ABN AMRO Hypotheken Groep B.V.

Annual Report

2022

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

ABN·AMRO

florius

moneyou

Registered office in

Amersfoort,
the Netherlands

Number of employees (FTEs)

1,118

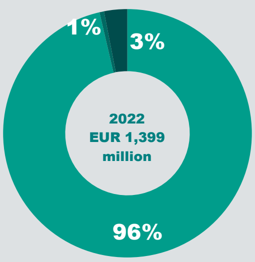
working for AAHG, seconded by ABN AMRO (2021: 1,229)

Operating income for 2022 (in EUR)

1,399 million

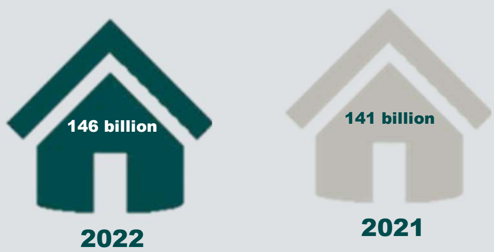
(2021: 1,463 million)

By type of income (in %)



- Net interest income
- Net fee and commission income
- Other

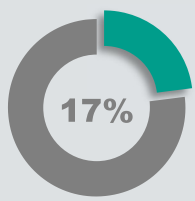
Mortgage portfolio (in EUR)



Market share

(source: Dutch Land Registry)

Market leader in 2022



(2021: 16%)

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 2022 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 provide information to 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 AAHG affairs. In addition, the Supervisory Board advises the Managing Board members, 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, external audits, risk assessments and compliance with regulations.

Appointment, suspension and dismissal

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 for the majority of the reporting period, one of the three members of the Managing Board was female.

Dutch Banking Code

The Dutch Banking Code sets out principles that banks with a corporate seat in the Netherlands 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 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. Employees take the Banker's Oath to affirm their commitment to upholding high standards of ethical behaviour. They are personally responsible for complying with these rules of conduct and may be held accountable for non-compliance.

General Meeting of Shareholders

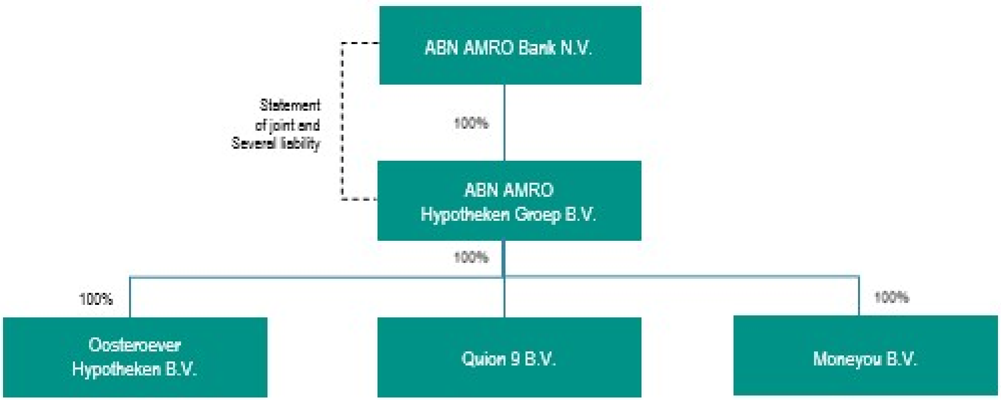
At least one General Meeting of Shareholders is held every year. The General Meeting is competent to adopt annual reports and resolutions regarding the identity or character of AAHG. The agenda of the General Meeting includes the following items as a minimum: the Annual Report, adoption of the Statutory 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 2022. The General Meeting adopted the 2021 Statutory Financial Statements and granted discharge to the members of the Managing Board and the Supervisory Board for their management and supervision, respectively, in the reporting period.

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



Report of the Managing Board

2022 was dominated by rising costs due to the war in Ukraine, the changing housing market and the sharp rise in mortgage interest rates. In 2022, AAHG was market leader in residential real estate finance with a market share of 17% (2021: 16%). Due to fewer repayments and our strong market position, our mortgage portfolio increased by EUR 5.3 billion.

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. In terms of operations, use is made of service providers; the most important service provider is Stater N.V. to whom AAHG has outsourced its 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:

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

In December 2022, ABN AMRO published a bank-wide climate strategy to confirm the bank's commitment to achieve net zero emissions across its portfolios and operations by 2050, in line with the Paris Climate Agreement. ABN AMRO formalised its climate commitment by joining the Net-Zero Banking Alliance (NZBA). The published climate strategy is available on ABN AMRO's website. ABN AMRO is committed to reducing the GHG intensity for residential mortgages with 34% by 2030 (baseline year: 2021). GHG intensity represents the ratio of carbon emissions to square meters financed by ABN AMRO. Within AAHG, we are working on improving data quality regarding emissions, setting realistic targets for our portfolio, and developing business initiatives in support of the climate plan.

Reinventing the customer experience:
ABN AMRO wants to be a client-focused and data-driven bank that treasures the client relationship and delivers an effortless and unique customer experience – we aim to exceed our customers' expectations.

We are proud that ABN AMRO and Florius received a five star rating (highest rating) Moneview product rating for the mortgage conditions governing its annuity, linear and interest only mortgages.

In 2022, we further extended our Originate-to-Distribute partnership for long-term fixed-rate mortgages. We also broadened our Originate-to-Distribute portfolio with a new partnership for equity release mortgages. These initiatives allow us to operate across various mortgage market segments.

Building a future proof bank:
Our strategy can only succeed if we unlock our people's full potential and provide them with the right tools to successfully contribute to our purpose and strategy. 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 2022, we further increased our efforts to contact clients with interest-only mortgages or mortgages with any other uncertain repayment options in combination with high LtMV levels. The objective is to educate them about their personal situation once their mortgage has reached maturity. By providing information about their financial and tax situation at maturity, we aim to give our customers an understanding of the future affordability of their mortgage. We do so by taking a pro-active client approach, by offering them the ABN AMRO's online mortgage check and by giving them the option for a personal consultation with one of our mortgage specialists.

AAHG has not been providing mortgages where the limit of 50% interest-only is exceeded on the basis of market value. As of July 2022, AAHG decided not to allow any exceptions to this rule.

Financial information

Overall, we are content with the financial results we achieved in 2022. Our key financial indicators were as follows:

(x EUR 1M)	2022	2021
Profit	704	812
Operating income	1,399	1,463
Operating expenses	444	361
Loan impairments	51	-45

Principal risks and uncertainties

The Dutch mortgage market declined by 5.6% compared with 2021 (source: Dutch Land Registry). The value of new mortgage registrations at the Dutch Land Registry decreased from EUR 163.2 billion in 2021 to EUR 154.1 billion in 2022.

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'. These non-banking competitors have the advantage that restrictive bank regulations, such as Basel IV capital requirements, Dutch banking tax, and EBA guidelines, do not apply to them.

Furthermore, non-banks have an appetite for long-term interest rate mortgages (20 years or longer). These long-term interest rate mortgages are not a natural fit with the funding profile of a bank. New competitors often have a different funding profile and have a stronger appetite for these long-term interest rate mortgages. This is our rationale for our Originate-to-Distribute proposition for 30-year fixed-rate mortgages.

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
- Operational risk
- Compliance risk
- Sustainability risk

For more details on these risks, we refer to the 'Risk management' chapter.

<u>Rules and regulations</u>

In 2022, we updated and aligned our policies and underwriting criteria to new rules and regulations such as EBA Guidelines on Loan Origination and Monitoring and Non-Performing Exposures, changes in the residential mortgages code of conduct and changes in the National Mortgage Guarantee (Dutch acronym: NHG).

Discussions with regulator on regulatory levies
ABN AMRO is in ongoing discussions with the Single Resolution Board (SRB), also on behalf of AAHG 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.

AAHG has intensified efforts to anticipate on changes in the fraud landscape and protect its clients and itself against fraud. Key actions include continuously improving fraud risk management and the internal client due diligence processes and controls. Furthermore, AAHG has centralized the 1LoD fraud detection and investigation activities, continued its fraud awareness campaigns and collaborations with main banks, public and private partners. All actions aim to improve the integrity of the financial system, the bank and its clients.

