in environmental risks (e.g. oxygen stress, drought sensitivity nature) and potential property related adaptation and mitigations were found as well in this third iteration. The results of this climate scenario analysis will bring more expertise and knowledge for the bank's strategic decision making.

AAHG improves the energy efficiency in the homes we finance by promoting and improving the sustainability of properties, for instance by means of insulation and solar panels. We have introduced the online Energy Savings Check to help homeowners identify and implement energy-efficiency measures. We added Essent Nederland B.V. as a partner in the Energy Savings Check as well as Econic, a company specialised in the installation of heat pumps. We also offer a sustainability discount. [1]

The Mortgage Advice Policy stipulates that every advisor is required to discuss additional financing options for sustainability improvements in every mortgage consultation and list the options customers have for making their properties more sustainable. This topic is also addressed in the mortgage advice report. The Energy Saving Check provides proper insight into potential energy-saving measures.

Operational risk

Running a business means running operational risks. An operational risk is the risk of losses due to failing processes, systems, people or external environment, and to failure by external service providers. To hedge against risks related to failure by external service providers, AAHG has signed Service Level Agreements and requires ISAE3402 reports. Periodic evaluations are held to monitor the services provided.

AAHG has a framework in place to help prevent and manage operational risks on a consistent basis. The framework is used on a bank-wide basis within ABN AMRO.

[1] In 2021 ABN AMRO increased the sustainability discount to 0.10% for properties with energy label B and to 0.15% for properties with energy label A; discounts apply to new contracts or when interest rates are reset. Florius customers are offered a sustainability discount of 0.10% for properties with an energy label A, but no sustainability discount for properties with energy label B. Customers may also qualify for a discount if they make efficiency improvements and achieve an A or B label within 24 months of the date at which interest rates were reset.

Managers are responsible for managing the identified operational risks and facilitated by the ABN AMRO Risk Control Framework. Various levels within AAHG and ABN AMRO periodically report on operational risks and the measures taken to mitigate them. The risks are documented using the ABN AMRO Governance, Risk and Compliance (AGRC) registration system.

Know Your Client (KYC) and Customer Due Diligence (CDD)

Before entering into and during business relationships, AAHG carries out due diligence of its customer and third parties such as agents, intermediaries and suppliers, using a risk-based approach aimed at minimising the risk of becoming involved in or associated with money laundering, terrorist financing, corruption or tax evasion. For its KYC and CDD screening AAHG uses systems developed by ABN AMRO and follows several procedures that are performed centrally at ABN AMRO.

ABN AMRO systematically monitors the activities of customers and reports any suspicious or unusual transactions to the relevant authorities. Prospective and existing customers in high-risk situations (such as those involving politically exposed persons (PEPS), adverse media, or customers in countries or sectors with an inherently higher risk of financial crime) undergo additional due diligence. ABN AMRO also considers geopolitical factors when assessing the risks of financial crime in relation to specific countries or sectors. Unacceptable risks lead to the prospective customer or third party in question being rejected or, in the case of an existing customer offboarded.

AAHG is highly dedicated to enhance its internal processes and systems to contribute to the prevention of financial economic crime. We are validating the AML client file remediation while additional work continues to increase the effectiveness of our measures and to reach a sustainable and adequate level that meets regulatory requirements.

Information risk

Information risk is defined as the risk of loss due to breach of confidentiality, failure of integrity systems and data, inappropriateness or unavailability and destruction of systems and data or inability to change information technology (IT) within a reasonable time and at reasonable cost when the environment or business requirements are subject to change (i.e. agility). This includes security risks resulting from inadequate or failed internal processes or external events including cyber-attacks or inadequate physical security.

AAHG has a security control framework in place to create a coherent system in which people, processes and technology are aligned with confidentiality, integrity and availability objectives. Key risk indicators (KRIs) on IT/IS are defined to achieve a moderate risk profile. AAHG is in control by:

- Periodically identifying key risks, based on the threat landscape and the KRIs;
- Restating key controls, based on key risks;
- Monitoring key controls.

The set of key controls include business continuity, security awareness, risk assessment and third-party risk management, access management and a number of IT security measures.

During 2023, AAHG continued the transformation of the IT environment by migrating the Local IT environment to the IT Platforms of ABN AMRO main bank, as part of the SIGMA (Security & Infrastructure Global Mandate). The goal of this programme is to de-risk and secure ABN AMRO and its subsidiaries through standardization and centralisation of the IT environment that will support business strategy. This will enable ABN AMRO with the implementation of the Information Security Roadmap bank-wide.

