
Oosterdokseiland, Amsterdam

Annual Report 2022


De Caai, Eindhoven


World Food Center, Ede


Wiesentalviertel, Lübeck

bpd
bouwfonds property development


Zweiblick, Nürnberg


De Nieuwe Defensie, Utrecht


DU! Unterbilk, Düsseldorf


World Food Center, Ede

Annual Report 2022

BPD Europe B.V.

bpd
bouwfonds property development

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The management report is made up of the Message from the CEO, BPD Europe in 2022, Market developments in 2022 and outlook for 2023, Internal developments, Risk Management and Outlook.

This English version is a translation of the Dutch version.
The Dutch version prevails.

Annual Report 2022

BPD Europe B.V.

Message from the CEO

Last year was a different year for BPD Europe (BPD) compared to previous years. A year that saw lower operating results, but strong financial results. In the Netherlands and Germany, we realised a total of 6,081 residential property transactions (versus 8,903 in 2021), spread across hundreds of (partial) projects in large, medium-sized and smaller municipalities in both countries.

In Germany (948 transactions), the buyers' market was very much down on 2021. In particular, the geopolitical tensions in Eastern Europe, sharply rising interest rates, tighter financing conditions, very high inflation and the resulting sharp decline in consumer confidence led institutional and private investors in Germany to postpone their investments and thus housing sales fell sharply.

In the Netherlands (5,133 transactions), despite the persistent scarcity in the housing market, we saw a turnaround in home sales in the second half of 2022. Affordable homes (both mid-price rentals and properties for sale up to the NHG limit) are still finding eager buyers, but at the upper end of the market, it is noticeable that potential buyers are waiting to see how the economy and the war in Ukraine develop.

We have developed more than 380,000 residential properties since 1946, the year in which our organisation was founded. Last year, the Corona epidemic normalised and we were able to get back to mainly working from our offices, something we had all really looked forward to. We were also able to celebrate our 75th anniversary together with all our Dutch and German colleagues - a year later than planned.

In Amsterdam, after more than 20 years, we completed Oosterdokseiland, one of the largest inner-city area developments in Western Europe with a total area of 225,000 m2. In recent years, Oosterdokseiland has become a dynamic place where many hundreds of people come to work, live, shop, play sports and go out every day. The area development had its Grand Finale with the handover of the key to the iconic new global headquarters to Booking.com.

The severe housing shortage[1] - in the Netherlands, rising to some 315,000 by 2022, 4% of the total housing stock - was unfortunately once again not reduced last year, but actually increased. Housing risks becoming unattainable for ever larger groups of people, partly due to rising interest rates and lack of supply in the housing market. There are still far too few affordable homes for home seekers. Construction costs are still high, and uncertainty about both the economy and the situation in Eastern Europe is not helping mobility in the existing housing market.

BPD is doing its utmost to meet the growing demand for affordable housing. We have an adequate inventory position in both the Netherlands and Germany, which

1 https://www.volkshuisvestingnederland.nl/onderwerpen/berekening-woningbouwopgave

allowed us to continue our development processes in 2022 as well. In addition, we are continually expanding our position by making acquisitions.

BPD Woningfonds, launched in late 2019, expanded its activities further in 2022. Under the flag of this fund, we are expanding the share of mid-price rental properties across the Dutch housing market. BPD Woningfonds has now built up a housing portfolio of approximately 3,700 sustainable and affordable mid-price rentals (rented, under construction or in acquisition). As a result, BPD Woningfonds is well on track with its ambition to develop over 15,000 energy-efficient, sustainable and affordable new-build rental properties for middle-income earners, i.e. people earning between once and twice the median household income, by 2030.

To genuinely tackle the shortage of housing, construction output will have to be scaled up drastically in city outskirts and in urban expansion areas – in addition to current city-centre locations. This requires firm direction or designation from the central government and steering from the provinces on new, large area developments. With the Rutte-IV government taking office and with Hugo de Jonge as Minister for Housing and Spatial Planning, the housing issue has significantly moved up the national political agenda. Within the three tiers of government (national, provincial, municipal), however, there is still no political consensus on site designation. It has now been established that 900,000 additional homes will be needed by 2030.

