ABN AMRO Hypotheken Groep B.V.

Annual Report

2021

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 and managing residential real estate financing for customers in the Netherlands.

Our active brands

ABN·AMRO

florius

moneyou

Registered office in

Amersfoort, the Netherlands

Number of employees (FTEs)

1,229

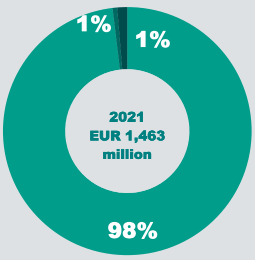
working for AAHG, seconded by ABN AMRO (2020: 1,137)

Operating income for 2021 (in EUR)

1,463 million

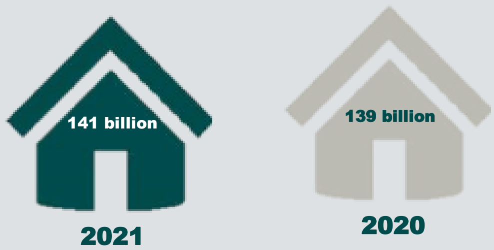
(2020: 1,466 million)

By type of income (in %)



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

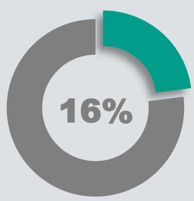
Mortgage portfolio (in EUR)



Market share

(source: Dutch Land Registry)

Origination



(2020: 14%)

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 2021 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 Procedure 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. 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.

ABN AMRO's objective is to position the level of total direct compensation for Managing Board members below median market levels. The remuneration packages of Dutch-based Identified Staff who are not Management Group members are governed by ABN AMRO's collective labour agreement.
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 affairs of AAHG. 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 two of the sub-committees of the Supervisory Board. The responsibilities of the Audit Committee and the Risk Committee include assessing all matters relating to the accounting policies, internal control, the financial reporting functions, the internal audit, the external audit, risk assessments and compliance with regulations.

Appointment, suspension and dismissal

A list of the current members of the Supervisory Board is provided in the chapter on the Supervisory Board.

Supervisory Board members are formally appointed and may be suspended or dismissed by the General Meeting.

Diversity

All members of the Managing Board and the Supervisory Board are natural persons. Two members of the Supervisory Board are external members, one of the four members of the Supervisory Board is female and one of the three members of the Managing Board is female. AAHG endeavours to meet its 30% gender diversity target on the Supervisory Board and Managing Board. On the Supervisory Board, women currently make up 25% of the membership; on the Managing Board they make up 33%. When vacancies arise, AAHG gives due consideration to gender diversity requirements in its search for suitable new members who fit the profile.

Dutch Banking Code

The Dutch Banking Code was introduced on 1 January 2010 and sets out principles that banks are expected to 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 - Wft*). 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 members are an integral part of the ABN AMRO organisation. As a result, the bank's policies and standards governing compliance with internal and external regulations and best practices are applicable to the entire ABN AMRO group of companies.

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 www.abnamro.com.

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

General Meeting of Shareholders

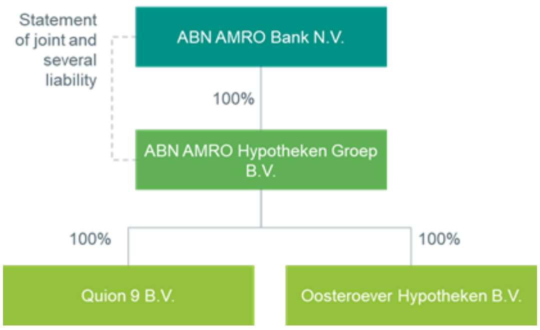
At least one General Meeting is held every year. The General Meeting is competent to adopt the Annual Report and takes important decisions regarding the identity or character of AAHG. The agenda of the General Meeting includes the following items as a minimum: the Annual Report, adoption of the Statutory Annual Financial Statements and granting discharge to the members of the Managing Board and the Supervisory Board.

The last General Meeting was held on 25 May 2021. The General Meeting adopted the 2020 Statutory Financial Statements and granted discharge to the members of the Managing Board and the Supervisory Board.

Legal structure

AAHG is a fully licensed bank. Under the Single Supervisory Mechanism, which took effect in November 2014, ABN AMRO is subject to prudential supervision by the European Central Bank (ECB).

At the end of 2021, AAHG had two wholly owned subsidiaries: Quion 9 B.V. and Oosteroever Hypotheken B.V.



Report of the Managing Board

Similar to 2020, the year 2021 was again dominated by the impact of COVID-19. While 90% of our employees continued to work from home full-time, we were still able to deliver on our regulatory roadmap and commercial initiatives. In 2021, the mortgage market grew by 17.4% against 2020, house prices kept rising, the refinancing market expanded significantly and we continued to face fierce competition from both banks and non-banks. Despite high repayments, our mortgage portfolio increased by EUR 1.8 billion. In 2021, AAHG's market share in loan origination was 16%.

COVID-19

Despite the fact that the COVID-19 pandemic continued to rage in 2021, the Dutch economy grew by 4.8% (source: Statistics Netherlands) and the unemployment rate was low at 4.2% (source: Statistics Netherlands). Because of these positive economic developments, the payment arrears on our portfolio were very low.

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 we have outsourced our back-office activities.

Strategy

ABN AMRO's purpose is: 'Banking for better, for generations to come'.

We are confident that we can contribute to our purpose by focusing on the following three priorities over the coming years, in line with the bank-wide strategy.

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

We address sustainable improvement options at every mortgage consultation. We experiment together with customers and partners to find new opportunities to achieve this. In addition to the existing sustainability-promoting measures for residential properties with energy label A, we introduced an interest rate reduction on ABN AMRO mortgages for properties with energy label B. We also give customers a 24-month transitional period in which to achieve energy label A or B for their property, so that they qualify for a reduction in mortgage interest rate. In addition, we hope to make the planet more resilient by promoting biodiversity. Florius is committed to improving biodiversity by creating a climate forest: a beautiful stretch of versatile nature, located in the heart of the Netherlands.

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

We are proud that ABN AMRO was awarded the Gouden Lotus Award for being the best mortgage provider in the Netherlands. The reasons why we won this award were our customers' easy access to ABN AMRO Operations and our knowledgeable, understanding and flexible employees, who are always there to help our customers as best they can.

ABN AMRO was also awarded the Groene Lotus Award for being the most pioneering mortgage provider in terms of sustainability. The intermediaries voted for ABN AMRO because of our interest rate reduction for mortgages of properties with energy label A or B, where we give customers 24 months to achieve this energy label.

Our Originate-to-Distribute proposition for 30-year fixed-rate mortgages continued to be successful in 2021 and we have extended our partnership, which enables us to benefit from the strong demand for long-term interest rate mortgages in the Dutch market.

<u>Building a future proof bank:</u>
Our strategy can only succeed if we unlock our people's full potential and provide them with the right tools to successfully contribute to our purpose and strategy. To achieve our strategic ambition of being a future-proof bank, AAHG focuses on becoming a data-driven and high-performing organisation with future-proof IT systems.

In 2021, we further increased our efforts to contact customers with an interest-only mortgage. The objective is to make them aware of their personal situation once their mortgage has reached maturity. By providing information about their financial situation at maturity, we aim to give our customers an understanding of the future affordability of their mortgage. We do so by taking a pro-active approach towards customers, by offering them ABN AMRO's online mortgage check as well as an option for a personal consultation with one of our mortgage specialists.

We have implemented our improved product approval process to meet the standards set by our regulator. We had a full regulatory change agenda in 2021, for instance, we adopted new risk models in 2021.

Financial information

We are content with the financial result for 2021 overall.

Our key financial indicators were as follows:

(x EUR 1M)	2021	2020
Profit	812	823
Operating income	1,463	1,466
Operating expenses	361	362
of which Loan impairments	-45	0

Principal risks and uncertainties

The Dutch mortgage market grew by 17.4% against 2020 (source: Dutch Land Registry). The volume of new mortgage registrations at the Dutch Land Registry increased from EUR 139.0 billion in 2020 to EUR 163.2 billion in 2021. The Dutch Land Registry used a new calculation method. The figures for both 2020 and 2021 are based on this new method.