We have started with the implementation of the Digital Operational Resilience Act (DORA), which aims to further strengthen the digital operational resilience of financial institutions. DORA entered into force on 16 January 2023 and will apply as of 17 January 2025.

Compliance risk

Compliance risk is defined as the risk of failure to comply with laws and regulations, self-regulatory organisational standards, values and business principles, codes of conduct or generally accepted market standards governing AAHG's services and activities. Failure to comply can result in incidents, legal sanctions, regulatory sanctions, and material financial losses and/or harm to AAHG's reputation.

AAHG is expected to meet stringent regulatory requirements and to mitigate its compliance risk. Compliance has a fundamental role, i.e. to fulfil the bank's duty of care responsibilities and to act as a gatekeeper, to foster a culture of sound risk-taking (most notably with regard to all integrity related risks) and to enable and support a mature values-led business.

AAHG also needs to be aware of, and act on key issues such as privacy and sustainability. To give more direction to how we want to safeguard our customers' interests, six bank-wide client centricity principles have been defined to provide a compass for all colleagues in putting customers' interests first when making decisions and choices. These principles are as follows:

- We understand the needs, characteristics and behaviour of our customers.
- Our products and services are suitable for and provide added value to our customers.
- We make sure that our customers are able to understand our products and services.
- We deliver what we promise.
- Our prices are explainable and transparent.
- We are proactive towards our customers and we act in their best interest.

From a compliance perspective, the year 2023 was characterised by constructive cooperation with the first line. Discussions took place in an open atmosphere, with respect for each other's points of view. This also contributes to ABN AMRO's bank-wide purpose of 'banking for better, for generations to come', as compliance is critical to our license to operate.

Data risk

AAHG continued to focus on improving the quality and availability of data throughout 2023. Today, data not only provides a commercial competitive edge, it is also of growing importance from risk management and regulatory compliance perspectives. As AAHG depends heavily on its outsourcing partners for its data, initiatives were started to enhance control with these outsourcing partners specifically regarding data aspects. Furthermore, data management capabilities within AAHG are being strengthened in line with corporate guidelines. Enhancement of AAHG's data risk management to support and mature the overall in-control objective for data risks and resolve weaknesses will continue to be a high priority for management.

Outsourcing risk

Adequate risk management on third party and outsourcing risks ensures that specific risks related to the external and intragroup outsourcing of business processes, IT platforms and software are properly managed. The basis for implementing this properly, is secured within AAHG in the Contract Management department. It ensures that AAHG acts on the basis of the relevant EBA-Outsourcing regulations, the ABN AMRO Third Party and Outsourcing Risk Policy and related framework of policies, tooling and working methods. In doing so, it also anticipates future changes, such as the Digital Operational Resilience Act (DORA) that will come into force in early 2025. This framework enables AAHG to carry out the relevant risk checks and to take measures as necessary, during all phases of an (outsourcing) agreement. An important tool in this regard is the quarterly report to the management team, in which a risk assessment is carried out for each outsourcing agreement. This results in RAG-scores, the aggregation risk and information on the way outsourcing is dealt with within AAHG, all of which are brought together in an outsourcing risk assessment.

Approval of Annual Financial Statements by Supervisory Board

The Supervisory Board approved these Annual Financial Statements on 16 May 2024. The Annual Financial Statements will be adopted by the General Meeting of Shareholders.

For the Managing Board:

Ms. G. van Haaren
Mr. J. Zonneveld
Mr. J.P. Kolk

For the Supervisory Board:

Mr. J.G. ter Avest
Ms. L.M.R. Vanbockrijck
Mr. D. Reitsma
Mr. P.J. Scholten

Other Information

Independent auditor's report

To: the shareholder and supervisory board of ABN AMRO Hypotheken Groep B.V.

Report on the audit of the financial statements 2023 included in the annual report

Our opinion

We have audited the annual financial statements 2023 (the financial statements) of ABN AMRO Hypotheken Groep B.V. based in Amersfoort, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of ABN AMRO Hypotheken Groep B.V. as at 31 December 2023, and of its result for 2023 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The statutory statement of financial position as at 31 December 2023
- The statutory income statement for 2023
- 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 Hypotheken Groep B.V. (herineafter also: the company) 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.