At BPD, we see it as our mission to improve the affordability and availability of residential units on a structural basis. We are committed to fulfilling this mission and will work hard to achieve it in 2023 and later years as well. We will continue to focus on a stronger expansion of our market leadership in the Netherlands and Germany, our home markets, now and going forward – in urban renewal as well as in expansion areas and on city outskirts. For BPD, this means a stronger focus on the expansion areas where, in line with various housing studies, demand for green and relaxed living and affordability can be more effectively realised through serial construction. To realise this ambition, we will need to scale up to larger areas with our partners while building more efficiently.

For us, the outlook for 2023 is less predictable than in recent years. For home seekers, however, it will continue to be difficult to find affordable housing in the years ahead, whether they are looking to rent or to buy. BPD's original mission from its foundation in 1946 has therefore not lost any of its urgency – we want to make affordable housing available to the large group of households earning 1 to 2 times the median household income.

Our organisational ability will become more important in the period ahead than it has been in the past 77 years. We have such a diverse society today that construction output will increasingly need to be customised, in terms of both types of housing and projects. In addition, we are taking our responsibility in the sustainability and energy transition and, in line with the EU CSRD directive, are shaping our ESG strategy in terms of sustainability (E), social impact (S) and transparency (G). We will finalise this in 2023 and implement it in our organisation in the Netherlands and Germany from 2024.

The other side of the coin is the huge pressure to deliver, preferably in large quantities. It will take every bit of skill and forethought we have to adequately combine these two goals in a turbulent world full of political changes, uncertainties due to geopolitical turmoil, an uncertain housing market, sharply rising mortgage interest rates to possibly persistently high levels, the associated conditions, rising raw materials prices in construction, low consumer confidence, project and area development lead times and ever-increasing objection and procedural pressure.

I am confident that we are up to the challenge. Our employees again showed great commitment and much perseverance in 2022. At the end of 2022, they again rated working at BPD well above the national standard (survey conducted by MonitorGroep). I, in turn, appreciate our people for the top employees they are: also in the past volatile year, I have seen their immense enthusiasm and drive time and time again. That instils great confidence for the future.

Walter de Boer
CEO

BPD Europe in 2022

Key data

Profit for the year	€ 126 million
Return on equity	12%
Number of residential property transactions	6,081

Oosterdokseiland, Amsterdam

Governance

The Managing Board (MB) is responsible for managing BPD. The members of the Managing Board are: Mr W.P. de Boer (CEO), Mr J.C. Kreikamp (CFRO) and Ms G. Voorhorst (COO).

Ir. W.P. (Walter) de Boer
CEO

Drs. J.C. (Carl-Jan) Kreikamp
CFRO (until 30 June 2023)

LLM G. (Gea) Voorhorst
COO

Delegated General Meeting of Shareholders

- Drs. M.P.J. (Mariëlle) Lichtenberg
- Dr. J.J. (Jan) Bos

Outside advisers

- Drs. Ing. C.M. (Cindy) Kremer
- Prof. Ir. H. (Hans) de Jonge
- Drs. R.C. (Rob) Haans MBA

About BPD

BPD, which stands for Bouwfonds Property Development, is a large area developer of future-proof and healthy residential areas in the Netherlands and Germany. BPD was established in 1946 under the name of Bouwspaarkas Drentsche Gemeenten. Since our establishment over 75 years ago, we have facilitated the construction of over 380,000 residential units. We are proud to say that, today, more than 1 million people live in residential areas that we have helped to develop. Taking an integrated approach to every area development, we are committed to affordability and sustainability, so that we create inclusive living environments with a comprehensive focus on physical, spatial and social dimensions. We operate based on our social belief that everyone is entitled to a comfortable home in a pleasant living environment and a healthy ecosystem. We will continue to pursue our ambition of providing affordable and comfortable housing for many generations to come.