Changes in the Managing Board

Claire Dumas stepped down as CEO of AAHG on 1 January 2023. She will continue her career outside ABN AMRO. We would like to take this opportunity to thank Claire for her valuable input, commitment and contribution to AAHG.

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 in 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 2022.

Amersfoort, the Netherlands, 25 May 2023

Managing Board

ABN AMRO Hypotheken Groep B.V.

Report of the Supervisory Board

The Supervisory Board is pleased to offer the Annual Report 2022 as presented by the Managing Board. 2022 was dominated by rising costs due to the war in Ukraine, the changing housing market and the sharp rise in mortgage interest. Despite these challenging circumstances, AAHG has managed to become the market leader. The Supervisory Board appreciates the leadership the Managing Board showed during the reporting period, both towards customers and employees. In view of all the developments and the difficult market conditions, the Supervisory Board is content with AAHG's financial performance.

Composition of the Supervisory Board

During 2022, there were no changes in the composition of the Supervisory Board. In May 2022, the shareholder reappointed Durk Reitsma to the Supervisory Board for a period of four years.

The Supervisory Board is of the opinion that, as a whole, it has the required knowledge, expertise and experience to adequately perform its supervisory duties. A description of the duties and responsibilities of the Supervisory Board is provided in the ‘Corporate structure’ chapter 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 unremunerated for their role as Supervisory Board member.

Supervisory Board meetings

The Supervisory Board held four regular meetings, two half-year meetings and a summer session in 2022. 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 2022. Recurring agenda items included financial performance, risk management, compliance, audit findings, market and regulatory developments, strategy and people management.

In addition to the seven scheduled meetings, the Supervisory Board held a meeting to discuss the outcome of the self-assessment. Deep dives / lifelong learning sessions were held concerning the following topics:

- Provisions, data governance and the EBA Guidelines on Outsourcing.
- The potential impact of the Russia / Ukraine conflict on the mortgage portfolio.

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

The Managing Board regularly informed and briefed the Supervisory Board of 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 on the different risk types and share relevant results.

The Managing Board informs the Supervisory Board of its interactions with the principal regulators (i.e. Dutch Central Bank (DNB), ECB, Dutch Authority for the Financial Markets (AFM)) on a regular basis.

EY is AAHG's independent external auditor. EY audited the 2022 Annual Report and Statutory Financial Statements. The Annual Report and accompanying Statutory Financial Statements were discussed by the Supervisory Board on 11 and 25 May 2023. The members of the Supervisory Board have read the Independent auditor's report. In addition, EY presented its Audit Plan for the 2022 audit to the Supervisory Board on 15 November 2022.

In 2022, 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 as open and transparent. The Managing Board stays on top of the developments in the mortgage market and the Supervisory Board is confident that AAHG is on the right path towards overcoming future challenges.

Changes in the Managing Board

Claire Dumas will continue her career outside ABN AMRO. She stepped down as CEO of AAHG on 1 January 2023. We would like to take this opportunity to thank Claire for her leadership, commitment and valuable input during the years she served as an executive of AAHG.

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 discharge the members of the Managing Board for their leadership and the members of the Supervisory Board for their supervision in the reporting period.

Amersfoort, the Netherlands, 25 May 2023

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 2022	31 December 2021
Cash	3	1,316,287	2,288,843
Loans and advances - banks	4	426,846	12,030,757
Loans and advances - customers	5	146,265,835	141,070,869
Participating interests in group companies	6	22,432	1,370
Property and equipment	7	1,197	681
Other assets	8	2,178,147	6,386,486
Prepayments and accrued income	9	849	1,277
Total assets		**150,211,593**	**161,780,283**
Due to banks	10	138,622,770	140,902,072
Due to customers	11	2,526,162	2,556,094
Other liabilities	12	734,275	13,261,478
Derivative liabilities	13	7,920	0
Accruals and deferred income	14	288,588	325,242
Provisions	15	2,676	30,378
Total liabilities		**142,182,391**	**157,075,264**
Subordinated notes	16	7,900,000	4,700,000
Total subordinated liabilities		**7,900,000**	**4,700,000**
- Paid-up and called-up capital		19	19
- Other reserves		129,183	5,000
Total equity	17	**129,202**	**5,019**
Total liabilities and equity		**150,211,593**	**161,780,283**
Irrevocable commitments	18	5,769,439	6,695,949

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

Statutory income statement

(x EUR 1,000)	Note	2022	2021
Interest income		3,339,316	3,717,313
Interest expense		1,992,184	2,290,830
Net interest income	21	1,347,132	1,426,483
Share of profit of associates	6	21,012	11,155
Fee and commission income	22	8,802	10,081
Other operating income	23	21,622	14,810
Operating income		**1,398,568**	**1,462,529**
Personnel expenses and other general and administrative expenses	24	300,631	312,613
Depreciation	7	568	317
Other operating expenses	25	91,766	93,783
Impairment charges on financial instruments	26	51,149	-45,394
Operating expenses		**444,114**	**361,319**
Operating profit before taxation		**954,454**	**1,101,210**
Income tax expense	27	250,012	289,265
Profit for the year		**704,443**	**811,945**

Statutory statement of cash flows

(x EUR 1,000)	Note	2022	2021
Cash flows from operating activities			
Operating profit before taxation		954,454	1,101,210
Adjustments of non-cash items included in profit:			
Amortisation and depreciation	7	568	317
Changes in impairment charges	5	65,131	-33,723
Change in unrealised income - derivatives	23	-11,452	0
Changes in other provisions	15	-24,862	-2,110
Changes in operating assets and liabilities			
Changes in loans and advances - banks	4	11,603,911	4,329,210
Changes in loans and advances - customers	5	-5,260,097	-1,769,736
Changes in due to customers	11	-29,932	7,259
Changes in prepayments and accrued income	9	428	633
Changes in accruals and deferred income	13	-286,665	-299,189
Changes in other provisions	15	-2,840	-10,258
Changes in other assets	8	4,208,339	-644,276
Change in derivatives	13	19,372	0
Changes in other liabilities	12	-12,295,521	-2,642,023
Net cash from operating activities		**-1,059,165**	**37,316**
Cash flows from investing activities			
Investments in hardware	7	-1,085	-869
Result from group companies	6	-21,059	0
Net cash from investing activities		**-22,144**	**-869**
Cash flows from financing activities			
Dividends paid	17	-811,945	-833,147
Changes in due to banks	10	-2,279,302	-4,200,836
Changes in subordinated notes	16	3,200,000	4,700,000
Net cash from financing activities		**108,754**	**-333,982**
Net increase/decrease in cash		**-972,555**	**-297,536**
Cash at 1 January		2,288,843	2,586,380
Increase/decrease in cash		-972,555	-297,536
Cash at 31 December	3	**1,316,287**	**2,288,843**

Notes to the Annual Financial Statements

What follows are the notes to the Statutory Annual Financial Statements of ABN AMRO Hypotheken Groep B.V. for 2022.

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 also 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, 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.

As from 28 September 2022, ABN AMRO has no longer used securitisation for its financing requirements. Consequently Dolphin Asset Purchasing B.V. and Dolphin Master Issuer B.V. were liquidated (registered date of dissolution with Chamber of Commerce: 28 December 2022).

1.5 Related parties

Parties are deemed to be related if one party has control over the other party or can exercise significant influence on the other party's financial and operating activities. AAHG's related parties are:

- The Managing Board of AAHG
- The Supervisory Board of AAHG
- Dolphin Master Issuer B.V. (prior to liquidation)
- Dolphin Asset Purchasing B.V. (prior to liquidation)
- 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 more details, see the 'Risk management' chapter.

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 and arrangement fees. 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 recognized 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 depreciation rate is as follows:
- Hardware 33%

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 relating 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, other liabilities are measured at fair value; they are subsequently measured at amortised cost using the effective interest rate method.

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 indicated otherwise, 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 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.

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. External staff is 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 2022.

3 Cash

This item can be broken down as follows:

(x EUR 1,000)	2022	2021
Cash	1,316,287	2,288,843
Cash	**1,316,287**	**2,288,843**

Cash is at AAHG's free disposal. A bank guarantee exists for an amount of 2.6 billion at 31 December 2022.