The Dutch mortgage market continues to be attractive to many players because of the low-interest rate environment. Non-banks, such as pension funds, insurance companies and asset managers still have a substantial share in 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), which currently represent the majority of market demand. 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 offering the 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.

Principal risks for AAHG are:
- Credit risk
- Market risk
- Liquidity risk
- Business risk
- Operational risk
- Compliance risk

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

Rules and regulations
In 2021, we updated and aligned our policies and underwriting criteria to meet new rules and regulations such as EBA guidelines for 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). We also implemented new definition of default requirements and fully redeveloped advanced internal rating-based (AIRB) models to align with these new standards.

Changes in the Managing Board
There was a change in the composition of the Managing Board in 2021.

Stefan van der Bijl resigned as CFO on 30 June 2021. He decided to pursue his career outside ABN AMRO. We would like to take this opportunity to thank Stefan for his valuable input, commitment and contribution to AAHG.

Jeroen Zonneveld was appointed CFO of AAHG in September 2021 after having passed the European Central Bank's suitability screening.

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 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 2021.

Forward-looking information
Looking to 2022, two aspects stand out:
- Funding costs have increased since January. As a result, mortgage rates have been adjusted upwards and margins have come under pressure.
- Our current expectation is that the impact of the Russia/ Ukraine war on the risk profile of our mortgage portfolio is limited. The direct first-order impact is almost nihil. Ca 0.25% of our customers (main and/ or co-application) have a Russian, Ukrainian or Belarusian nationality and no customers are Russian resident or have a Russian postal address. The second order (vulnerable sectors) impact is very low and we do foresee impact of the third order(economy and inflation) impact because of rising energy prices and increased cost of shopping. As per March 2022 we do not see an increased level of arrears or customers that contact our prevention advisors, but we do expect that more customer will come into payment problems in the next 6 to 12 months. We are closely monitoring developments and discuss possible actions with our collections partners.

Amersfoort, the Netherlands, 12 May 2022

Managing Board
ABN AMRO Hypotheken Groep B.V

Report of the Supervisory Board

The Supervisory Board is pleased to present the Annual Report 2021 as prepared by the Managing Board. Similar to 2020, 2021 was another an exceptional year, because of the COVID-19 pandemic. The Supervisory Board appreciates the leadership that the Managing Board demonstrated during this period, both towards customers and employees. Given the developments and the difficult market conditions in the reporting period, the Supervisory Board is content with AAHG's financial performance.

Composition of the Supervisory Board

There were no changes in the composition of the Supervisory Board in 2021.

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, responsibilities and current composition of the Supervisory Board is provided in the 'Corporate structure' chapter of this Annual Report.

Remuneration of the Supervisory Board

The chair and one member of the Supervisory Board signed a Supervisory Services Agreement and their roles are remunerated. The two other members of the Supervisory Board qualify as employees of ABN AMRO and receive no remuneration for their roles as Supervisory Board Members.

Supervisory Board meetings

The Supervisory Board held four scheduled meetings, two half-year meetings and a summer session in 2021. 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 members of the Managing Board and the Company Secretary.

The Company Secretary prepared agendas for Supervisory Board meetings in 2021.
Recurring agenda items included financial performance, risk management, compliance, audit findings, market and regulatory developments, strategy and people management.

In addition to the seven meetings, the Supervisory Board held a meeting to discuss the outcome of the self-assessment. Three deepdives/lifelong learning sessions were held that concerned the following topics: sustainable finance regulations, Florius *Verzilver Hypotheek* and climate risk (Iceberg).

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

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

Audit Committee and Risk Committee

The financial information was audited by both internal and external auditors. AAHG provides the related 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 frequently about the contacts with the main regulators (Dutch Central Bank (DNB)/European Central Bank (ECB)/Dutch Authority for the Financial Markets (AFM)).

EY is AAHG's independent external auditor. EY audited the 2021 Annual Report and the Statutory Financial Statements. The Annual Report and accompanying Statutory Financial Statements were discussed by the Supervisory Board on 12 May 2022. The members of the Supervisory Board have read the Auditor's Report. In addition, EY presented its Audit Plan for the 2021 audit to the Supervisory Board on 2 November 2021.

In 2021, 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 principal 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 track to prepare for future challenges.

Advice to the General Meeting of Shareholders

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

Amersfoort, the Netherlands, 12 May 2022

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 2021	31 December 2020
Cash	3	2,288,843	2,586,380
Loans and advances - banks	4	12,030,757	16,359,967
Loans and advances - customers	5	141,070,869	139,267,410
Participating interests in group companies	6	1,370	1,370
Property and equipment	7	681	129
Other assets	8	6,386,486	5,742,210
Prepayments and accrued income	9	1,277	1,909
Total assets		**161,780,283**	**163,959,374**
Due to banks	10	140,902,072	145,102,908
Due to customers	11	2,556,094	2,548,834
Other liabilities	12	13,261,478	15,924,700
Accruals and deferred income	13	325,242	335,166
Provisions	14	30,378	42,746
Total liabilities		**157,075,264**	**163,954,355**
Subordinated notes	15	4,700,000	0
Total subordinated liabilities		**4,700,000**	**0**
- Paid-up and called-up capital		19	19
- Other reserves		5,000	5,000
Total equity	16	**5,019**	**5,019**
Total liabilities and equity		**161,780,283**	**163,959,374**
Irrevocable commitments	17	6,695,949	5,687,697

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

Statutory income statement

(x EUR 1,000)	Note	2021	2020
Interest income		3,717,313	4,156,278
Interest expense		2,290,830	2,730,528
Net interest income	20	1,426,483	1,425,750
Share of profit of associates	6	11,155	12,653
Fee and commission income	21	10,081	8,995
Other operating income	22	14,810	18,646
Operating income		**1,462,529**	**1,466,044**
Personnel expenses and other general and administrative expenses	23	312,613	262,879
Depreciation	7	317	100
Other operating expenses	24	93,783	99,357
Impairment charges on financial instruments	25	-45,394	-9
Operating expenses		**361,319**	**362,327**
Operating profit before taxation		**1,101,210**	**1,103,717**
Income tax expense	26	289,265	281,014
Profit for the year		**811,945**	**822,703**

Statutory statement of cash flows

(x EUR 1,000)	Note	2021	2020
Cash flows from operating activities			
Operating profit before taxation		1,101,210	1,103,717
Adjustments of non-cash items included in profit:			
Amortisation and depreciation	7	317	100
Changes in impairment charges	5	-33,723	3,992
Changes in other provisions	14	-2,110	-24,231
Changes in operating assets and liabilities			
Changes in loans and advances - banks	4	4,329,210	3,758,027
Changes in loans and advances - customers	5	-1,769,736	1,441,153
Changes in due to customers	11	7,259	56,551
Changes in prepayments and accrued income	9	633	164
Changes in accruals and deferred income	13	-299,189	-289,523
Changes in other provisions	14	-10,258	-45,408
Changes in other assets	8	-644,276	-1,317,739
Changes in other liabilities	12	-2,642,023	-3,422,718
Net cash from operating activities		**37,316**	**1,264,083**
Cash flows from investing activities	7	**-869**	**0**
Cash flows from financing activities			
Dividends paid	16	-833,147	-847,701
Changes in due to banks	10	-4,200,836	-3,180,884
Changes in subordinated notes	15	4,700,000	0
Net cash from financing activities		**-333,982**	**-4,028,585**
Net increase/decrease in cash and cash equivalents		**-297,536**	**-2,764,502**
Cash and cash equivalents at 1 January		2,586,380	5,350,882
Increase/decrease in cash and cash equivalents		-297,536	-2,764,502
Cash and cash equivalents at 31 December	3	**2,288,843**	**2,586,380**

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 2021.