Our operations are based on three pillars:

1 We stand for an integrated approach

Need for coherence

BPD develops areas and districts where people can lead happy, healthy and fulfilling lives. These are vibrant areas: they are easily accessible by bicycle, car and/or public transport and designed for different target groups, offering affordable and energy-efficient homes. It is BPD's ambition to create high-quality residential environments. Building density in urban areas and the transformation of occupied and vacant properties will continue to play a key role in our housing mission. However, this will need to be extended to larger area developments at the city fringes and beyond. Thanks to continuous applied market research and in-depth interaction with clients, we know exactly what people want in a home. Our research tells us that not everyone is interested in urban living. We are also seeing demand for housing on the outskirts of cities or in the countryside.
This can only be met with an integrated approach, in which our social task, the common interest and individual housing needs are reconciled. Together with our partners, we always seek to strike a balance between all individual and social interests in order to achieve the best overall result. Given today's sizeable and complicated housing mission, we believe that our integrated approach presents the best chance to successfully develop cities and neighbourhoods, with adequate affordable homes, strengthening of ecological values and resilience against heat and water stress.

2 We are committed to sustainable and responsible development

Long term vision

BPD's ambition is to make an important contribution to accelerating the transition to a sustainable society. The guiding principles in our sustainability strategy 'Sustainable acceleration' are climate & landscape, energy, circularity and mobility – both in transforming urban areas and in our new-build developments. Sustainable area development requires a broad, all-encompassing and expert perspective. Sustainable new construction and nature development go hand in hand. What we focus on in this process is how the client ultimately plans to use the property. For this reason, BPD works in close collaboration with local authorities to devise climate-proof solutions at area level. We link sustainable product applications to personal benefits for residents, such as lower housing costs through energy efficiencies.

3 We develop affordable housing

Housing availability

BPD believes that housing should be available and remain attainable for all, whether in or outside urban areas.
We see it as our social mission to ensure that housing remains attainable and affordable for everyone, both now and in the future. That is why we created BPD Woningfonds at the end of 2019. This fund invests in sustainable, affordable apartments and single-family homes for middle-income households (one to two times the median household income). Through BPD Woningfonds, we actively contribute to the ambitions of local authorities and housing associations to give more people access to affordable housing. We are also working on increasing scale in area developments, through which we aim to build more affordable owner-occupied houses up to the NHG limit through efficient construction. This matters now more than ever, as demographic growth is still rapid and homes are hard to come by. The trend towards urban agglomeration can be seen in the Netherlands and Germany, as well as in the rest of Europe. Demographic and economic trends have caused demand for housing to exceed supply, which has far-reaching implications for the affordability of housing.

Organisation chart at 31 December 2022

BPD Europe B.V.

BPD Ontwikkeling B.V.

BPD RCF Fundmanagement B.V.

BPD Immobilienentwicklung GmbH

The Netherlands

BPD Ontwikkeling B.V.

1 Head office in **Amsterdam**

4 regional offices +

1 local office

year of establishment **1946**

Germany

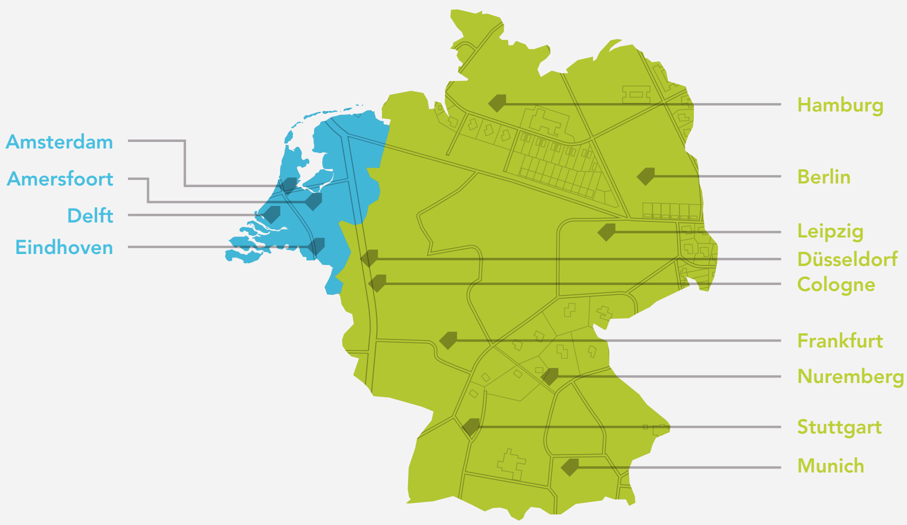
BPD Immobilienentwicklung GmbH

Head office in **Frankfurt**

9 regional offices +

7 local offices

year of establishment **1993**



Management

The Netherlands

BPD Ontwikkeling B.V.
Amsterdam
H.H. (Harm) Janssen, Managing Director
R.J.A.E. (Ruud) van Dam, Financial Director