4 Loans and advances - banks

This item can be broken down as follows:

(x EUR 1,000)	2022	2021
Deposits held with ABN AMRO	0	9,532,500
Receivables from group companies	426,846	2,498,257
Loans and advances - banks	**426,846**	**12,030,757**

Deposits held with ABN AMRO were fully redeemed in September 2022 due to the closing and subsequent liquidation of the Dolphin securitisation programme.
Receivables from group companies decreased mainly due to ABN AMRO's sale of shares held in ABN AMRO Verzekeringen B.V. and this receivable no longer being recognised within group receivables.

5 Loans and advances - customers

This item can be broken down as follows:

(x EUR 1,000)	2022	2021
Mortgage loans	146,410,084	141,149,920
- of which securitised	*0*	*7,163,879*
Arrangement fees	0	67
Loan loss allowances	-144,249	-79,118
Loans and advances - customers	**146,265,835**	**141,070,869**

Due to the closing and subsequent liquidation of the Dolphin securitisation programme there were no securitised mortgages at year-end 2022. No new securitisation programmes were initiated in 2022.

Mortgages are collateralised. The collateral (i.e. the net collateral value) provided for the mortgage loans was worth EUR 280 billion on 31 December 2022 (2021: EUR 254 billion). The collateral for bank savings was EUR 2.4 billion (2021: EUR 2.4 billion) The surplus value of the collateral amounted to EUR 140.5 billion (2021: EUR 117.4 billion). Rising house prices were the main reason for the increase in collateral. Reference is made to the section on credit risk for further details on the collateral obtained. Due to the closing and subsequent liquidation of the Dolphin securitisation programme, no collateral was encumbered as at 31 December 2022 (2021: EUR 17.0 billion).

A total of EUR 35.0 billion of mortgage loans has been pledged in relation to ABN AMRO Covered Bond Company B.V. (2021: EUR 36.2 billion), EUR 47.4 billion has been pledged in relation to ABN AMRO Covered Bond Company 2 B.V. (2021: EUR 44.8 billion) and EUR 3.4 billion has been pledged to a.s.r. (2021: EUR 3.7 billion).

Movements in mortgage loans were as follows:

(x EUR 1,000)	**2022**	2021
At 1 January	141,149,920	139,379,962
Originated	22,186,937	20,367,563
Repayments	-17,232,408	-18,959,382
Change in deeds of assignment	305,636	361,777
At 31 December	**146,410,084**	**141,149,920**

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

(x EUR 1,000)	**2022**	2021
Short-term (less than 3 months)	199,041	203,121
Long-term (between 3 months and 1 year)	87,632	118,202
Long-term (between 1 and 5 years)	3,247,651	2,562,802
Long-term (more than 5 years)	142,875,760	138,265,794
At 31 December	**146,410,084**	**141,149,920**

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 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**

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 external macroeconomic variables which are incorporated in the AAHG impairment models.

(x EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2021	13,597	40,351	58,893	112,841
Transfer to stage 1	11,345	-13,122	-3,384	-5,161
Transfer to stage 2	-1,210	13,852	-13,327	-685
Transfer to stage 3	-982	-4,792	25,527	19,753
Impairment charges for the period / Reversal of impairment no longer required	-9,547	-133	11,360	1,680
Change in existing allowances	*-394*	*-4,195*	*20,176*	*15,588*
Subtotal	**13,203**	**36,156**	**79,069**	**128,428**
Originated	3,401			3,401
Repayments	-520	-4,508	-9,039	-14,067
Write-offs			-5,904	-5,904
Changes in risk parameters and models	-8,435	-11,278	-13,028	-32,740
At 31 December 2021	**7,649**	**20,370**	**51,098**	**79,118**

In 2021, the loan loss allowance for stage 1 included an amount of EUR 0.1 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' chapter.

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:

(x EUR 1,000)		2022	2021
Quion 9 B.V.	100%	14,870	236
Oosteroever Hypotheken B.V.	100%	7,512	1,134
Moneyou B.V.	100%	50	0
Participating interests in group companies		**22,432**	**1,370**

Quion 9 B.V. generated a profit for 2022 of EUR 14.6 million (2021: EUR 8.2 million) and Oosteroever Hypotheken B.V. posted a profit for the year of EUR 6.4 million (2021: EUR 3.0 million). All of these profits will be distributed to AAHG in the form of dividend. As the dividend was declared after year end, the participations are recognised inclusive of the 2022 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 2021	**236**	**1,134**	**0**	**1,370**
Profit for the year	8,198	2,956	0	11,155
Interim and final dividend	-8,198	-2,956	0	-11,155
At 31 December 2021	**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**

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	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.

All of AAHG's hardware was transferred from AAHG to ABN AMRO in 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. From 2023 onwards, ABN AMRO will recharge the costs associated with hardware to AAHG on a monthly basis.

(x EUR 1,000)	Hardware	**Total**
Accumulated acquisition costs	2,869	2,869
Accumulated depreciation	-2,740	-2,740
At 1 January 2021	**129**	**129**
Investments	869	869
Divestment/disposal	0	0
Depreciation	-317	-317
Accumulated acquisition costs	3,738	3,738
Accumulated depreciation	-3,057	-3,057
At 31 December 2021	**681**	**681**

8 Other assets

This item can be broken down as follows:

(x EUR 1,000)	**2022**	2021
Receivables from group companies	79,896	5,365,323
Cash in transit	320,021	474,459
Trade receivables	14,140	19,600
Current account with insurers	1,235,673	26,785
Other receivables	528,418	500,319
Other assets	**2,178,147**	**6,386,486**

All receivables have a remaining term to maturity of less than three months except for other receivables, which have a remaining term to maturity of between three months and one year.

Receivables from group companies mainly consist of receivables from subsidiaries. The decrease in these receivables was mainly attributable to the settlement of various bank accounts.

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 insurers relating to savings-linked mortgages. Due to the ABN AMRO’s sale of shares in ABN AMRO Verzekeringen B.V. in 2022, this receivable is recognised within ‘Current account with insurers’ in the reporting period rather than within receivables from group companies.

9 Prepayments and accrued income

This item can be broken down as follows:

(x EUR 1,000)	2022	2021
Prepaid expenses	849	1,277
Prepayments and accrued income	**849**	**1,277**

All prepayments and accrued income have a remaining term to maturity of less than three months, qualifying them as current assets. There was no accrued income in 2022 and 2021.

10 Due to banks

This item can be broken down as follows:

(x EUR 1,000)	2022	2021
- Due to ABN AMRO - Funding	137,778,813	137,983,877
- Due to ABN AMRO - Bank accounts	396,188	2,414,876
- Due to group companies	447,769	503,319
Due to banks	**138,622,770**	**140,902,072**

ABN AMRO provides AAHG (including its subsidiaries) with funding to issue mortgage loans and AAHG transfers part of the funding to its subsidiaries (EUR 4.5 billion). The contractual term to maturity of this funding runs until the date of cancellation of the funding agreement. As of 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 this 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, so that it qualifies as current.

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)	2022	2021
Bank savings deposits linked to mortgages	2,404,749	2,369,076
Bank savings deposits not linked to mortgages	10,241	13,143
Savings deposits not linked to mortgages	103,662	163,348
Premium deposit accounts	7,510	10,527
Due to customers	**2,526,162**	**2,556,094**

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

(x EUR 1,000)	Current liabilities	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**

(x EUR 1,000)	Current liabilities	Between 1 and 5 years	More than 5 years	Total at 31 December 2021
Bank savings deposits linked to mortgages	954	23,286	2,344,836	2,369,076
Bank savings deposits not linked to mortgages	13,143			13,143
Savings deposits not linked to mortgages	163,348			163,348
Premium deposit accounts	747	347	9,432	10,527
Due to customers	**178,192**	**23,634**	**2,354,268**	**2,556,094**

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 2021	**2,369,076**
Deposits	220,921
Interest	66,888
Withdrawal	-252,136
At 31 December 2022	**2,404,749**

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 2022, the majority of the premium deposit accounts had an insurer as the counterparty (2022: EUR 7.0 million; 2021: EUR 9.7 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)	2022	2021
Due to SPEs	0	7,105,129
Dividends payable	580,260	811,945
Due to group companies	46,544	4,483,021
Trade payables and cash in transit	72,050	139,765
Current account with insurers	7,078	705,314
Other liabilities	28,342	16,304
Other liabilities	**734,275**	**13,261,478**

Due to the closing and subsequent liquidation of the Dolphin securitisation programme there were no amounts due to SPE's at year-end 2022. No new securitisation programmes were initiated in 2022.