1 General

ABN AMRO Hypotheken Groep B.V. (AAHG) is a private limited liability company. AAHG has its registered office at Computerweg 8, 3821 AB 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

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.

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 obtained 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.

ABN AMRO uses securitisation for its financing requirements. In this process, AAHG transfers the legal title of financial assets (mortgage loans) to a special-purpose entity (SPE), which – for its part – issues residential mortgage-backed securities (RMBS notes) to investors. Since not all risks associated with the mortgage loans have been transferred to the SPE, AAHG continues to recognise the securitised mortgage loans in its statement of financial position.

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.
- Dolphin Asset Purchasing B.V.
- Covered Bond Company B.V.
- Covered Bond Company 2 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 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 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.

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 following depreciation rate is:

- 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 debts to SPEs, 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 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.

2.12 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.

2.13 Subordinated liabilities

Subordinated liabilities can only be paid in the event of a liquidation after the claims of other higher priority creditors have been met. At initial recognition, subordinated liabilities are measured at fair value; they are subsequently measured at amortised cost using the effective interest rate method.

2.14 Equity

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

2.15 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.

2.16 Fee and commission income

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

Fees and commissions dependent on the outcome of a particular event or contingent upon performance are recognised when the relevant conditions are met. AAHG is paid direct fees by customers only.

2.17 Other operating income

Other operating income is recognised in the period to which it relates.

2.18 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.

2.19 Depreciation

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

2.20 Other operating expenses

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

2.21 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.

2.22 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.

2.23 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.

2.24 Changes in accounting estimates

Effective from November 2021, AAHG has used the Calcasa automated valuation model to determine the current market value of collateral rather than relying on indexation based on house price indices published by Statistics Netherlands. This has an impact on provisions and loan impairment charges.

3 Cash

This item can be broken down as follows:

(x EUR 1,000)	2021	2020
Cash in hand and other cash equivalents	2,288,843	2,586,380
Cash	**2,288,843**	**2,586,380**

Cash is at AAHG's free disposal.

4 Loans and advances - banks

This item can be broken down as follows:

(x EUR 1,000)	2021	2020
Deposits held with ABN AMRO	9,532,500	13,532,500
Receivables from group companies	2,498,257	2,827,467
Loans and advances - banks	**12,030,757**	**16,359,967**

AAHG's proceeds from the sale of financial assets (mortgage loans) to the SPE are placed in a deposit with ABN AMRO. Deposits held with ABN AMRO decreased because the SPE redeemed notes. For more details on the notes, we refer to the section on securitisation in the Risk management chapter.
None of the deposits held with ABN AMRO had a term to maturity of less than three months (2020: EUR 0). Of this item, EUR 5.9 billion relates to deposits with a remaining term to maturity of between three months and one year (2020: EUR 4.0 billion) and EUR 1.7 billion relates to deposits with a remaining term to maturity of between one year and five years (2020: EUR 7.5 billion). The remaining amount relates to deposits with a remaining term to maturity of more than five years.
The average interest rate on the deposits is 0.35% (2020: 0.26%). Receivables from group companies are interest-free.

5 Loans and advances - customers

This item can be broken down as follows:

(x EUR 1,000)	2021	2020
Mortgage loans	141,149,920	139,379,962
- of which securitised	*7,163,879*	*10,314,971*
Arrangement fees	67	289
Loan loss allowances	-79,118	-112,841
Loans and advances - customers	**141,070,869**	**139,267,410**

The securitised part of the mortgage loans decreased because of the redemption of the notes by the SPE.
The collateral (i.e. the net collateral value) provided for the mortgage loans was worth EUR 254 billion on 31 December 2021 (2020: EUR 221 billion). The collateral for bank savings was EUR 2.4 billion (2020: EUR 2.4 billion) The surplus value of the collateral amounted to EUR 117.4 billion (2020: EUR 85.9 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. An amount of EUR 17.0 billion of the collateral has been encumbered in relation to the securitised portfolio (2020: EUR 19.9 billion).

Of mortgage loans, an amount of EUR 36.2 billion has been pledged in relation to ABN AMRO Covered Bond Company B.V. (2020: EUR 38.4 billion), EUR 44.8 billion has been pledged in relation to ABN AMRO Covered Bond Company 2 B.V. (2020: EUR 47.4 billion) and EUR 3.7 billion has been pledged to a.s.r. (2020: EUR 4.0 billion).

Movements in mortgage loans were as follows:

(x EUR 1,000)	2021	2020
At 1 January	139,379,962	140,820,594
Originated (production)	20,367,563	15,790,003
Repayments	-18,959,382	-17,585,273
Change in deeds of assignment	361,777	354,637
At 31 December	**141,149,920**	**139,379,962**

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

(x EUR 1,000)	2021	2020
Short-term (less than 3 months)	203,121	182,453
Long-term (between 3 months and 1 year)	118,202	122,991
Long-term (between 1 and 5 years)	2,562,802	2,316,029
Long-term (more than 5 years)	138,265,794	136,758,489
At 31 December	**141,149,920**	**139,379,962**

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 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 (production)	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**

The loan loss allowance for stage 1 includes an amount of EUR 0.1 million for loan commitments.

(x EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
At 1 January 2020	6,224	52,565	50,060	108,849
Transfer to stage 1	5,495	-9,044	-3,278	-6,827
Transfer to stage 2	-1,505	18,682	-13,716	3,461
Transfer to stage 3	-1,115	-20,205	46,619	25,299
Impairment charges for the period / Reversal of impairment no longer required	-9,249	-8,839	-10,317	-28,405
Change in existing allowances	*-6,374*	*-19,406*	*19,308*	*-6,472*
Subtotal	**-150**	**33,160**	**69,368**	**102,378**
Originated (production)	4,019			4,019
Repayments	-904	-7,095	-2,471	-10,470
Write-offs			-16,319	-16,319
Changes in risk parameters and models	10,632	14,286	8,314	33,233
At 31 December 2020	**13,597**	**40,351**	**58,893**	**112,841**

In 2020, the loan loss allowance for stage 1 included an amount of EUR 0.2 million for loan commitments.

AAHG uses impairment models developed by ABN AMRO to calculate expected losses on the mortgage portfolio. For more details, see the 'Risk management' 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)		2021	2020
Quion 9 B.V.	100%	236	236
Oosteroever Hypotheken B.V.	100%	1,134	1,134
Participating interests in group companies		**1,370**	**1,370**

Quion 9 B.V. generated a profit for 2021 of EUR 8.2 million (2020: EUR 7.8 million) and Oosteroever Hypotheken B.V. posted a profit for the year of EUR 3.0 million (2020: EUR 4.9 million). All of these profits are distributed to AAHG in the form of dividend.

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.	Total
At 1 January 2020	**236**	**1,134**	**1,370**
Profit for the year	7,802	4,851	12,653
Interim and final dividend	-7,802	-4,851	-12,653
At 31 December 2020	**236**	**1,134**	**1,370**
Profit for the year	8,198	2,956	11,155
Interim and final dividend	-8,198	-2,956	-11,155
At 31 December 2021	**236**	**1,134**	**1,370**

7 Property and equipment

This item can be broken down as follows:

(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**

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

(x EUR 1,000)	Hardware	Total
Accumulated acquisition costs	2,869	2,869
Accumulated depreciation	-2,640	-2,640
At 1 January 2020	**229**	**229**
Investments	0	0
Divestment/disposal	0	0
Depreciation	-100	-100
Accumulated acquisition costs	2,869	2,869
Accumulated depreciation	-2,740	-2,740
At 31 December 2020	**129**	**129**

8 Other assets

This item can be broken down as follows:

(x EUR 1,000)	2021	2020
Receivables from group companies	5,365,323	4,403,231
Cash in transit	474,459	825,268
Trade receivables	19,600	19,796
Current account with insurers	26,785	40,774
Other receivables	500,319	453,141
Other assets	**6,386,486**	**5,742,210**

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 increase is mainly due to the drop in the securitised portfolio.