Northwest
Amsterdam
E.M. (Esther) Agricola, Regional Director
P.M. (Peter) van Oeveren, Regional Director

Northeast & Central
Amersfoort & Zwolle
J.A. (Jeanet) van Antwerpen, Regional Director
J.A. (Joost) Mulder, Regional Director

Southwest
Delft
P.B.J.M. (Patrick) Joosen, Regional Director
W. (Helma) Born, Regional Director

South
Eindhoven
J.P.C.M. (Erik) Leijten, Regional Director

Corporate support services directors
- W.K. (Wim) de Haas, Director of Construction and Area Management
- M.A.F.W. (Maarten) Janssen, Director of Human Resources
- A. (Anoeska) van Leeuwen, Director of Marketing & Communications
- D.J.M. (Desirée) Uitzetter, Director of Area Development
- J. (Jan) Werkman, Director of Sales & Area Marketing

BPD RCF Fundmanagement B.V.
Amsterdam
T.H. (Tak) Lam, Fund Director
N.J.T. (Niels) Bossink, Director of Finance, Risk & Operations

Germany

BPD Immobilienentwicklung GmbH
Frankfurt
A. (Alexander) Heinzmann, Managing Director/CEO
F.J. (Franz-Josef) Lickteig, Managing Director
R. (Raymond) van Almen, Managing Director

North
Hamburg
M. (Marko) Pabst, Regional Director

East
Berlin & Leipzig
C. (Carsten) Hartwig, Regional Director

West
Düsseldorf & Cologne
J. (Joachim) Siepmann, Regional Director
C. (Carl) Smeets, Regional Director

Central
Frankfurt
I. (Ingo) Schilling, Regional Director

Southeast
Nuremberg & Munich
J. (Jochen) Saam, Regional Director

Southwest
Stuttgart
V. (Verena) Sommerfeld, Regional Director

Key figures

		2022	2021
Statement of profit and loss			
Profit/(loss) for the year	in millions of euros	**126**	169
Revenue	in millions of euros	**1,312**	1,647
Cost-to-Income Ratio (C/I)	%	**48**	41

		2022	2021
Statement of financial position			
Equity	in millions of euros	**1,095**	1,069
Total assets	in millions of euros	**3,188**	2,924
Return on equity	%	**12**	17
Solvency ratio	%	**34**	37

		2022	2021
Output			
Residential property transactions (including third-party developments)	number	**6,081**	8,903
– The Netherlands		**5,133**	6,376
– Germany		**948**	2,527

		2022	2021
Headcount			
FTEs	number	**773**	760
– The Netherlands		**457**	442
– Germany		**316**	318

Financial policy and performance

Financial policy

BPD strives to provide its clients with a good service. Also from this perspective, BPD seeks to achieve a competitive return that is appropriate to the risk profile Rabobank has defined. The Medium-Term Plan (MTP) of Rabobank and BPD sets strategic objectives that lead to strategic, operational and financial targets aimed at value creation. These targets apply to the budget year and the subsequent four years.

Financial performance

Profit for 2022 was € 126 million (2021: € 169 million). Profit after tax was lower compared to 2021, mainly due to a lower number of housing transactions.

Risks and uncertainties

Several factors in 2022 led to delays in awarding and putting new projects up for sale. These included environmental factors and changes in market conditions, including the war in Ukraine, climate legislation, much higher mortgage interest rates, increased construction costs and delays in the issue of building permits by municipal authorities, as well as a lack of official capacity and higher market interest rates, all of which have caused a decline in demand. Aside from these factors, developments in operating profit were in line with the outlook expressed in the Annual Report 2021.

- In 2022, BPD realised 5,133 residential property transactions in the Netherlands (2021: 6,376);
- In 2022, BPD realised 948 residential property transactions in Germany (2021: 2,527).

Cash flows and financing requirements

Cash flows from operating activities fell from € 9 million positive in 2021 to € 123 million negative in 2022. The decrease compared to the previous year was mainly due to lower net profit and higher investment in property inventory.