The remaining contractual term to maturity of the other liabilities, excluding amounts due to SPEs, is less than three months; they qualify as current liabilities as a result.

The item 'Due to group companies' mainly consists of liabilities to subsidiaries. The decrease was mainly attributable to the settlement of various bank accounts.

13 Derivatives

The derivative liability is as follows:

(x EUR 1,000)	2022	2021
Derivative liability	7,920	0
Derivative liability	**7,920**	**0**

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.

14 Accruals and deferred income

This item can be broken down as follows:

(x EUR 1,000)	2022	2021
Advance mortgage receivables	18,201	18,908
Accounts payable	14,026	12,792
Mortgages payable	6,545	4,722
Tax payable to shareholder	249,816	288,820
Accruals and deferred income	**288,588**	**325,242**

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, qualifying them as current liabilities.

15 Provisions

This item can be broken down as follows:

(x EUR 1,000)	2022	2021
Statutory provisions	0	27,283
Restructuring provision	0	969
Other provisions	2,676	2,126
Provisions	**2,676**	**30,378**

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.

Statutory provisions - Euribor

On 11 October 2022, the Court of Appeal The Hague ruled in favour of ABN AMRO in the Euribor case. The remaining Euribor provision ’woninghypotheken’ 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.

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 2021	**42,096**	**0**	**650**	**42,746**
Allocated	0	969	2,090	3,059
Utilised during the year	-9,882	0	-376	-10,258
Released	-5,416	0	-238	-5,654
Accretion of interest	485	0	0	485
At 31 December 2021	**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**

The decrease in provisions was mainly due to the release of the Euribor ’woninghypotheken’-related provision.

16 Subordinated liabilities

This item can be broken down as follows:

(x EUR 1,000)	**2022**	2021
Subordinated notes	7,900,000	4,700,000
Subordinated liabilities	**7,900,000**	**4,700,000**

Subordinated liabilities increased by EUR 3.2 billion, due to the issuance of 32 notes of EUR 100 million to ABN AMRO Bank N.V. The notes were issued on 14 December 2022 and are redeemable by 30 June 2028. 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 this requirement by 1 January 2022 while the requirements will not be fully phased in until 1 January 2024. The interest is 0.31% per month.

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

(x EUR 1,000)	**2022**	2021
At 1 January	4,700,000	0
Issuance	3,200,000	4,700,000
Redemption	0	0
At 31 December	**7,900,000**	**4,700,000**

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 2021	**19**	**5,000**	**5,019**
Profit for the year		811,945	811,945
Interim and final dividend		-811,945	-811,945
At 31 December 2021	**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**

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. Retained earnings will be added to the other reserves. International Financial Reporting Standards (IFRS) are applied for group purposes at ABN AMRO level. As a result of a new IFRS standard in 2023, there is a new valuation basis for equity release mortgages. These mortgages are valued at fair value for group purposes with a direct deduction in equity. These mortgages are still valued at amortized cost for statutory purposes and therefore the equity under Dutch GAAP does not change. However, management has decided to base the interim dividend in the Dutch GAAP financial statements after taking into account the implementation of this IFRS standard at group level.

18 Irrevocable commitments

Construction facilities are recognised together with an Irrevocable Payment Commitment (IPC) related to the European Single Resolution Fund (SRF) and mortgage offers as irrevocable commitments. The construction facilities amounted to EUR 3.2 billion in 2022 (2021: EUR 2.9 billion). Mortgage offers stood at EUR 2.5 billion (2021: EUR 3.8 billion). The IPC amounted to EUR 38.0 million (2021: EUR 28.1 million).

AAHG has Service Level Agreements (SLAs) in place for outsourced mortgage operations and affiliated services provided by third parties. The SLA for the outsourced mortgage operations (Stater N.V.) is in effect until 22 May 2024. AAHG also 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

Claims and disputes

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

Discussions with regulator on regulatory levies:

ABN AMRO is in discussion with the Single Resolution Board (SRB), also on behalf of AAHG about the calculation method applied for annual Single Resolution Fund (SRF) contributions paid in the past. The outcome of these discussions is currently still uncertain. The annual SRF contribution is a levy introduced by the European Union in 2016. 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 believes that ABN AMRO and AAHG incorrectly reported variables for calculating the annual SRF contributions from 2016 to 2022. ABN AMRO and AAHG disagrees with the SRB and, since 2016, has repeatedly and extensively communicated its position to the SRB with regard to the adjusted amount.

The differing opinions of the SRB and ABN AMRO and AAHG on this matter are due to their differing interpretations of the regulation regarding annual SRF contributions. Refusal by the SRB to accept ABN AMRO's and AAHG's position could result in an additional contribution of approximately EUR 120 million (before tax) in the first half of 2023 for AAHG. In that event, ABN AMRO and AAHG will challenge the SRB's decision. 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 2022 (2021: EUR 86,828).

The total remuneration of the (former) members of the Managing Board was EUR 903,983 in 2022 (2021: EUR 989,205).

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 2022:

(x EUR 1,000)	**2022**	**Average interest rate (%)**	2021	Average interest rate (%)
Loans to members of Managing Board	2,420	1.7	2,871	1.8
Loans to members of Supervisory Board	1,653	2.5	1,570	2.7
Outstanding loans	**4,073**		**4,441**	

In 2022, the members of the Managing Board were granted loans for a total of EUR 145,167 and repaid EUR 595,595 in loans. The members of the Supervisory Board were granted loans for a total of EUR 990,000 and repaid EUR 907,230.

21 Net interest income

This item can be broken down as follows:

(x EUR 1,000)	**2022**	2021
Interest received on mortgage loans	3,102,054	3,295,401
Interest paid on funding	-1,835,239	-1,975,210
Portfolio-related net interest income	1,266,814	1,320,191
Other interest income	237,262	421,912
Other interest expense	-156,945	-315,620
Non-portfolio-related net interest income	80,317	106,292
Net interest income	**1,347,132**	**1,426,483**

Other interest income mainly concerns interest from deposits. Other interest expense mainly concerns amounts due to SPEs. The Dolphin securitisation programme ended 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)	**2022**	2021
Service fees	8,484	9,577
Collection fee	31	36
Other fee and commission income	286	468
Fee and commission income	**8,802**	**10,081**

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

23 Other operating income

This item can be broken down as follows:

(x EUR 1,000)	2022	2021
Servicing fee received from SPEs	2,800	3,862
Unrealised income - Derivative liabilities	11,452	0
Other operating income	7,370	10,948
Other operating income	**21,622**	**14,810**

Unrealised income from derivatives relates to the measurement to fair value of the “Saving Shortage” derivative liability for the savings-linked mortgages.

Other operating income mainly concerns reimbursements.

24 Personnel expenses and other general and administrative expenses

This item can be broken down as follows:

(x EUR 1,000)	2022	2021
Personnel expenses	75,786	70,238
Housing, office and IT expenses	11,675	17,722
Services provided by third parties	57,861	64,901
Selling and advertising expenses	4,788	3,702
Statutory levies	115,643	129,303
Other expenses	34,877	26,748
Personnel expenses and other general and administrative expenses	**300,631**	**312,614**

At 31 December 2022, 1,118 persons (FTEs) were directly involved in managing the mortgage portfolio (2021: 1,229 FTEs). Of these, 739 FTEs were employees of ABN AMRO (2021: 728); 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’.

Other expenses mainly comprise advisory fees and operating expenses. Statutory levies include Dutch banking tax and contributions to the European Single Resolution Board (SRB).

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).