Information in support of our opinion

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

Our understanding of the business

ABN AMRO Hypotheken Groep B.V.'s activities consist of providing residential mortgage products and services to retail clients, which are conducted in The Netherlands. Mortgage products and services are offered through the bank branches of ABN AMRO, through intermediaries and online. All shares of the company are held by ABN AMRO Bank and several functions are outsourced to ABN AMRO Bank. The company is funded by ABN AMRO Bank, primarily through a funding agreement and subordinated notes, and (savings) deposits (not) linked to mortgages from borrowers. We paid specific attention in our audit to a number of areas driven by the activities of the company and our risk assessment.

References to departments and functions in this section concern the departments and functions from the company and/or ABN AMRO Bank.

Materiality

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality	€42 million (2022: € 48 million)
Benchmark applied	5% of operating profit before taxation (rounded)
Explanation	In determining the nature, timing and extent of our audit procedures, we use operating profit before tax as a basis for setting our planning materiality. We believe that this benchmark is the most important metric for the performance of AAHG to users of the financial statements. We determined materiality consistent with previous year.

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 in excess of EUR 2.1 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds

Scope of the audit

In order to obtain sufficient and appropriate audit evidence to provide an opinion about the financial statements, we have performed a full-scope audit on the financial information of ABN AMRO Hypotheken Groep B.V. as a whole (no components) and by one audit team.

ABN AMRO Hypotheken Groep B.V. and its three subsidiaries have outsourced their loan servicing including arrear management, payments and collections to a few external parties regarding the mortgage portfolio. Furthermore several second line risk functions have been outsourced within ABN AMRO Bank such as risk management, IT, legal, compliance and internal audit.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audit of the financial statements as a whole. In this respect we have determined the nature and extent of the audit procedures to be carried out for the outsourced activities, based on the size and/or the risk profile of these activities, and documented these in instructions. We also performed a quality review on the procedures performed and the results thereof.

We have used the work of other auditors in the audit of the significant activities relating to loan servicing including arrear management and the resulting financial information included in the financial statements. Among others, we made use of the report on the description, design, and operating effectiveness of controls from service organizations as audit evidence that controls at the service organization that are relevant for our audit of the financial statements of the company, were operating effectively throughout 2023. In addition, we also:

- reviewed the service level agreement, reconciled the audited loan pool reports from service organizations with the general ledger of ABN AMRO Hypotheken Groep B.V., performed analytical and arithmetical procedures to the extent required for our audit of the financial statements.
- read minutes of the managing board and the supervisory board to assess any developments relating to outsourcing. We inspected internal risk and internal audit reports and also took note of remedial actions taken to address findings.

Furthermore, we inspected and reconciled bank confirmations ourselves to determine the completeness of bank accounts and the correctness of authorizations and we performed additional substantive audit procedures on the reconciliation, substantiation and ageing of outstanding amounts on suspense accounts.
By performing the procedures mentioned above on the significant activities, together with the procedures we performed ourselves, we have been able to obtain sufficient and appropriate audit evidence about the financial information as a whole to provide an opinion about the financial statements.

Teaming and use of specialists

We ensured that the audit team has the appropriate skills and competences which are needed for the audit of a mortgage bank. We included specialists in the areas of IT audit, forensics, and income tax and have made use of our own experts in the areas of valuations of real estate, credit risk modelling, macro-economic forecasting and actuarial calculations.

Our focus on climate-related risks and the energy transition

Climate change and the energy transition are high on the public agenda and lead to significant change for many businesses and society. The managing board of ABN AMRO Hypotheken Groep has reported in the section 'Sustainability risk' of the financial statements how the company is addressing risks related to climate change, energy transition and the environment, also taking into account related regulatory and supervisory guidance and recommendations. Furthermore we refer to the strategy section of the report of the managing board where the company discloses the climate strategy and the company's implementation plans.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the effects of the energy transition and the company's implementation plans are taken into account in estimates and significant assumptions. Furthermore, we read the report of the managing board and considered whether there is any material inconsistency between the non-financial information and the financial statements.

Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgements, accounting estimates or significant assumptions as at 31 December 2023.

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

Our responsibility

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

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the managing board's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes.

We refer to section 'Principal risks and uncertainties' of the report of the managing board for the managing board's risk assessment after consideration of potential fraud risks.

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

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and corruption in close co-operation with our forensic and legal specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

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

We addressed the risks related to management override of controls, as this risk is present in all companies, and we considered the presumed risk of fraud in revenue recognition:

- For the risks related to management override of controls we have performed procedures among other things to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in note 1.3 'estimates and assumptions' to the financial statements. We have also used data analysis to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties.