Cash flows from investing activities (from € 17 million positive to € 39 million negative) declined, mainly due to higher investment in investment property.

Due to higher net financing receipts, cash flow from financing activities was more positive than in 2021 (from € 61 million positive to € 130 million positive).

BPD has a credit facility provided by Rabobank for any financing required. This facility stood at € 1.85 billion at 31 December 2022. € 1.35 billion of this amount had been drawn down at 31 December 2022. The solvency ratio of 34% at 31 December 2022 was slightly lower than in 2021 (31 December 2021: 37%).

Park Ludenberg, Düsseldorf

Supervision

General Meeting of Shareholders
BPD Europe is a wholly owned subsidiary of Rabobank. The Managing Board of Rabobank has assigned the supervision of BPD Europe to a delegated General Meeting of Shareholders (GMS), whose members are Drs Ms M.P.J. (Mariëlle) Lichtenberg and Mr J.J. (Jan) Bos. This GMS is advised by three external advisers with specific property expertise: Drs Ms C.M. (Cindy) Kremer, Prof Mr H. (Hans) de Jonge and Mr R.C. (Rob) Haans.

The GMS held four regular meetings in 2022. There was one additional meeting of the GMS as part of continuing education. This included project visits and a further explanation of developments in the housing market in Germany and at BPD Woningfonds.

The GMS addressed a range of issues at its regular meetings, which were held in the presence of the Managing Board of BPD, including on each occasion market conditions and the general situation at BPD, as well as BPD's strategy and its implementation. The financial and risk reporting for the period in question were also discussed, with an explanation from the CFRO of BPD.

At the April 2022 meeting, PwC, the external auditor, gave an explanation of its findings from its audit of the financial statements. The 2021 Annual Report was approved at this same meeting, and a resolution to distribute a dividend to the shareholder was adopted. Other topics discussed were the Medium Term Planning, the RAS limits and the draft budget for 2023. Pleasingly, BPD's new growth strategy has been approved by Rabobank's Group Executive Board.
BPD has proposed to the GMS to terminate the collective employment agreement and instead agree an employment terms and conditions agreement (AVR) with its employees. This was approved by the GMS, as well as by the BPD employees. From that point on, the Works Council has become the employer's interlocutor with respect to the terms of employment.

Rabobank's internal auditors and BPD's Head of Compliance & Privacy attended the meetings that covered the quarterly reports of Audit & Compliance. They were present in order to elaborate on the annual plans and the quarterly reports. The COO gave an explanation of the periodic litigation reports.

Finally, there were a number of meetings on succession planning, some of which were without the Managing Board in attendance.

Real Estate Investment Committee
In addition to the GMS, BPD has a Real Estate Investment Committee (REIC). This Committee approves BPD's property development proposals in accordance with the approval framework. The committee also consists of Ms M.P.J. Lichtenberg and Mr J.J. Bos, and additionally a representative from CLR (Compliance, Legal & Risk) at Rabobank: Ms C. Dekkers MBA. Property development proposals that fall outside the REIC's mandate are also submitted to the Managing Board of Rabobank.

The REIC is supported by the same three external real estate experts who advise the GMS.

The Committee met eleven times in 2022 to discuss investment proposals, revision proposals and updates of ongoing developments referred to the Committee in accordance with the approval framework. The REIC also internally reviewed the state of affairs during these meetings. The outcomes will be discussed in 2023.

Market developments in 2022 and outlook for 2023

The Netherlands

Turnaround in economic climate, housing market changes, demand still strong

The aftermath of the corona pandemic and the outbreak of war in Ukraine brought a rapid turnaround in the economic climate. Very high inflation, historically low consumer confidence and the energy crisis defined the economy in 2022. Inflation and the energy crisis led to consumers having less to spend. The uncertain future led to historically low consumer confidence. The housing market could not escape the impact of all these developments. The summer therefore saw the first signs of a turn in the housing market.

Declining consumer confidence caused people to hesitate with respect to large purchases (such as a home). In combination with the sharp increase in mortgage rates, prices of existing owner-occupied homes initially stabilised, and then declined in the third quarter.