25 Other operating expenses

This item can be broken down as follows:

(x EUR 1,000)	2022	2021
Outsourced mortgage operations and affiliated services	91,701	93,708
Other operating expenses	65	75
Other operating expenses	**91,766**	**93,783**

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.

26 Impairment charges on financial instruments

This item can be broken down as follows:

(x EUR 1,000)	2022	2021
Change in impairments	66,434	-28,607
Recovery and other charges	-15,285	-16,787
Impairment charges on financial instruments	**51,149**	**-45,394**

The item 'Change in impairments' includes several items that are not included in the loan loss allowances addressed in Note 5. For more details on the impairment charges, we refer to the 'Risk management' chapter.

27 Income tax expense

This item can be broken down as follows:

(x EUR 1,000)	2022	2021
Income tax expense	250,012	289,265
Income tax expense	**250,012**	**289,265**

<u>Corporate income tax group</u>

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% (2021: 25%). The effective tax rate is 26.2% (2021: 26.3%). The annual banking tax is not tax deductible.

28 Events after the reporting date

No material events after the reporting date have been identified.

Risk management

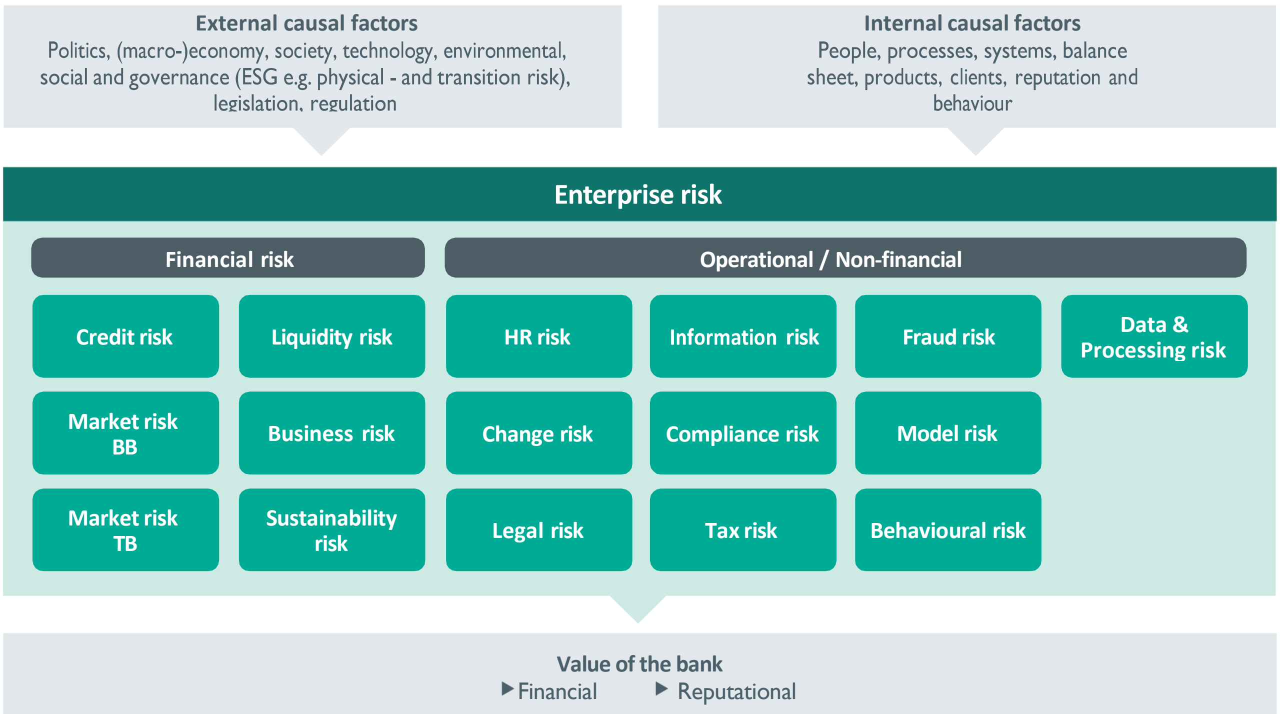
Strategy

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
- Risk culture
- Risk governance
- Risk measurement

Within the **risk taxonomy**, risks are classified into risk types that might occur at ABN AMRO and its subsidiaries. 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

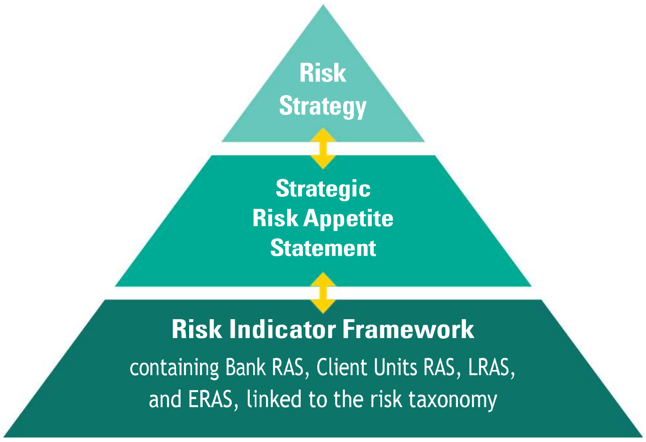


The principal risks AAHG incurs are:

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

- Sustainability 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 statements in the Strategic Risk Appetite Statement (RAS) are cascaded into an underlying risk indicator framework at bank, client unit, entity and country level. 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 equity
- Bad-rate new loans
- Portfolio size and specific segments in our portfolio to manage concentration risk
- Cost/income ratio
- Energy label

AAHG and ABN AMRO address 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. AAHG has an Audit & Risk Committee, which is a sub-committee of the Supervisory Board.

Risk culture

AAHG has a continuous focus on risk awareness; this is an integral part of ABN AMRO's risk culture. Strengthening culture in the areas of risk, compliance and integrity was an important objective in ABN AMRO's Strategy Review.

Pursuing a moderate risk profile is embedded in the risk culture by way of communication and training. The risk profile is monitored through performance management. Employees are expected to be familiar with the drivers of AAHG's risk profile and to take ownership of the risks they take. Employees are increasingly aware that their actions, decisions and behaviours (either as a group or individually) and those of the bank can lead to poor outcomes for AAHG itself or its stakeholders. In the annual work climate survey, 90% of employees said that they assess the associated risks before taking a decision. A continuing education tool and training app are used to continuously press home awareness of non-financial risks on a bank-wide basis, while more specific training is also available for specific roles or functions.

Employees are also expected to adhere to the ABN AMRO core values and to act in accordance with the Code of Conduct. These core values are fundamental to everything AAHG does and describe how AAHG acts as a bank, makes decisions and deals with various dilemmas, and as such are included in the continuing education tool. The Code of Conduct intends to inspire staff to do the right thing, to provide tools to be proactive and to act ahead of regulations. The Code of Conduct is transparently shared and published on our external website. All employees are expected to commit to the Code of Conduct by digitally signing it every year.

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. The Risk Management function operates under the direct responsibility of the Chief Risk Officer, who is a member of the Executive Board of ABN AMRO. The Executive Board of ABN AMRO bears overall responsibility for the risks that ABN AMRO and its subsidiaries incur.

AAHG 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.
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. As of April 2022, AAHG has conformed to the Model 2 governance as described in the Entities Risk Charter and has established a second line risk management team under the responsibility of its Chief Risk Officer AAHG. 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.

1 1st Line of Defence Client units and functions	2 2nd Line of Defence Risk Management	3 3rd Line of Defence Group Audit
Risk Ownership	**Risk Control & Oversight**	**Risk Assurance**
Responsible for ▶ Delivering value-added services to clients ▶ Taking primary ownership to identify and assess, measure, mitigate, monitor and report the risk that it incurs ▶ Striking the right balance between return and risk in its decisions ▶ Seeking outside-in views and advice, where necessary ▶ Ensuring systems, processes and reporting capabilities are commensurate to its activities and risk appetite	Responsible for ▶ Setting the bank-wide risk management framework ▶ Setting risk policies and ensures regulations are translated into policies ▶ Maintaining risk control and oversight through monitoring, reporting and escalating, where necessary ▶ Providing independent challenge and expertise to the First Line ▶ Proactively opining on how to identify and mitigate risks ▶ Providing outside-in views and ensures consistency in risk management practices across First Line	Responsible for ▶ Protecting and enhancing organisational value by providing risk-based and objective assurance, insight and added value to support the achievement of our objectives ▶ Evaluating the design and effectiveness of Governance, Risk Management & Control processes, agrees with management on remediation and monitors follow-up

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. This serves as the basis for ABN AMRO's internal risk controls and forms key input for the calculation of the minimum regulatory capital requirements of the Basel framework (regulatory capital).