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

9 Prepayments and accrued income

This item can be broken down as follows:

(x EUR 1,000)	2021	2020
Prepaid expenses	1,277	1,909
Prepayments and accrued income	**1,277**	**1,909**

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 2021 and 2020.

10 Due to banks

This item can be broken down as follows:

(x EUR 1,000)	2021	2020
- Due to ABN AMRO - Funding	137,983,877	142,361,018
- Due to ABN AMRO - Bank accounts	2,414,876	2,340,268
- Due to group companies	503,319	401,622
Due to banks	**140,902,072**	**145,102,908**

ABN AMRO provides AAHG (including its subsidiaries) with funding to issue mortgage loans and AAHG transfers part of the funding to its subsidiaries (EUR 3.4 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 main reason for the drop in funding was the issuance of EUR 4.7 billion in subordinated notes (see Note 15 below). These notes replaced an equal amount of regular funding.

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)	2021	2020
Bank savings deposits linked to mortgages	2,369,076	2,350,782
Bank savings deposits not linked to mortgages	13,143	14,194
Savings deposits not linked to mortgages	163,348	170,057
Premium deposit accounts	10,527	13,802
Due to customers	**2,556,094**	**2,548,834**

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 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**

(x EUR 1,000)	Current liabilities	Between 1 and 5 years	More than 5 years	Total 31 December 2020
Bank savings deposits linked to mortgages	636	15,441	2,334,705	2,350,782
Bank savings deposits not linked to mortgages	14,194			14,194
Savings deposits not linked to mortgages	170,057			170,057
Premium deposit accounts	1,004	95	12,703	13,802
Due to customers	**185,891**	**15,536**	**2,347,408**	**2,548,834**

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 2020	**2,350,782**
Deposits	238,125
Interest	77,503
Withdrawal	-297,334
At 31 December 2021	**2,369,076**

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 2021, the majority of the premium deposit accounts had an insurer as the counterparty (2021: EUR 9.7 million; 2020: EUR 12.8 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)	2021	2020
Due to SPEs	7,105,129	10,232,888
Dividends payable	811,945	833,147
Due to group companies	4,483,021	3,826,997
Trade payables and cash in transit	139,765	146,935
Current account with insurers	705,314	870,961
Other liabilities	16,304	13,772
Other liabilities	**13,261,478**	**15,924,700**

Due to SPEs

The legal title to the securitised mortgage loans has been transferred to the SPEs. Since AAHG retained the economic rewards and substantially all risks associated with the mortgage loans, AAHG continued to recognise the securitised mortgage loans in its statement of financial position. In the process of transferring the legal title to the securitised mortgage loans, the SPEs paid the transaction price to AAHG. Since the associated mortgage loans are still recognised by AAHG, a debt to the SPEs has been recognised. The debt to SPEs is reviewed and settled every month.

This liability is based on the amortised cost and term to maturity of the securitised mortgage loans. For an overview of the remaining contractual terms to maturity of the total portfolio, see the ‘Risk management’ chapter (liquidity risk).

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.

13 Accruals and deferred income

This item can be broken down as follows:

(x EUR 1,000)	**2021**	2020
Advance mortgage receivables	18,908	22,064
Interest payable	0	59
Accounts payable	12,792	22,128
Mortgages payable	4,722	4,966
Tax payable to shareholder	288,820	285,949
Accruals and deferred income	**325,242**	**335,166**

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.

14 Provisions

This item can be broken down as follows:

(x EUR 1,000)	**2021**	2020
Legal provisions	27,283	42,096
Restructuring provision	969	0
Other provisions	2,126	650
Provisions	**30,378**	**42,746**

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.

Legal - Euribor

ABN AMRO has sold mortgage loans with floating, often Euribor-based, interest rates to consumers (‘Euribor-Woninghypotheek mortgages’). These rates are increased by a margin charge. Based on the applicable terms and conditions, ABN AMRO has the right to unilaterally adjust the margin charge. After ABN AMRO increased the margin charge in 2012, two class actions and multiple individual cases were brought against ABN AMRO. The central question in these cases is whether ABN AMRO’s contractual right to unilaterally adjust the margin is an unfair term that can be voided.

ABN AMRO lost the class action cases in two instances and decided to appeal to the Dutch Supreme Court. On 22 November 2019, the Supreme Court quashed the ruling of the Amsterdam Court of Appeal in the Euribor collective cases. The case has been referred to another Court of Appeal (The Hague) to be dealt with further. This Court will need to re-examine whether the terms are unfair or not. The hearing in this matter took place in 9 November 2021 and the Court of Appeal expects to give its verdict on 7 June 2022.

On 13 February 2020, ABN AMRO and the foundation Stichting Euribar reached an agreement on a settlement for customers with Euribor-Woninghypotheek mortgages. The key points of the settlement are compensation for the past and certainty for the future Euribor margin charge. By June 2021 ABN AMRO sent out the settlement offers to all known eligible customers, of which 81 % have accepted so far.

The other foundation, Stichting Stop de Banken, broke off the negotiations aimed at reaching an agreement and announced it will proceed with the class action as mentioned above. ABN AMRO has recognised a provision for the Euribor-bases mortgage cases.

For all customers without a settlement, an estimation has been made considering an addition for legal interest until 31 December 2021. This estimation has been made on customer level. Considering the above, the current Euribor provision will be retained until the court ruling is finalised (which is expected 7 June 2022).

Restructuring provisions
In July 2022, the AAHG insurance products will be transferred to another party. The insurance department will be closed as a result. The affected employees have been informed and will leave the organisation at the end of July 2022.

The decision to terminate these activities was taken and communicated in 2021. The amount of the provision is made up of employee severance pay as well as costs to finalise the closure of the department.

Other provisions
Other provisions contains an amount of EUR 2 million relating to outsourcing activities.

(x EUR 1,000)	Legal	Restructuring provision	Other	**Total**
At 1 January 2020	**110,139**	**0**	**2,246**	**112,385**
Increase in provisions	0	0	458	458
Utilised during the year	-44,897	0	-511	-45,408
Release in provisions	-25,948	0	-1,543	-27,490
Accretion of interest	2,802	0	0	2,802
At 31 December 2020	**42,096**	**0**	**650**	**42,746**
Increase in provisions	0	969	2,090	3,059
Utilised during the year	-9,882	0	-376	-10,258
Release in provisions	-5,416	0	-238	-5,654
Accretion of interest	485	0	0	485
At 31 December 2021	**27,283**	**969**	**2,126**	**30,378**

The decrease in provisions was mainly due to the utilisation of the Euribor-related provision.

15 Subordinated liabilities

This item can be broken down as follows:

(x EUR 1,000)	**2021**	2020
Subordinated notes	4,700,000	0
Subordinated liabilities	**4,700,000**	**0**

Subordinated liabilities increased by EUR 4.7 billion, due to the issuance of 47 notes of EUR 100 million to ABN AMRO Bank N.V. The notes were issued on 15 December 2021 and are redeemable by 30 June 2027. The notes were issued to comply with the Single Resolution Board's minimum requirement for own funds and eligible liabilities (iMREL) for AAHG which had to be met at 1 January 2022. The interest is 0.48% per month.

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

(x EUR 1,000)	**2021**	2020
At 1 January	0	0
Issuance	4,700,000	0
Redemption	0	0
At 31 December	**4,700,000**	**0**

16 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 2020	**19**	**15,444**	**15,463**
Profit for the year		822,703	822,703
Interim and final dividend		-833,147	-833,147
At 31 December 2020	**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**

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 the profit for the year as interim dividend. Retained earnings will be added to the other reserves.

17 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 2.9 billion in 2021 (2020: EUR 2.2 billion). Mortgage offers stood at EUR 3.8 billion (2020: EUR 3.5 billion). The IPC amounted to EUR 28.1 million (2020: EUR 20.0 million).

AAHG has Service Level Agreements (SLAs) in place for outsourced mortgage operations and affiliated services provided by third parties. All SLAs are in effect until 24 May 2024. AAHG also has also signed several intragroup agreements for outsourced activities. These agreements are in effect for an indefinite period.