The cost of production of a new-build home meanwhile stayed high, as a result of higher construction costs and continuing high land prices. This meant that there was little possibility for the prices of new-build properties to move in line with the economy. The difference in prices between and existing owner-occupied home and a new-build property is widening, mainly as a result of the sustainability measures applying to new-build homes for energy neutrality.
But there is still a huge need for new-build homes. The population increased rapidly in 2022, mainly due to migration. The demographic trends also show that the number of households continues to increase at a rapid pace. Energy-efficient new-build homes are popular because of the low energy costs. But a new-build home is now attainable for an increasingly small group of people.

Price developments in existing buildings and new construction

In 2022, 193,103 existing owner-occupied homes changed hands. This was a 14.6% increase on the figure in 2021. For the year as a whole, the average sale price of an existing home was €428,591, compared to €386,714 in 2021. This represents a price increase for existing owner-occupied houses of 13.6% in 2022 compared to all of 2021.[1] Year-on-year price trends showed the strongest increase for detached houses and the smallest price increase for apartments[2]. Clearly, the overall price rise was driven by strong price increases in the first half of the year. Indeed, the Dutch housing market was in a completely different state at the end of 2022 than it was at the beginning of the year.

In the first half of 2022, house prices continued to rise sharply, continuing the trend of sharp price increases in previous years. The first tentative signs of a decrease in the market temperature became visible around the summer, with an increase in the number of homes for sale. There was also less overbidding due to the increase in supply. After the summer, the change in the trend of prices for existing owner-occupied houses became really visible for the first time. The month-on-month price trend in August showed a decline in prices for the first time,[3] with quarterly third-quarter figures from NVM and then CBS confirming the quarter-on-quarter price decline for existing owner-occupied homes. The price declines in existing stock were due to higher mortgage rates, combined with increased living costs due to inflation and energy costs.

In addition, economic uncertainty is leading people to wait longer before buying a home. This negative sentiment was reflected in a few indicators: consumer confidence from CBS, and the Home Ownership Association's Home Market Indicator.

New build

The new-build sales market shows a different pattern in price development. The prices of new-build homes cannot match the decline in prices for existing owner-occupied homes, due to increased construction costs and high land prices. This has made new-build houses relatively expensive to buy compared to existing owner-occupied homes.

1 https://opendata.cbs.nl/#/CBS/nl/dataset/83913NED/table
2 https://opendata.cbs.nl/#/CBS/nl/dataset/83910NED/table
3 https://opendata.cbs.nl/#/CBS/nl/dataset/83906NED/table

Park Langendijk, Breda

According to NVM figures, the median selling price of an existing owner-occupied home is €407,000, compared to €498,000 for a new-build home. Buyers of a new home are paying on average 9.6% more per square metre than a year ago, while the average square metre price of existing homes fell by 4.1% during this period.[4] This relatively expensive purchase price, combined with higher mortgage interest rates, makes an average new-build home unattainable for many people.

The Monitor Koopwoningmarkt[5] from TU Delft gives an estimate of the total number of transactions of new-build owner-occupied homes in 2022. It predicts that the total number of new homes sold to private individuals will reach between 25,000 and 26,000. This is more than 10,000 less than in all of 2021. The main reason given is that it is especially difficult to put new homes on sale.

New-build production in dire straits

According to CBS figures, the total new-build housing stock grew by a total of 74,000 homes in 2022, including both rented and owner-occupied homes. This increase in the housing stock is the largest in several years. This was consistent with expectations based on the permits issued in 2020 and 2021. The permits that were issued in 2022 will in turn fill the pipeline for residential construction in the years to come. However, the indicators of future output look less rosy. Based on permits issued, expected total production for 2023 and 2024 will be between 55,000 and 60,000.

63,000 permits for new-build homes were issued in the whole of 2022.[6] This is 16% less than in all of 2021. Of these, permits were issued for 34,000 owner-occupied homes, down 31% from 2021. On the contrary, the number of permits for homes intended for rental increased, by 9% compared to 2021.

The decline in the number of permits indicates that substantially fewer homes will be completed in the coming years than the 100,000 homes per year targeted by government policy. The housing shortage has now reached 315,000 and 4% of the total housing stock. This has not occurred since the mid-1960s. The question is why fewer permits have been issued. There are various answers to this. Construction projects are struggling to get off the ground due to complex and constantly changing regulation. In addition, protracted objection procedures regularly lead to delays in the planning application process.