The **definition of default** and the credit risk models to calculate PD, LGD and EAD were developed in line with the EBA Guidelines and Regulatory Technical Standards. A default is deemed to have occurred when: 1) the counterparty is past threshold by more than 90 days on any material financial credit obligation to the bank; or 2) the bank considers the borrower to be unlikely to meet its contractual obligations (unlikely-to-pay or UTP). In line with regulatory standards, 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. The default classification of non-forborne exposures is considered to have ended when none of the default triggers continues to apply and a (probation) cure period of at least three months has passed since the default trigger ceased to apply. For default forborne exposures, a twelve-month cure period will take effect from the time 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.

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

The independent model risk management department validates internal models. The model risk management framework, which includes model validation standards and procedures, ensures that models are validated independently. Model data, methodology, performance and implementation are checked based on these standards and reviewed against internal and regulatory requirements.

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, despite consumer clients being impacted by higher energy prices, rising inflation and the Russia/Ukraine war. Housing prices increased in 2022 as a whole, but decreased in the second half year as a result of rising interest rates and a cooling down of the refinancing market. House prices in the Netherlands were higher than the year before (up 13.6% at year-end 2022) partly due to a structural housing shortage. Credit quality indicators were not impacted and remained positive.

The mortgage portfolio increased by EUR 5.3 billion. The share of redeeming mortgages increased to 45% of the mortgage portfolio at 31 December 2022 (31 December 2021: 42%).

Breakdown of mortgage loans by type of loan

(x EUR 1,000)	**2022**	**%**	2021	%
Interest-only	62,093,094	42	60,961,988	43
Redeeming mortgages (annuity / linear)	65,486,720	45	59,212,231	42
Savings	9,135,254	6	10,383,233	7
Life (investment)	5,609,276	4	6,567,640	5
Other	4,085,740	3	4,024,829	3
At 31 December	**146,410,084**	**100**	**141,149,920**	**100**

The total of EUR 146.4 billion is the gross carrying amount, excluding loan loss allowances

The government-guaranteed (NHG) share of the residential mortgage portfolio fell slightly to 19% at 31 December 2022 (31 December 2021: 21%). The share of origination backed by government guarantees was 8%, which was significantly lower than last year (2021: 15%).

Mortgages to indexed market value (LtMV)

(x EUR 1,000)	**2022**	**%**	2021	%
Government-guaranteed mortgages (NHG)	27,865,490	19	29,709,297	21
< 50%	51,015,220	35	43,230,131	31
50% - 80%	51,013,717	35	51,429,013	36
80% - 90%	7,996,132	5	9,290,546	7
90% - 100%	6,306,822	5	5,701,973	5
> 100%	2,212,702	2	1,788,960	1
At 31 December	**146,410,084**	**100**	**141,149,920**	**100**

The total of EUR 146.4 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.

Rising house prices and restrictions on the maximum Loan to Market Value (LtMV) for new mortgages led to an improvement in the average LtMV, both for NHG-guaranteed and unguaranteed loans. 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 2.2 billion (31 December 2021: EUR 1.8 billion). This increase was mainly attributable to origination financed at an LtMV of up to 106% to cover the cost of energy saving measures. An LtMV in excess of 100% does not necessarily mean that the customers in question are in financial difficulties. 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, if the Dutch government decides to further restrict mortgage interest tax relief or at loan maturity. The development of the LtMV in the portfolio is affected by both expected housing price decreases in the short term as well as a shift in the portfolio to more amortising loans as a result of current tax regulations. Developments in the LtMV are dependent on the extent of the expected housing price decline compared to the effects of the increase in the portion of amortising loans.

Mortgage indicators

Mortgages indicators

(x EUR 1,000)	2022	2021
Gross carrying amount	146.410.084	141.149.920
- of which guaranteed mortgages (NHG)	27.865.490	29.709.297
Credit quality indicators		
Past due ratio	0,6%	0,6%
Stage 3 Impaired ratio	0,8%	0,9%
Stage 3 Coverage ratio	6,4%	4,3%
Mortgage indicators		
Average LtMV (indexed)	54%	57%
Average LtMV - excluding NHG loans (indexed)	55%	56%
Total risk mitigation/gross carrying amount	193%	182%
Cost of risk (year to date, in bps)	4	-3

The stage 3 impaired ratio remained stable in 2022. The coverage ratio increased as a result of the worsening of the economic outlook.

Managing credit risk

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.

The aforementioned 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.

Uncollateralised portions of mortgage loans

(x EUR 1,000)	**2022**	2021
Loans and advances customers	146,254,101	141,070,869
Collateral value	280,229,034	254,096,963
Collateral bank savings	2,404,749	2,369,076
Other guarantees (e.g. NHG)	245,109	329,757
Surplus value of collateral	-140,505,015	-117,447,951
At 31 December	**3,880,223**	**1,723,024**

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 origination financed at an LtMV of up to 106% to cover the cost of energy saving measures. Also, as house price growth has flattened over the course of 2022, LtMVs will lower at a slower pace than in previous years.

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

(x EUR 1,000)	**2022**	2021
Credit-impaired portfolio	1,109,268	1,197,556
Collateral value	1,811,142	1,766,698
Collateral bank savings	9,762	11,043
Other guarantees (e.g. NHG)	519	1,120
Surplus value of collateral	-783,486	-620,296
At 31 December	**-71,330**	**-38,991**

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)	2022	2021
Mortgages	146,410,084	141,149,920
Breakdown by days past due:		
≤ 30	1,180,108	1,084,048
> 30 & ≤ 60	123,986	110,012
> 60 & ≤ 90	42,286	45,308
At 31 December	**1,346,380**	**1,239,369**

The amount of EUR 146.4 billion is the gross carrying amount, excluding loan loss allowances

This breakdown shows that past due mortgages slightly increased during 2022.

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 loan that has been entered into with a customer who is in, or about to face, financial difficulties, and that has been refinanced or modified on terms and conditions that we would not have accepted if the customer had been financially healthy.

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

A mortgage will cease to qualify as forborne only if all 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 decreased sharply in 2022 as a result of the end of the probation period for customers that were granted a COVID payment holiday in 2020. The total forborne assets amounted to EUR 1.0 billion at 31 December 2022.

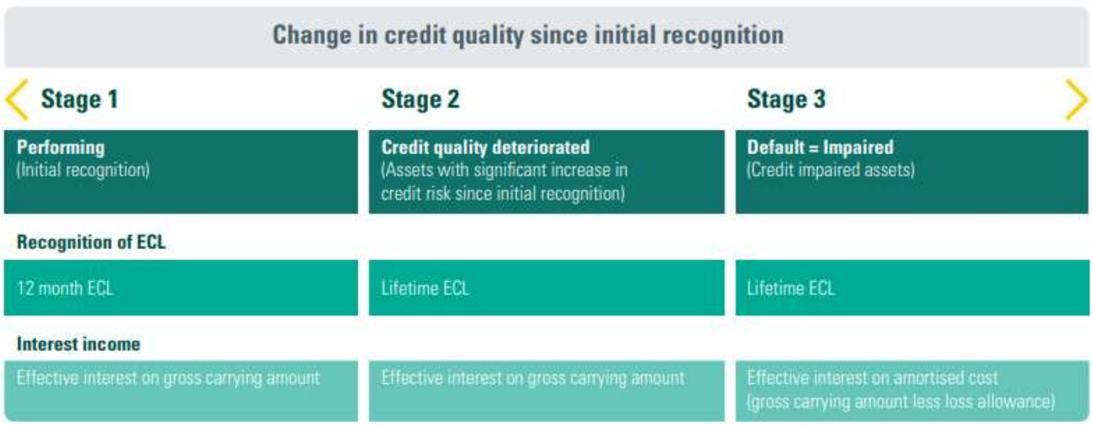
(x EUR 1,000)	2022	2021
Total forborne assets	1.032.019	3.031.157
Forborne assets not past due and not stage 3	601.022	2.499.775
Forborne assets past due but not stage 3	60.427	86.321
Impaired forborne assets	370.570	445.061
Allowance (collective)	31.287	25.792

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 loan loss allowances

AAHG recognises loan loss allowances based on the expected credit loss model (ECL) of IFRS 9, which is designed to be forward-looking. The IFRS 9 impairment requirements are applicable to mortgage loans measured at amortised cost, loan commitments and financial guarantee contracts. These mortgage loans are divided into three groups, depending on the stage of credit quality deterioration:



Stage triggers

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 economic developments.