18 Off-balance sheet commitments and contingent liabilities

Special-purpose entities

ABN AMRO uses securitisation for liquidity purposes. In this process, AAHG sells financial assets (mortgage loans) to SPEs, which – for their part – issue notes to investors. The SPEs are separate legal entities. Since AAHG retained the economic rewards and substantially all risks associated with the mortgage loans, AAHG continued to recognise the securitised mortgage loans in its statement of financial position.

Claims and disputes

As a financial company, AAHG is inherently exposed to legal risks, particularly in the regulatory or statutory domain. Currently, AAHG is in discussion with one of its supervisors about a specific topic. The outcome of this discussion or future proceedings cannot be predicted. For this reason, legal opinions, regulatory rulings or future settlements might give rise to expenses that are not fully covered, as a result of which they might affect our revenues and earnings.

19 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 86,828 in 2021 (2020: EUR 99,825).

The total remuneration of the members of the Managing Board was EUR 989,205 in 2021 (2020: EUR 882,504).

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 2021:

(x EUR 1,000)	**2021**	**Average interest rate (%)**	2020	Average interest rate (%)
Loans to members of Managing Board	2,871	1.8	2,419	2.0
Loans to members of Supervisory Board	1,570	2.7	1,762	2.7
Outstanding loans	**4,441**		**4,181**	

In 2021, the members of the Managing Board made repayments in the sum of EUR 82,428. The members of the Supervisory Board repaid EUR 192,349.

20 Net interest income

This item can be broken down as follows:

(x EUR 1,000)	2021	2020
Interest received on mortgage loans	3,295,401	3,590,094
Interest paid on funding	-1,975,210	-2,318,621
Portfolio-related net interest income	1,320,191	1,271,473
Other interest income	421,912	566,184
Other interest expense	-315,620	-411,907
Non-portfolio-related net interest income	106,292	154,277
Net interest income	**1,426,483**	**1,425,750**

Other interest income mainly concerns interest from deposits. Other interest expense mainly concerns amounts due to SPEs. If a customer falls behind on their mortgage loan (> 90 days), interest income is no longer recognised in portfolio-related net interest income.

21 Fee and commission income

This item can be broken down as follows:

(x EUR 1,000)	2021	2020
Service fees	9,577	7,943
Collection fee	36	43
Other fee and commission income	468	1,010
Fee and commission income	**10,081**	**8,995**

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

22 Other operating income

This item can be broken down as follows:

(x EUR 1,000)	2021	2020
Servicing fee received from SPEs	3,862	5,185
Other operating income	10,948	13,461
Other operating income	**14,810**	**18,646**

Other operating income mainly concerns reimbursements.

23 Personnel expenses and other general and administrative expenses

This item can be broken down as follows:

(x EUR 1,000)	**2021**	2020
Personnel expenses	70,238	63,293
Housing, office and IT expenses	17,722	19,667
Services provided by third parties	64,901	56,713
Selling and advertising expenses	3,702	3,132
Statutory levies	129,303	93,964
Other expenses	26,748	26,114
Personnel expenses and other general and administrative expenses	**312,614**	**262,879**

At 31 December 2021, 1,229 persons (FTEs) were directly involved in managing the mortgage portfolio (2020: 1,137 FTEs). Of these, 728 FTEs were employees of ABN AMRO (2020: 680); 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 Fund (SRF).

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) of 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 risk-weighted total assets (less a number of deductible items).

24 Other operating expenses

This item can be broken down as follows:

(x EUR 1,000)	**2021**	2020
Outsourced mortgage operations and affiliated services	93,708	99,269
Other operating expenses	75	88
Other operating expenses	**93,783**	**99,357**

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.

25 Impairment charges on financial instruments

This item can be broken down as follows:

(x EUR 1,000)	**2021**	2020
Change in impairments	-28,607	18,985
Recovery and other	-16,787	-18,994
Impairment charges on financial instruments	**-45,394**	**-9**

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.

26 Income tax expense

This item can be broken down as follows:

(x EUR 1,000)	**2021**	2020
Income tax expense	289,265	281,014
Income tax expense	**289,265**	**281,014**

Corporate income tax group

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

Corporate income tax is due at the highest rate of 25% (2020: 25%). The effective tax rate is 26.3% (2020: 25.5%). No corporate income tax is due on the annual banking tax.

27 Events after the reporting date

Russia-Ukraine war

In light of the recent developments in respect of the conflict between Russia and Ukraine, AAHG has assessed the direct and indirect impact of this geopolitical event on its operations and customers. AAHG has no direct exposure to Russia, Ukraine or Belarus. Further escalation of the conflict might well have indirect consequences for AAHG's customers, for instance in the form of higher natural gas prices, trade sanctions against Russia and increased cybersecurity concerns. While these indirect consequences are difficult to quantify, AAHG's management closely monitors any related developments.

Risk management

Strategy

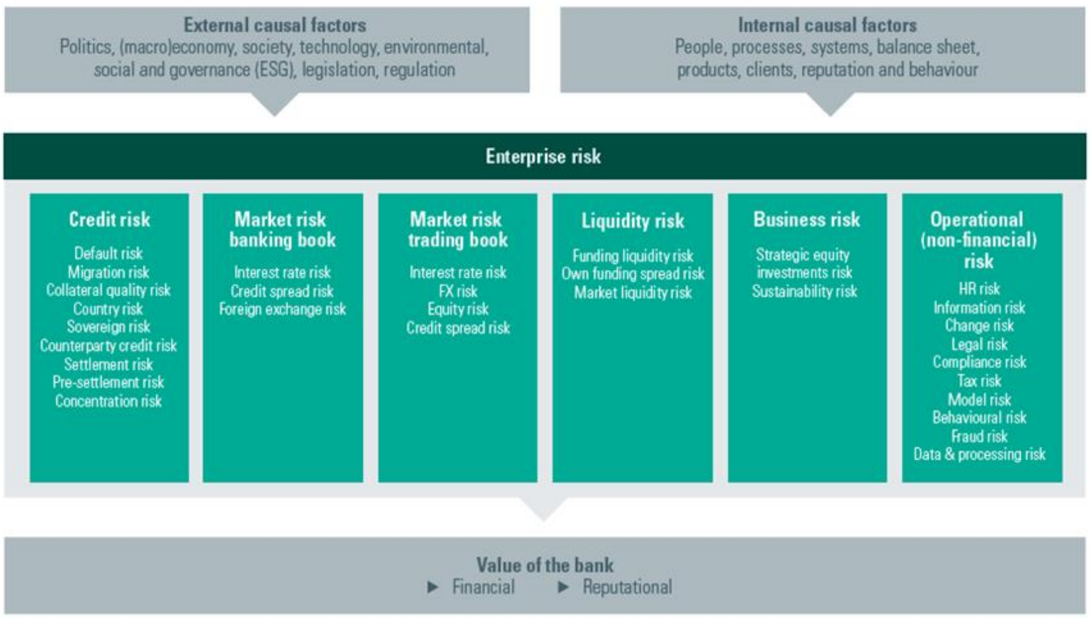
In line with ABN AMRO's group strategy, AAHG actively seeks to maintain a moderate risk profile for its residential mortgage portfolio.

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.