Over the whole of 2022, construction costs[7] increased by a total of 9.1% compared to 2021. This includes staff and materials costs. Increased energy prices are affecting the prices of many construction materials. And it is not only increased construction costs that are creating pressure. Figures from the Land Registry show that the average price of a building plot in 2022 was €607 per square metre. The year before, it was €502 per square metre.[8]

4 https://www.nvm.nl/media/hupdryxx/bijlage-1-analyse-woningmarkt-4e-kwartaal-2022.pdf
5 https://www.tudelft.nl/bk/samenwerken/kenniscentra/expertisecentrum-woningwaarde/monitor-koopwoningmarkt
6 https://www.cbs.nl/nl-nl/nieuws/2023/07/minder-vergunde-nieuwbouwwoningen-in-2022
7 https://opendata.cbs.nl/statline/#/CBS/nl/dataset/80444ned/table?fromstatweb
8 https://www.kadaster.nl/zakelijk/vastgoedinformatie/vastgoedcijfers/vastgoeddashboard/bouwkavels

In larger (often inner-city) construction projects, developers usually team up with an investor, who purchases some of the properties for rental in the mid-range or higher-end market. With the rise in capital market interest rates, high inflation and various new regulatory measures, it has become increasingly difficult for housing investors to achieve long-term returns or estimate returns adequately.[9] As a result, investors were more likely to drop out in 2022 and construction projects failed to get off the ground.

Demographic trends, housing shortage and qualitative demand

In 2022, the population in the Netherlands grew almost twice as fast as in 2021. This huge growth is entirely due to larger numbers of foreign migrants, with people from Ukraine accounting for a quarter of the total.[10] In addition, due to individualisation and an ageing population, there has already been a long-standing trend towards reduced household size. We also see a large group of young people with a latent desire to move who have so far been unable to find suitable affordable housing. They therefore still live with their parents.[11]

All these trends together mean that future housing demand will only grow, in addition to the already existing housing shortage. As sentiment and the climate in the housing market are changing, construction that meets demand will become even more important.

The WoON survey again showed - following previous editions - that about 60% of total demand is for single-family homes, and the remainder is for apartments. So the mismatch between demand and the type of housing on offer is widening. In addition, there is more demand for owner-occupied housing than rental housing. Moreover, research on domestic relocation movements revealed something else: the trend of more people leaving the Randstad than moving there is continuing.[12] This is another reason why building that meets the demand that is actually there is becoming more important.

9 https://www.cbre.nl/insights/reports/nl-real-estate-market-outlook-2023

10 https://www.cbs.nl/nl-nl/nieuws/2022/43/bevolking-gegroeid-naar-17-8-miljoen-inwoners-vooral-door-migratie

11 https://www.cbs.nl/nl-nl/nieuws/2022/47/meer-mensen-willen-verhuizen-maar-kunnen-geen-woning-vinden

12 https://www.cbs.nl/nl-nl/nieuws/2022/32/trek-uit-de-randstad-blijft-toenemen

Nitrogen

The national nitrogen issue could lead to procedural delays in housing development. Nevertheless, this issue has limited implications for BPD developments, as the vast majority of BPD developments are not located near nitrogen-sensitive Natura 2000 areas. In the five projects where this is the case, we are encountering delays in the planning process and decision-making because, for example, an additional nature permit has to be applied for. The vast majority of BPD's residential development plans can go ahead without obstacles, or with limited modifications.

Outlook for the new-build market in 2023

Mortgage rates are a key indicator for the development of prices of owner-occupied homes. The underlying causes of movements in mortgage interest rates are the development of inflation and potential interest-rate interventions by the ECB. The three major banks - ING, Rabobank and ABN Amro - expect mortgage rates to stabilise over the course of 2023 and continue to move around 4%.

As new-build house prices are not expected to fall significantly because of high production costs, the new-build market will remain under pressure in 2023. There are less and less potential buyers who can afford a new-build property. And in these uncertain times, buyers of new-build homes will be reluctant to make a purchase that they will not be able to move into for several years.