The lifetime PD deterioration (LPDD) measures the relative difference between the remaining lifetime PD at reporting (LPDR) and the remaining lifetime PD at origination (LPDO) as LPDD = LPDR/LPDO. If the LPD deterioration 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 LPD deterioration subsequently reduces and falls below the threshold, the client is transferred back to stage 1. The threshold for mortgages lies between 1.7x and 2.0x, depending on the ECL model.

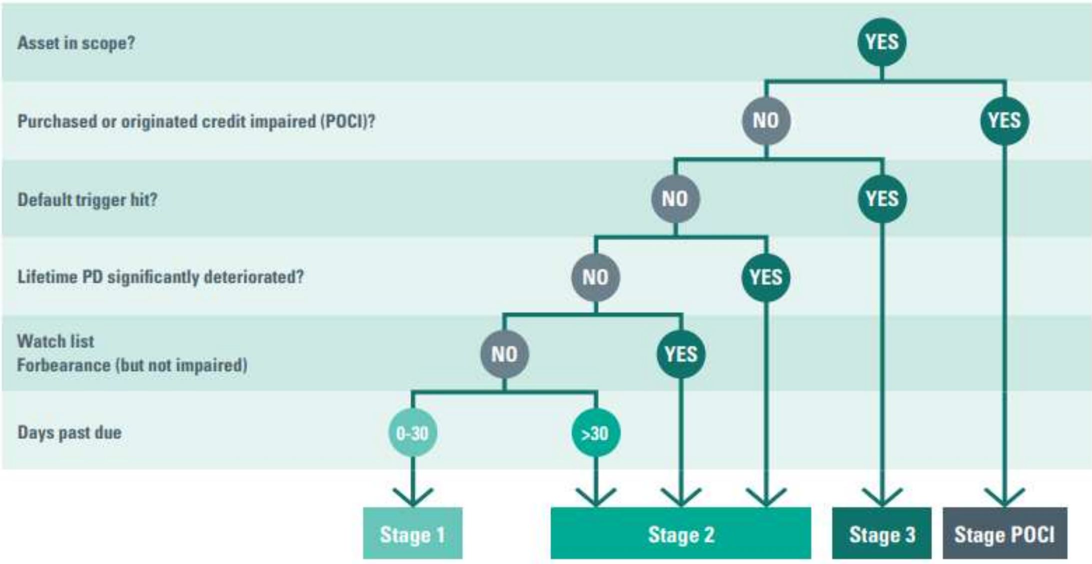
Qualitative stage triggers

When a mortgage loan meets one of the following qualitative triggers, the bank will transfer the instrument from stage 1 to stage 2:

- 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;
- Non-performing status of a borrower (but not in default);
- More than 30 days past due, based on number of instalments past due.

Default will always result in a transfer to stage 3. Default can be triggered by such events as Unlikeliness-to-Pay (UtP), distressed debt restructuring, bankruptcy or fraud. In addition, 90 days past the materiality threshold is used as a backstop for default.

The staging model can be represented as follows:



Favourable changes in credit risk are consistently offset against unfavourable changes in credit risk, except when applying a probation period to loans that are forborne or more than 30 days past due. Forborne mortgage loans are only transferred back from stage 2 to stage 1 after a two-year probation period. A three-month probation period is applied to transfers of 30-day past due financial instruments from stage 2 to stage 1.

Calculation method

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 LECL (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 entitled ‘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.

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

Three different scenarios of future economic developments are incorporated into the IFRS 9 expected credit loss calculation and the probability-weighted risk stage determination (at 31 December 2022: baseline 60%, up 5%, down 35%). These scenarios are developed by ABN AMRO Group Economics at least quarterly and reviewed at each reporting date. 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 expected credit loss 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 aligned to the long-term average.

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Impairments

(x EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	136,415,910	8,884,908	1,109,267	146,410,084
Allowances for credit losses	18,615	54,308	71,326	144,249
Coverage ratio	0.0%	0.6%	6.4%	
Stage ratio	93.2%	6.1%	0.8%	

Of the total exposure, 6.9% is classified as stage 2 or stage 3. The total loan loss allowances amounted to EUR 144.3 million. Coverage ratios increased in 2022 as a result of the worsening of the economic outlook. The loan loss allowances include a management overlay on provisions to compensate for the effect of the sharp rise in the house price index and for interest-only mortgages.

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	63,767,109	1,395,082		65,162,191
	0.1265% - < 0.4648%	3	48,642,245	2,197,480		50,839,725
Sub-investment grade	0.4648% - < 2.2249%	4	23,110,941	2,341,117		25,452,058
	2.2249% - < 19.9706%	5	858,395	2,486,701		3,345,096
	19.9706% - < 100%	6+	37,221	464,528		501,748
Default	100%	6 - 8			1,109,267	1,109,267
Total			**136,415,910**	**8,884,908**	**1,109,267**	**146,410,084**

Maximum credit risk

The maximum exposure to credit risk was EUR 156.0 billion (2021: EUR 168.5 billion), consisting of EUR 146.3 billion in mortgage loans (2021: EUR 141.1 billion), EUR 0 billion in ABN AMRO deposits (2021: EUR 9.5 billion), EUR 4.0 billion in other assets (2021: EUR 11.2 billion) and EUR 5.8 billion in irrevocable commitments (2021: EUR 6.7 billion).

Market risk

Market risk is the risk of the market value of the mortgage portfolio or the earnings of AAHG falling because 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 via 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)	2022	%	2021	%
Short-term (less than 3 months)	6,076,296	3.3	6,332,458	1.7
Long-term (between 3 months and 1 year)	2,675,210	2.8	3,685,054	2.9
Long-term (between 1 and 5 years)	29,772,846	2.6	25,525,754	2.8
Long-term (more than 5 years)	107,885,732	2.1	105,606,653	2.2
At 31 December	**146,410,084**		**141,149,920**	

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

ABN AMRO previously used securitisation for liquidity purposes. In this process, AAHG transferred the legal title to financial assets (mortgage loans) to an SPE, which – for its part – issued RMBS notes to investors. AAHG's proceeds from the sale of financial assets (mortgage loans) to the SPE were placed in a deposit with ABN AMRO.

The maturities of the deposits related to the RMBS programme held with ABN AMRO, including the related weighted average interest rates, can be broken down as follows:

(x EUR 1,000)	2022	%	2021	%
Short-term (less than 3 months)				
Long-term (between 3 months and 1 year)	-	-	5,854,000	0.4
Long-term (between 1 and 5 years)	-	-	1,678,500	0.0
Long-term (more than 5 years)	-	-	2,000,000	0.6
At 31 December	**-**		**9,532,500**	

Due to the closing and subsequent liquidation of the Dolphin securitisation programme, there were no securitised mortgages at year-end 2022.

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 (ALM) and are part of the FTP framework described above.

AAHG expects the previous growth in the prepayment ratio to continue levelling out, due to interest rate hikes.