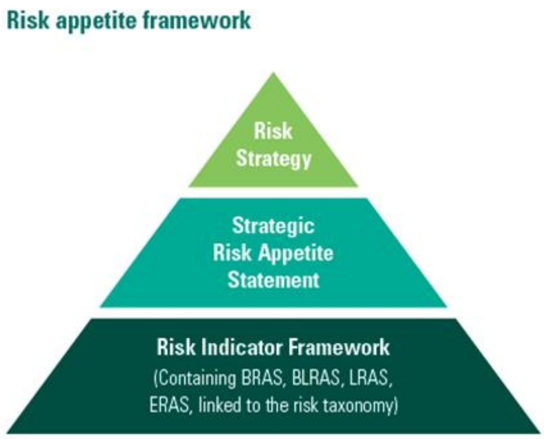
Risk taxonomy



The principal risks AAHG incurs are:

- Credit risk
- Market risk banking book (specifically interest rate risk)
- Liquidity risk
- Business risk
- Operational risk
- Compliance 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, business line, entity and country level. This risk indicator framework consists of statements set for each main and sub-risk type presented in the risk taxonomy. Each statement consists of one or more quantitative and/or qualitative indicators, which are referred to as key risk indicators (KRIs). For every 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
- Average 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 feel accountable for 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, more than 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 culture principles and to act in accordance with the Code of Conduct. These culture principles 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 has been updated. The new Code of Conduct intends to inspire staff to do the right thing, to provide tools to be proactive and to act ahead of regulations. 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 at 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 Local Business Risk Committee, the Mortgage Credit Committee, the Credit Cycle Management Committee and the Client Acceptance and Review Committee. Risk decisions are taken in the relevant risk committees within the mandates of this Charter.

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 provide clarity for all employees at AAHG with regard to their risk management responsibilities. AAHG operates in the first line of defence (LoD) and is responsible for risk ownership and for the design and execution of effective and efficient controls. The activities in the second LoD have been outsourced to ABN AMRO's Risk Type Owners such as Credit Risk, Operational Risk, Legal and Compliance. The-three-lines-of-defence principle is explained in the figure below.

Risk measurement

AAHG uses risk models and systems developed by ABN AMRO, for instance to determine provisions and capital. 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).

In November 2021, AAHG implemented a new **Definition of Default** by taking a one-step approach, meaning that the new definition of default and the updated credit risk models were implemented simultaneously. Both the definition of default and the updated 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 due 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 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 updated 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, are 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 positive developments over the past year, despite the COVID-19 pandemic. This was mainly attributable to rising house prices and falling interest rates. Similar to previous years, house prices in the Netherlands were significantly higher than the year before (up 20.3% at year-end 2021) due to a housing shortage. Credit quality indicators were not impacted by the COVID-19 pandemic and remained positive.

The mortgage portfolio increased by EUR 1.8 billion. The share of redeeming mortgages increased to 42% of the mortgage portfolio at 31 December 2021 (31 December 2020: 38%).

Breakdown of mortgage loans by type of loan

(x EUR 1,000)	2021	%	2020	%
Interest-only	60,961,988	43	62,552,140	45
Redeeming mortgages (annuity / linear)	59,212,231	42	52,990,718	38
Savings	10,383,233	7	11,741,502	8
Life (investment)	6,567,640	5	7,775,905	6
Other	4,024,829	3	4,319,697	3
At 31 December	**141,149,920**	**100**	**139,379,962**	**100**

The total of EUR 141.1 billion is the gross carrying amount, excluding loan loss allowances

The government-guaranteed (NHG) share of the residential mortgage portfolio fell slightly to 21% at 31 December 2021 (31 December 2020: 22%). The share of origination backed by government guarantees was 15%, which was lower than last year (2020: 19%).

Mortgages to indexed market value (LtMV)

(x EUR 1,000)	2021	%	2020	%
Government-guaranteed mortgages (NHG)	29,709,297	21	31,195,053	22
< 50%	43,230,131	31	35,459,019	25
50% - 80%	51,429,013	36	51,993,407	37
80% - 90%	9,290,546	7	12,512,060	9
90% - 100%	5,701,973	5	7,185,250	6
> 100%	1,788,960	1	1,035,174	1
At 31 December	**141,149,920**	**100**	**139,379,962**	**100**

The total of EUR 141.1 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. Since November 2021, AAHG has used the Calcasa automated valuation model to determine the current market value. This model produces more accurate values because it relies on the current market values of available collateral level. The current market value of collateral for which no Calcasa market value is available, continues to be determined by applying indexation based on house price indices published by Statistics Netherlands to the market value as specified in the valuation report. This is in line with the method that was used previously. The historical figures have not been restated.

As a result of the shift to Calcasa for valuation of collateral, the gross carrying amount of mortgages with an LtMV of above 100% increased to EUR 1.8 billion (31 December 2020: EUR 1.0 billion). 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 high LtMV levels. 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 long-term LtMV of AAHG's portfolio is expected to decrease further as a result of rising house prices, extra repayments and current tax regulations.

Mortgage indicators

(x EUR 1,000)	**2021**	2020
Gross carrying amount	141,149,920	139,379,962
- of which guaranteed mortgages (NHG)	29,709,297	31,195,053
Credit quality indicators		
Past due ratio	0.6%	0.6%
Stage 3 Impaired ratio	0.9%	0.8%
Stage 3 Coverage ratio	4.3%	5.6%
Mortgage indicators		
Average LtMV (indexed)	57%	61%
Average LtMV - excluding NHG loans (indexed)	56%	59%
Total risk mitigation/gross carrying amount	182%	157%
Cost of risk (year to date, in bps)	1	1

The stage 3 impaired ratio rose slightly as a result of the new definition of default.

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 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)	2021	2020
Loans and advances customers	141,070,869	139,267,410
Collateral value	254,096,963	221,007,581
Collateral bank savings	2,369,076	2,356,056
Other guarantees (e.g. NHG)	329,757	725,170
Surplus value of collateral	-117,447,951	-85,905,305
At 31 December	**1,723,024**	**1,083,908**

The uncollateralised portions of loans in the mortgage portfolio increased as a result of more loans having an LtMV in excess of 100% after the implementation of Calcasa for collateral valuation.

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

(x EUR 1,000)	2021	2020
Credit-impaired portfolio	1,197,556	1,046,149
Collateral value	1,766,698	1,315,503
Collateral bank savings	11,043	9,362
Other guarantees (e.g. NHG)	1,120	4,408
Surplus value of collateral	-620,296	-323,628
At 31 December	**-38,991**	**-40,504**

The credit-impaired portfolio increased due to the new definition of default. That said, the uncollateralised portions of the credit-impaired portfolio decreased as a result of rising house prices.

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.

Breakdown of past due mortgage loans (<90 days)

(x EUR 1,000)	2021	2020
Mortgages	141,149,920	139,379,962
Breakdown by days past due:		
≤ 30	1,084,048	1,101,983
> 30 & ≤ 60	110,012	128,963
> 60 & ≤ 90	45,308	64,437
At 31 December	**1,239,369**	**1,295,383**

The amount of EUR 141.1 billion is the gross carrying amount, excluding loan loss allowances

This breakdown shows that past due mortgages developed positively overall in 2021.

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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.

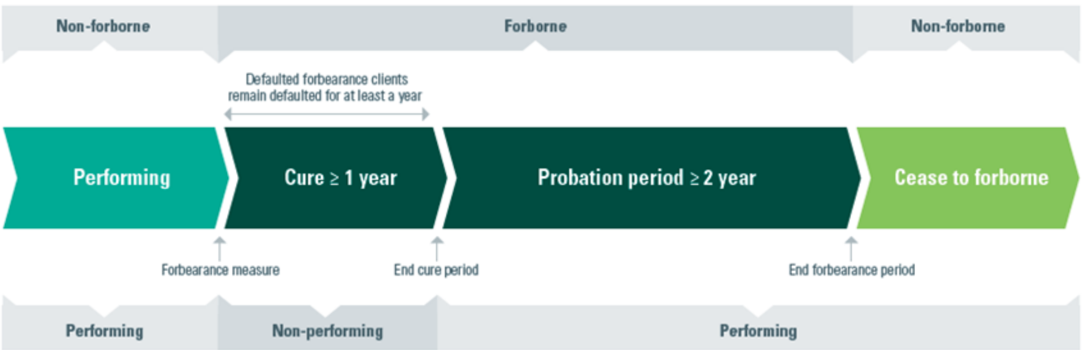
Forbearance

Forbearance is the process of making concessions to customers who are or will soon be experiencing financial difficulties, with the intention of restoring 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 has already defaulted, 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.



Forborne assets decreased slightly in 2021, dropping to EUR 3.0 billion.