Additionally, as described in our key audit matter related to the 'Loan loss allowance for loans and advances – customers', we specifically considered whether the judgments and assumptions in the determination of this allowance indicate a management bias that may represent a risk of material misstatement due to fraud.

- With regards to the presumed risk of fraud in revenue recognition , based on our risk assessment procedures, we evaluated that this risk is present in areas with material incidental transactions, more specifically related to the timing and recognition of mortgage sales transactions by ABN AMRO Hypotheken Groep B.V.

We considered available information and made enquiries of relevant executives, directors, internal audit, legal, compliance and risk management, business line management and the supervisory board.

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

Our audit response related to risks of non-compliance with laws and regulations
We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the managing board, inspection of the relevant sections of the integrity risk analysis (SIRA), enquiries of relevant executives (including internal audit, legal and compliance), reading minutes, inspection of internal audit and compliance reports, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. In case of potential non-compliance with laws and regulations that may have a material effect on the financial statements, we assessed whether the company has an adequate process in place to evaluate the impact of non-compliance for its activities and financial reporting. Finally, we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern
As disclosed in section 'Going concern' in Note 1.2 to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the managing board made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future. As discussed in chapter 'Corporate Structure' of the annual report, ABN AMRO Bank N.V. has issued a statement of joint and several liability with respect to the company. By virtue of this statement, ABN AMRO Bank N.V. has assumed joint and several liability for all liabilities arising from legal acts of ABN AMRO Hypotheken Groep B.V.

We discussed and evaluated the specific assessment with the managing board exercising professional judgment and maintaining professional skepticism. We considered whether the managing board's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern and whether the company will continue to meet the regulatory and liquidity requirements. We have read the joint and several liability statement obtained from the company's shareholder ABN AMRO Bank N.V. and the 2023 annual report of ABN AMRO Bank N.V. Furthermore we enquired the external auditor of ABN AMRO Bank N.V. about the financial position and meeting the solvency and liquidity requirements towards ABN AMRO Bank N.V. as per 31 December 2023 and thereafter.
If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify material uncertainties about going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

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

Compared to our audit of the financial statements 2022, we have included a new key audit matter relating to the sale of a mortgage portfolio given the significance and the incidental character of the transaction in 2023.

Loan loss allowance for loans and advances - customers	
Risk	Loans and advances to customers are measured at amortized cost, less an allowance for impairment. As disclosed in note 1.1 'Accounting policies' to the financial statements, the company applies the option under Dutch Accounting Standard 290 to apply IFRS 9 'Financial instruments' for recognition of expected credit losses including the related disclosure requirements of IFRS 7. The loan loss allowance represents the company's best estimate of expected credit losses (ECL) on the loans and advances - customers at balance sheet date, which is calculated collectively. At 31 December 2023, the gross loans and advances - customers of ABN AMRO Hypotheken Groep B.V. amounts to EUR 147 billion. The allowances for expected credit losses (loan loss allowances) of EUR 194 million are deducted from the gross loans and advances - customers and disclosed in Note 5 to the financial statements and in the section Credit risk in the Risk Management chapter. The expected credit loss calculation, outsourced to ABN AMRO Bank N.V., is based on risk staging of loans and using assumptions such as the probability of default, the loss given default, macro-economic scenarios and other forward-looking information. These models are updated and enhanced periodically. In response to the higher estimation uncertainties under the current economic and housing circumstances two management overlays have been recorded in the loan loss allowance namely a management overlay for interest only mortgages and an overlay relating to the sharp increase of the housing price index. The modeling assumptions and the management overlays are disclosed in the section Credit risk in the Risk Management chapter. The determination of impairment allowances is a key area of judgment for management. The determination of the recoverability of loans and advances to customers is subject to inherent estimation uncertainty. This also involves setting assumptions and determining scenarios for macro-economic developments. Given the materiality of the loans and advances to customers of ABN AMRO Hypotheken Groep B.V., the complex accounting requirements with respect to calculating allowances for expected credit losses, the subjectivity involved in the judgments made and the inherent risk for management override, we considered this to be a key audit matter.
Our audit approach	Our audit procedures included, amongst others, evaluating the appropriateness of ABN AMRO Hypotheken Groep B.V.'s accounting policies related to expected credit losses in accordance with the relevant paragraphs and application guidance of IFRS 9. We also obtained an understanding of the impairment allowance process, evaluated the design and tested operating effectiveness of internal controls in respect of expected credit loss calculations.