Fair value

(x EUR 1,000)	2022 Carrying amount	2022 Fair value	2021 Carrying amount	2021 Fair value
Financial assets				
Cash	1,316,287	1,316,287	2,288,843	2,288,843
Loans and receivables - banks	426,846	426,846	12,030,757	12,224,093
Loans and receivables - customers	146,265,835	131,193,842	141,070,869	148,659,283
Other assets	2,178,147	2,178,147	6,386,486	6,480,030
Prepayments and accrued income	849	849	1,277	1,277
Financial liabilities				
Due to banks	138,622,770	138,622,770	140,902,072	140,902,072
Due to customers	2,526,162	2,282,145	2,556,094	2,686,631
Other liabilities	734,275	734,275	13,261,478	13,752,486
Derivative liabilities	7,920	7,920	0	0
Accruals and deferred income	288,588	288,588	325,242	325,242
Subordinated notes	7,900,000	7,238,364	4,700,000	4,700,000

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 2022, using online public information.

The carrying amount and the fair value of derivative liabilities are the same due to the liabilities being measured at fair value.

The fair value of the subordinated liabilities has been determined by calculating the future discounted cash flow.

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 148.5 billion. This limit can be increased by way 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.

Securitisation

ABN AMRO used securitisation for liquidity purposes. In this process, AAHG transferred the legal title to financial assets (mortgage loans) to an SPE, which – for its part – issued RMBS notes to investors.

The notes were fully redeemed in 2022 due to the closing and subsequent liquidation of the Dolphin securitisation programme. No new securitisation programmes were initiated in 2022.

Dolphin Master Issuer B.V.

(x EUR 1,000)	Isin	FORD	Margin	Step-up margin	Denomination	Opening balance	Issued 2022	Redeemed / Cancelled 2022	Closing balance
Series 2010-I									
	XS0495571910	28 Mar 2030	1.15%	2.00%	50	1,000,000	-	1,000,000	-
	XS0495572991	28 Mar 2040	1.15%	2.00%	50	1,000,000	-	1,000,000	-
Series 2015-1									
	XS1199502953	28 Sep 2022	0.45%	0.90%	50	1,279,000	-	1,279,000	-
Series 2015-3									
	XS1334170872	28 Sep 2022	0.45%	0.90%	50	500,000	-	500,000	-
Series 2016-1									
	XS1385038796	28 Sep 2022	0.45%	0.90%	50	2,000,000	-	2,000,000	-
	XS1385037988	28 Sep 2023	0.50%	1.00%	50	1,678,500	-	1,678,500	-
Series 2017-1									
	XS1688694287	28 Sep 2022	0.50%	0.50%	50	550,000	-	550,000	-
	XS1688694790	28 Sep 2022	0.75%	0.75%	50	700,000	-	700,000	-
	XS1688694527	28 Sep 2022	1.00%	1.00%	50	575,000	-	575,000	-
	XS1688694360	28 Sep 2022	8.00%	16.00%	50	250,000	-	250,000	-
Total						9,532,500		9,532,500	0

Business risk

Business risk is the risk that business earnings and the franchise value 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 2022, business risks emerged due to a strong rising interest rate impacting our fund transfer pricing where we were not always able to increase our client interest rates at the same pace. In addition, the mortgage market has been very competitive in 2022.

Sustainability risk

AAHG has performed climate scenario analyses (CSA) of its 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. AAHG mortgage portfolio).

In 2020, AAHG conducted an initial study of the impact of physical risks on the entire mortgage portfolio. The results showed that flooding and foundation problems caused by drought can result in major damage to properties and have an indirect impact through the market and macro-economics. The analysis shows a dichotomy :a group who may possibly not be able to cover the costs of potential climate-related damage to their property and a group who have provided a property as collateral that is possibly not worth restoring after having sustained climate-related damage.

ABN AMRO's climate risk methodology is continuously improving as new external data and insights on 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 monitoring will include more insights in environmental risks (e.g. oxygen stress, drought sensitivity nature) and potential property related adaptation and mitigations. The results of this climate scenario analysis will bring more expertise and knowledge to 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 through 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, which specialises in 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 at 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 a good understanding of 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, as well as caused 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. This framework, which is used bank-wide within ABN AMRO, has seen further improvements over the past few years.

[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 clients 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 measures taken to mitigate them. The risks are documented using the ABN AMRO Governance, Risk and Compliance 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 clients 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.

In 2022, ABN AMRO continued executing AML remediation programmes throughout the bank. The remediation programme specifically for AAHG was successfully completed. ABN AMRO is taking the remedial actions necessary to comply with legislation, while remaining fully committed to complying with all current and future anti-money laundering and terrorist financing legislation and making the required investments. ABN AMRO is also exploring options for further strengthening the necessary processes, as well as further improving the systems that are needed to combat financial crime. On a general note, any remedial action that is needed to reach bank-wide compliance with legislation will be taken whenever this is necessary.

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 achieve 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.

In 2022, AAHG started the transformation of the IT environment of AAHG through two programmes. As a result of these programmes, 1) all IT infrastructure will be outsourced internally to ABN AMRO IT, decreasing the IT (risk) scope within AAHG significantly and 2) the control framework will have to be redesigned to retain its relevancy in the changed environment.

Compliance risk

Compliance risk is defined as the risk of failure to comply with legislation and regulations, self-regulatory organisational standards, values and business principles, and codes of conduct or generally accepted market standards governing AAHG's services and activities. Failure to comply can result in security risks and incidents, in legal or regulatory sanctions, but also in financial losses and reputational loss arising from financial or other crime, or misconduct or illegal actions on the part of customers, the bank or its employees.

AAHG is expected to meet stringent regulatory requirements and to mitigate its compliance risk. Compliance has a fundamental role in residential real estate finance, 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 on all integrity related risks and to enable and support a mature values-led business.

AAHG 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:

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

From a compliance perspective, the year 2022 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 'banking for better, for generations to come', as compliance is critical to our licence to operate.

Approval of Annual Financial Statements by Supervisory Board

The Supervisory Board approved these Annual Financial Statements on 25 May 2023. The Annual Financial Statements will be adopted by the General Meeting of Shareholders.

For the Managing Board:
- 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 2022 included in the annual report

Our opinion

We have audited the annual financial statements 2022 (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 2022, and of its result for 2022 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 2022
- The statutory statement of income for 2022
- 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	€48 million (2021: € 55 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 have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements identified during our audit in excess of EUR 2.4 million, would be reported to the supervisory board, 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 it's 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 2022. 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 team members with specialized knowledge in the areas of IT audit, forensics, income tax and have made use of our own specialists in the areas of valuation of real estate, credit risk modelling, macro-economic forecasting and actuarial assumptions.

Our focus on climate-related risks and the energy transition

The managing board of ABN AMRO Hypotheken Groep has reported in the section 'Sustainability risk' of the financial statements how the bank 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 what the company's implementation plans.

As part of our audit of the financial statements, we evaluated the impact of climate-related risks and the effects of the energy transition and whether the company's implementation plans on our identification and assessment of risks of material misstatement 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 2022.

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 thereof.
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 bribery and corruption in close co-operation with our forensic 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.

As in all of our audits, we addressed the risk of management override of controls. For this risk we have performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in note 1.3 'estimates and assumptions' to the financial statements. We 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.
As described in our key audit matter '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.
We did not identify a fraud risk related to revenue recognition.

We considered available information and made enquiries of relevant executives, directors, internal audit, legal, security affairs, 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 of 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 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 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 at least the next 12 months. 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 2022 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 2022 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 2021, we have included a new key audit matter on the 'Estimation of other provisions and contingent liabilities and related disclosures' given the significance and the possible outcome on the financial position related to a specific discussion with the regulator about levies.

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 2022, the gross loans and advances - customers of ABN AMRO Hypotheken Groep B.V. amounts to EUR 146 billion. The allowances for expected credit losses (loan loss allowances) of EUR 144 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. 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 internal 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. Finally, 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 internal economic specialists the base case and alternative economic scenarios. 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. 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 2022 (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.

	Therefore the managing board concluded that as per 31 December 2022 no provision is accounted for. 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 the 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. For the mortgage granting process, we performed additional procedures on access management and related systems to ensure proper segregation of duty was in place during final approval of mortgages.
Key observations	Based on our procedures performed, we consider the reliability and continuity of information technology adequate, insofar relevant for our audit of the financial statements.

Report on other information included in the annual report

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

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

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

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

The 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

<u>Engagement</u>

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.

<u>No prohibited non-audit services</u>

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, 25 May 2023
Ernst & Young Accountants LLP

w.g. 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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