(x EUR 1,000)	**2021**	2020
Total forborne assets	3,031,157	3,281,655
Forborne assets not past due and not stage 3	2,499,775	2,772,041
Forborne assets past due but not stage 3	86,321	127,160
Impaired forborne assets	445,061	382,453
	-	
Allowance (collective)	25,792	30,222

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:

Change in credit quality since initial recognition

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

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 mortgage loan is transferred from stage 1 to stage 2 is the deterioration of the lifetime probability of default (LPD) from the date of origination to the reporting date. The LPD represents the likelihood that a customer will default during the lifetime of the mortgage loan and depends on credit risk drivers such as product characteristics (e.g. repayment and interest terms, term of the product), the financial situation of the customer, the number of days past due and future developments in the economy. If the LPD deterioration of a customer is above a modelled portfolio threshold, the customer is transferred from stage 1 to stage 2.

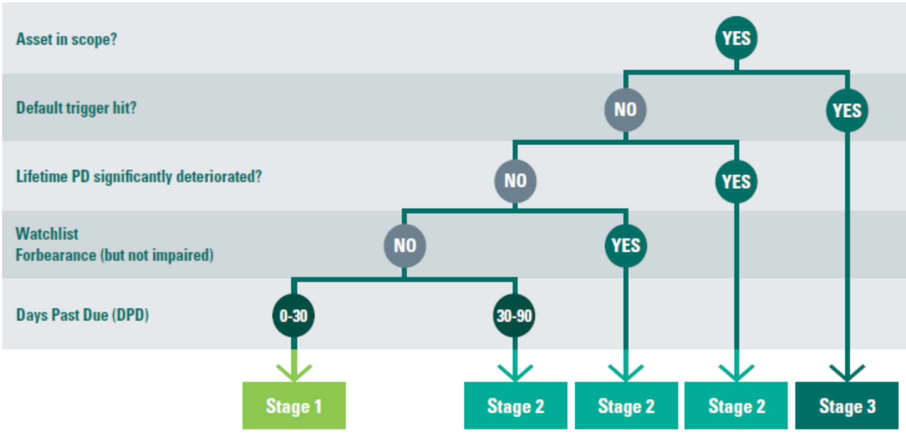
Qualitative stage triggers

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 due 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 financial instruments 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 2021: baseline 60%, up 10%, down 30%). 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.

Impairments

(x EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	132,202,062	7,750,303	1,197,555	141,149,920
Allowances for credit losses	7,649	20,370	51,098	79,118
Coverage ratio	0.0%	0.3%	4.3%	
Stage ratio	93.7%	5.5%	0.8%	

Of the total exposure, 6.3% can be classified as stage 2 or stage 3. The total loan loss allowances amounted to EUR 79.1 million. The loan loss allowances include amongst other a management overlay for provisions to compensate for the effect of the sharp rise in the house price index.

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	58,421,426	1,174,676		59,596,102
	0.1265% - < 0.4648%	3	52,731,732	1,802,829		54,534,561
Sub-investment grade	0.4648% - < 2.2249%	4	19,968,742	2,073,407		22,042,149
	2.2249% - < 19.9706%	5	1,055,566	2,219,043		3,274,610
	19.9706% - < 100%	6+	24,595	480,349		504,943
Default	100%	6 - 8			1,197,555	1,197,555
Total			**132,202,062**	**7,750,303**	**1,197,555**	**141,149,920**

Concentration risk on ABN AMRO deposits

No collateral has been secured for the deposits held with ABN AMRO (2021: EUR 9.5 billion; 2020: EUR 13.5 billion). Partly in view of the net debt exposure to ABN AMRO and the statement of joint and several liability received from ABN AMRO, the risk incurred by AAHG qualifies as minor.

Of deposits held with ABN AMRO Bank N.V., none has a term to maturity of less than three months (2020: EUR 0). EUR 5.9 billion relates to deposits with a term to maturity of between three months and one year (2020: EUR 4.0 billion) and EUR 1.7 billion to deposits with a term to maturity of between one year and five years (2020: EUR 7.5 billion). The remaining amount relates to deposits with a term to maturity of more than five years. The average interest rate on the deposits is 0.35% (2020: 0.26%).

Maximum credit risk

The maximum credit risk that AAHG incurred was EUR 168.5 billion (2020: EUR 169.6 billion), consisting of EUR 141.1 billion in mortgage loans (2020: EUR 139.4 billion), EUR 9.5 billion in ABN AMRO deposits (2020: EUR 13.5 billion), EUR 11.2 billion in other assets (2020: EUR 11.0 billion) and EUR 6.7 billion in irrevocable commitments (2020: EUR 5.7 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)	2021	%	2020	%
Short-term (less than 3 months)	6,332,458	1.7	7,289,301	1.8
Long-term (between 3 months and 1 year)	3,685,054	2.9	4,913,675	3.1
Long-term (between 1 and 5 years)	25,525,754	2.8	22,555,156	3.1
Long-term (more than 5 years)	105,606,653	2.2	104,621,829	2.5
At 31 December	**141,149,920**		**139,379,962**	

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

ABN AMRO uses securitisation for liquidity purposes. In this process, AAHG transfers the legal title to financial assets (mortgage loans) to an SPE, which – for its part – issues RMBS notes to investors. AAHG's proceeds from the sale of financial assets (mortgage loans) to the SPE are 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)	2021	%	2020	%
Short-term (less than 3 months)				
Long-term (between 3 months and 1 year)	5,854,000	0.4	4,000,000	0.0
Long-term (between 1 and 5 years)	1,678,500	-	7,532,500	0.3
Long-term (more than 5 years)	2,000,000	0.6	2,000,000	0.6
At 31 December	**9,532,500**		**13,532,500**	

The interest rate is based on three-month Euribor plus a margin.

A debt to the SPE has been recognised because AAHG retained all the economic risks and rewards associated with the mortgage loans. This debt mirrors the amortised cost and remaining contractual terms to maturity of the securitised mortgage loans.

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.

The prepayment ratio has risen over the past few years, particularly due to falling interest rates. For many customers, prepayments are more cost-effective than savings and the recovery of the housing market has led to a significant increase in people moving house. The expected repayment ratio for the coming months and years is highly dependent on developments in interest rates. Although AAHG expects the growth in the prepayment ratio to level out, the ratio will stay high in historic terms as long as interest rates remain low.

Fair value

(x EUR 1,000)	2021 Carrying amount	2021 Fair value	2020 Carrying amount	2020 Fair value
Financial assets				
Cash	2,288,843	2,288,843	2,586,380	2,586,380
Loans and receivables - banks	12,030,757	12,224,093	16,359,967	16,622,145
Loans and receivables - customers	141,070,869	148,659,283	139,267,410	151,342,259
Other assets	6,386,486	6,480,030	5,742,210	5,882,801
Prepayments and accrued income	1,277	1,277	1,909	1,909
Financial liabilities				
Due to banks	140,902,072	140,902,072	145,102,908	145,102,908
Due to customers	2,556,094	2,686,631	2,548,834	2,706,480
Other liabilities	13,261,478	13,752,486	15,924,700	16,783,958
Accruals and deferred income	325,242	325,242	335,166	335,166
Subordinated notes	4,700,000	4,700,000	0	0

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 financial assets and non-current 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 2021, using online public information.

Due to their recent issuance, the fair value of the subordinated notes and their carrying amount were similar on 31 December 2021.

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 chart in note 5.

AAHG’s proceeds from the transfer of the legal title to financial assets (mortgage loans) to the SPE are placed on deposit with ABN AMRO. The contractual term of the deposit (2021: EUR 9.5 billion; 2020: EUR 13.5 billion) corresponds to that of the RMBS notes issued by the SPE. For an overview, see the overview of the notes Dolphin Master Issuer B.V. has issued in the next section.

AAHG has signed a loan agreement with ABN AMRO for EUR 147.5 billion. 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 for no valid reason.