	We performed substantive procedures, including the reconciliation of the data used in the allowance calculations and disclosures to source systems. With the support of our own credit risk modelling specialists, we assessed the appropriateness of the models used for collectively determined impairment allowances and verified whether the models were adequately designed, implemented and periodically validated. We performed an overall assessment of the provision levels by risk stage to determine if they were reasonable considering the risk profile of the loan and advances, arrears management and credit risk management practices. We challenged the criteria used to allocate loans to risk stage 1, 2 or 3 in accordance with IFRS 9 and tested a sample of loans on appropriate stage allocation. We assessed the retrospective review procedures performed by management which compare modelled predictions to actual results and expert overlays. To assess the estimation uncertainty inherent in the calculations, we developed our independent range of estimates for a sample of models. With the support of our real estate valuation specialists we assessed collateral valuations. Regarding the application of macro-economic scenarios and forward-looking information, we assessed with the support of our own macro-economic forecasting specialists the base case and alternative economic scenarios. We considered the impact of the uncertainties in geopolitical trends, climate and other environmental related factors. This included challenging probability weights and the severity and magnitude of modelled downside scenarios, as well as assessing the sensitivity of changes in the assumptions in the calculations. We tested the appropriateness and the associated considerations of management overlays applied to interest only mortgages and the housing price index that are recorded to reflect the credit risk factors which are not captured by the current credit risk models. We challenged the underlying assumptions and tested the data used. We also assessed findings from specific regulatory inspections, industry sector trends, and considered the ongoing model redevelopments. We analyzed the expected credit losses in relation to developments in the loans and advances and composition of the portfolio. Finally, we evaluated the completeness and accuracy of the relevant disclosures in accordance with the relevant paragraphs and application guidance of IFRS 7 'Financial instruments: disclosures'.
Key observations	Based on our procedures performed we consider the loan loss allowances for loans and advances - customers to be reasonable. The related disclosures are considered adequate and appropriate and meet the relevant requirements under IFRS 7 and Part 9 of the Book 2 of the Dutch Civil Code.
Estimation of other provisions and contingent liabilities	
Risk	In accordance with Dutch Accounting Standard (DAS) 252 "Provisions, contingent liabilities and contingent assets", the company provides for liabilities related to, among others, legal claims, compliance and other matters when an outflow of resources is probable and reliably estimable. As disclosed in Note 15 of the financial statements, the company recognized at 31 December 2023 (other) provisions totaling EUR 3 million.

	Developments with regard to legal and compliance risks are disclosed in the section Compliance risk in the Risk Management chapter. In Note 19 off-balance sheet commitments and contingent liabilities are disclosed. This includes a contingent liability in respect of a discussion on regulatory levies. The company disagrees on the interpretations of the regulation regarding annual contributions (levies) to the Single Resolution Board. The outcome is uncertain and the managing board considers it more likely than not that no additional contributions are required. Consequently, no provision is recognized as per 31 December 2023 and a contingent liability is disclosed. The estimation process in relation to provisions and contingent liabilities is inherently complex. This specifically impacts the determination of whether outflows of resources are probable and can be reliably estimated and the appropriateness of assumptions and judgments used in the estimation of the provisions and disclosure of contingent liabilities. Therefore, we considered this to be a key audit matter.
Our audit approach	We evaluated ABN AMRO Hypotheken Groep B.V.'s accounting policies related to provisions and contingent liabilities in accordance with DAS 252, and whether assumptions and the methods for making estimates are appropriate. We also obtained an understanding of the internal controls and the legal and regulatory framework of the company. We evaluated the design and implementation of controls to identify, monitor and disclose potential obligations arising from legal or regulatory matters and other contingencies. We considered whether obligations exist, and the appropriateness of provisioning and disclosure based on the facts and circumstances available. On a regular basis, we inquired with the risk, compliance and internal audit departments of the company to understand and discuss the existing and potentially new obligations and regulatory matters. We examined the relevant internal reports, the results of internal lookback analyses, as well as regulatory and legal correspondence to assess the developments. Where appropriate, we involved our legal specialists. In order to evaluate the facts and circumstances with respect to the discussion about the regulatory levy we obtained the representation made by the external legal counsel and inquired with senior management of ABN AMRO Hypotheken Groep B.V. Furthermore, we evaluated the adequacy of the disclosure regarding provisions and contingent liabilities in accordance with the requirements of DAS 252.
Key observations	Based on our procedures performed we consider the provisions and the disclosures on provisions and contingent liabilities to be reasonable and in accordance with DAS 252.
Reliability and continuity of information technology	
Risk	The activities and financial reporting of ABN AMRO Hypotheken Groep B.V. are highly dependent on the reliability and continuity of ABN AMRO Bank N.V.'s IT environment. Effective general IT controls with respect to change management, logical access, infrastructure and operations, support the integrity and continuity of the IT systems as well as the operating effectiveness of the automated controls.

	The reliability and continuity of electronic data processing is disclosed in in the section Information Risk in the Risk Management chapter of the financial statements. There is a risk that the general IT control measures may not always operate as intended and, as a result, internal controls are ineffective. Therefore, we identified the reliability and continuity of the IT environment as a key audit matter.
Our audit approach	IT audit specialists are an integral part of the engagement team and assess the reliability and continuity of the IT environment to the extent necessary for the scope of our audit of the financial statements. In this context, we evaluated the design of the IT processes and tested the operating effectiveness of general IT controls, as well as application controls over data processing, data feeds and interfaces where relevant for the financial reporting and our audit of the financial statements.
Key observations	Based on our procedures performed, we were able to rely on the IT environment, insofar relevant for our audit of the financial statements.
Sales transaction of mortgages	
Risk	In 2023 the managing board of ABN AMRO Hypotheken Groep B.V. decided to sell a specific portfolio of equity release mortgages and linked interest only mortgages. Following an agreement reached with a third party, the company recognized break-funding fee income of EUR 93 million and a loss on sale of mortgages of EUR 112 million as disclosed in note 23 and note 25 respectively. We consider revenue recognition for this transaction to be a key audit matter due to the incidental character and the significant result realized on this sales transaction of mortgages. Moreover, we identified a fraud risk relating to revenue recognition from this incidental sale of mortgages.
Our audit approach	Our audit procedures comprised an assessment of whether the revenue recognition of the sales transaction by the company was compliant with the requirements as set in Dutch Accounting Standard (DAS) 290. We also obtained an understanding of the internal controls related to (sales) transactions with third parties. We reconciled the revenues and expenses recognized with supporting documentation and inspected sales documentation, bank statements and the confirmation for the break funding fee compensation received. Furthermore we have verified that the transaction loss is within the boundaries as agreed in the ABN AMRO Bank N.V.'s group risk committee and that the members of this committee agreed with the final sales prices. In addition we have verified that the derecognition criteria for the sold mortgages have been met as set in DAS 290, determined that the mortgages have been derecognized in the sub ledger of the company and that the interest accrual relating to these mortgages stopped as per the transfer date. Finally, we evaluated the completeness and accuracy of the disclosures relating to the restructuring expenses as disclosed in the financial statements in accordance with DAS 290.
Key observations	We considered the recognition and disclosures in connection with the sales transaction and determined that these are reasonable and in accordance with DAS 290.

Report on other information included in the annual report

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

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

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

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

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

Report on other legal and regulatory requirements

Engagement

We were engaged by the supervisory board as auditor of ABN AMRO Hypotheken Groep B.V. on 11 September 2015 as of the audit for the year 2016 and have operated as statutory auditor ever since that date.

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 financial statements, we provided services on current account statements with external insurance companies for which we issued specific assurance reports and performed agreed upon procedures. Furthermore we have performed agreed upon procedures with respect to the Single Resolution Fund.

Description of responsibilities for the financial statements

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

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

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the managing board
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

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

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

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

Amsterdam, 16 May 2024
Ernst & Young Accountants LLP

Signed by Q. Tsar

Other information

Provisions in the Articles of Association governing profit appropriation

Subject to the approval of the Supervisory Board, the Managing Board will decide what earnings, i.e. the profit disclosed in the income statement, will be retained for the year.

The profit remaining after retained earnings will be distributed to the shareholders in the form of dividend prorated to their share in the company’s capital. Profits distributed to shareholders will be capped at the amount of the distributable reserves in equity. Profits will not be distributed until the financial statements showing that profit distributions are permitted have been adopted. The Managing Board is competent to authorise the distribution of interim dividend. A decision to distribute interim dividend is subject to the approval of the Supervisory Board.

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