Securitisation

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

The extent to which the underlying mortgage loans still meet the agreed criteria of a securitisation programme and whether the mortgage volume is still at the target level is determined on a monthly basis. A change in an existing mortgage loan can cause a mortgage to no longer meet the agreed criteria, which results in AAHG repurchasing the loan. As soon as the volume of the securitised portfolio drops below the target level, AAHG will sell financial assets (i.e. mortgage loans) to the SPE in order to reach the target level.

The issued notes are shown below. Step-up date refers to the first occasion that the issuer of the notes has the opportunity to repurchase the notes. The contractual term will expire in 2099.

Margin refers to the three-month Euribor rate. Step-up margin refers to the margin applied if the contract is continued after the step-up date. Denomination refers to the amount per issued note.

Dolphin Master Issuer B.V.

(x EUR 1,000)	Isin	FORD	Margin	Step-up margin	Denomi-nation	Opening balance	Issued 2021	Redeemed / Cancelled 2021	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									
	XS1199502870	28 Sep 2021	0.40%	0.80%	50	2,000,000	-	2,000,000	-
	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									
	XS1385038283	28 Sep 2021	0.40%	0.80%	50	2,000,000	-	2,000,000	-
	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						**13,532,500**		**4,000,000**	**9,532,500**

No new securitisation programmes were initiated in 2021 and there were no issuances under the existing programme.

Since AAHG retained the economic rewards and substantially all risks associated with the mortgage loans, AAHG continued to recognise the securitised mortgage loans in its statement of financial position.

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.

Sustainability risk

In 2020, AAHG conducted an initials study of the impact of physical risks on the entire mortgage portfolio. The results showed that flooding and foundation problems caused by drought can cause major damage to properties and have an indirect impact through the market and macro-economics. The analysis identified two groups of particular potential concern: customers who may not be able to cover the costs of climate-related damage to their property and customers who have provided a propterty as collateral that is 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. Based on these insights, ABN AMRO has applied initial monitoring purposes in its risk reports in 2021. In Q4 2021, an improved cycle of the climate risk scenario analysis was performed, based on new and updated data. The scope for the 2022 analysis also covers additional physical risk hazards (e.g. wildfires, heat stress) and transition risks.

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 an online Energy Savings Check to help homeowners identify and implement energy-efficiency measures. The sustainability discount[1] has been improved as well.

The Mortgage Advice Policy stipulates that every adviser 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. To facilitate this, we have added two standard sustainability questions to the onboarding procedure for customers applying for a new mortgage; we have also included a mandatory sustainability section to the mortgage advice report.

Operational risk

Running a mortgage business means incurring operational risk. Operational risk is the risk of losses due to inadequate or incorrect internal processes, caused by people, systems or the external environment, but also due to inadequate procedures being performed by external service providers. To cover the latter, we have signed service level agreements and we demand ISAE 3402 reports and period calls 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.

Managers are responsible for managing operational risks. They are facilitated by the ABN AMRO risk management framework. Various levels within AAHG and ABN AMRO periodically report on the operational risk and the measures taken to minimise it. The risks are documented using the ABN AMRO registration system.

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

Before entering into and during business relationships, AAHG carries out due diligence on 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 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, 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

[1] 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. Clients 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.

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 2021, ABN AMRO continued executing AML remediation programmes throughout the bank. 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 determining 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.

The availability of ABN AMRO’s internet banking services during peak hours was 99.90% on average in 2021. Availability was impacted by a few operational incidents during the year, but these incidents were fully resolved and the results of the root-cause analyses served as input for continuous improvements. Overall, information risk management remains a priority for management. The robustness of the control environment, the stability and availability of systems, and the underlying infrastructure and architecture are focus points for strengthening our cyber posture and for future-proofing our organisation.

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, but also in financial losses and reputation 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. In its capacity as a gatekeeper, it is expected to detect financial and economic crime, and to fulfil obligations under its duty of care to customers and society. To give more direction to how we, as a bank, want to deal with our customers' interests, six bank-wide client centricity principles were introduced early in 2021. The aim of these principles is 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 provided 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.

Compliance requirements are not only part and parcel of our licence to operate, but they are also a vital element of ABN AMRO's bank-wide purpose: banking for better, for generations to come.

Approval of Annual Financial Statements by Supervisory Board

The Supervisory Board approved these Annual Financial Statements on 12 May 2022. The Annual Financial Statements will be adopted by the General Meeting of Shareholders.

For the Managing Board:
- Ms C.M. Dumas
- 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 2021 included in the annual report

Our opinion

We have audited the financial statements 2021 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 2021, and of its result for 2021 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 2021
- The statutory statement of income for 2021
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

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

We are independent of ABN AMRO 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.

We started by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We were forced to perform our procedures related to the audit of the 2021 financial statements to a great extent remotely due to the COVID-19 measures. This limits our observation and increases the risk of missing certain signals. In order to compensate for the limitations related to physical presence and direct observation, we more extensively used electronic communication technologies and written information exchange to obtain the audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€55 million (2020: € 50 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 in excess of € 2.8 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the audit

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

ABN AMRO Hypotheken Groep B.V. and it's two 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, 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 of ABN AMRO Hypotheken Groep B.V. 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 2021. 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.
- examined the results of external inspections at the service organizations performed at request of ABN AMRO Hypotheken Groep B.V.
- 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 fraud and non-compliance with laws and regulations

Our responsibility

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

Our audit response related to fraud risks

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

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

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption 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 also considered whether the Covid-19 pandemic gives rise to specific fraud risk factors with remote working, office closure or illness possibly diluting the effectiveness of internal controls.

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

As in all of our audits, we addressed the risks related to management override of controls. We 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 procedures to identify and address high-risk journal entries. 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 considered available information and made enquiries of relevant executives (including 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 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, 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 and disclosures.

ABN AMRO Hypotheken Groep B.V. is subject to laws and regulations that directly affect the financial statements, including financial reporting standards, corporate tax law and various banking supervisory regulations. Also, ABN AMRO Hypotheken Groep B.V. is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or instructions.

We inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit, particularly relating to indications for any shortcomings in relation to compliance with the Dutch Act on the prevention of money laundering and financing of terrorism. 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 and, where relevant, whether the company implemented remediation plans. 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

We As disclosed in section 'Going concern' in Note 1.2 to the financial statements, the managing board made an assessment of the company's ability to continue as a going concern and to continue its operations for at least the next 12 months. We discussed and evaluated the assessment with the managing board exercising professional judgment and maintaining professional skepticism. Furthermore, we inspected the approval of the current business plan and budget by the supervisory board. 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 events or conditions that may cast significant doubt on the company's ability to continue as a going concern and whether the company meets the regulatory requirements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify serious doubts on the company's ability to continue as a going concern for the next 12 months. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

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

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

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 2021, the gross loans and advances - customers of ABN AMRO Hypotheken Groep B.V. amounts to EUR 141 billion. The allowances for expected credit losses (loan loss allowances) of EUR 79 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 provision 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 and 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 relevant to the expected credit loss calculations including monitoring of arrears and the period-end estimation process for determining loan loss allowances and the governance over the provisioning. We performed substantive procedures, including the reconciliation of the data used in the allowance calculations and disclosures to source systems. 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 including the impact of Covid-19. 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. Further, with the support of our internal modelling specialists, we assessed the appropriateness of the models used by ABN AMRO Hypotheken Groep B.V. 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 management overlays. 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 at ABN AMRO Hypotheken Groep B.V. We analyzed the expected credit losses in relation to developments in the loans and advances and composition of the portfolio. We performed testing on data, staging, models and impairment calculations. 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.
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 to be 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. 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	For the audit of the financial statements we assessed the reliability and continuity of information technology as adequate.

Report on other information included in the annual report

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

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

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

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

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

Report on other legal and regulatory requirements

Engagement

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

No prohibited non-audit services

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

Other non-prohibited services provided

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

Description of responsibilities for the financial statements

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

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The

'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:

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

Communication

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

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

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

Amsterdam, 12 May 2022
Ernst & Young Accountants LLP

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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