The NVM offers some advice to ensure that project failures can be avoided as far as possible. These are the lessons learned in the housing market crisis in 2013 and 2014. As production fell sharply at the time, the housing shortage increased. In fact, the market has still not caught up with this shortfall.

For market players, the issue in the coming years will be to reduce realisation costs. One way to do this is to work on increasing scale and better applicability of factory-built construction. It is also important to build for qualitative demand at local level. This means building mostly in the affordable segment, for specific target markets, such as first-time buyers, people on middle incomes and senior citizens. It also means making a good local assessment of the housing programme that will optimally facilitate housing mobility.

Germany

There is still great need for housing, but demand is actually falling sharply

The corona pandemic had hardly any effect on demand for housing in Germany. There was far more impact from the war in Ukraine, which resulted in much higher interest rates, rising energy costs and construction costs. The German housing market was almost at a standstill from April to December. Despite this, the overall economic situation is quite positive. The upheavals had little effect on the labour market. Economic growth was 1.9%.

With rising interest rates and very high energy costs, many citizens can no longer afford new homes. Consumer confidence has plummeted: the war in Eastern Europe is not far from the German border, the refugee influx is felt in everyday life, and energy costs have in some cases quadrupled. This has made German people nervous and cautious.

By 2022, more than 1.1 million people will have emigrated, mostly from Ukraine. Some of these people will stay permanently, adding a further 200,000 to the need for housing.

Extra demand in rental housing market, land prices barely lower

With rising interest rates, rented apartments are more affordable than owner-occupied homes for many people. This is creating additional demand in the rental housing market, while at the same time demand for real estate has collapsed, particularly because people can no longer afford to buy properties. Even those who can buy real estate without financing seem to be sitting on the sidelines. On the one hand, owner-occupiers are speculating that prices will fall, on the other, small-scale private investors - traditionally important in Germany - have alternative investment options.

The same applies to institutional investors, such as pension funds. Some portfolio holders have also been forced to sell apartments due to the rise in interest rates, as have private owners, who looked to get rid of existing apartments quickly, especially in the spring and summer of 2022. All this increased short-term supply while demand was falling.
On the other hand, land prices have barely declined. Owners in 2022 were not yet ready to adjust their high price expectations to the new market conditions. They prefer to wait for better times. Construction costs continued to rise. This was mainly due to supply bottlenecks caused by the corona pandemic and the war (especially for steel and heating technology), but also increasing sustainability requirements, some of which were of a regulatory nature. Price increases were also caused by market processes, such as buyers no longer accepting gas stoves. Planning and building authorities still face major capacity problems in making zoning plans for new residential areas.

Too little supply, demand stalled

As a result of all these developments, there is too little housing supply on the market to meet the need, as this has increased sharply with the arrival of over 1 million refugees from Ukraine. At the same time, there is currently more supply as demand has fallen sharply, now that people can no longer afford to buy their own homes. The official statistics do not show much of this yet, as permits are still being obtained and started projects are being completed. The correct indicator of current development would be the start of construction announcements, but these are not recorded statistically. There has however been a slight decline in approvals and completions.

315,000 homes were completed in Germany in 2021. About 310,000 homes are estimated by experts to have been completed in 2022 (source: Frühjahrsgutachten 2023, ZIA). The high number of completions does not correspond to reality: due to the corona pandemic, many construction supervision office staff worked from home

Zweiblick, Nürnberg

and there was a completion backlog in 2021 that will show up in the statistics in 2022. Building permits for 384,000 homes were issued in 2021; in 2022, the estimate is 364,000 (source: Frühjahrsgutachten 2023, ZIA). The number of building permits has thus fallen, but only for single-family homes. A sharp fall in building permits and completions is expected in 2023 and 2024.

In the current market situation, the demand side is on the sidelines. In particular, families are now staying longer in their rental apartments and postponing purchase of a home. Buyers are also taking a different direction, moving from owning to renting, from the city to the suburbs or beautiful rural regions, from a house to an apartment, or downsizing to some extent. The only area in which there is no shift to be seen is in relocation from more expensive new-build to cheaper existing homes, as existing homes have issues relating to energy challenges and new-builds are more energy efficient.

Housing policy made a priority

A new Federal Government took office in November 2021 that has made building and housing policy a priority. A Ministry of Housing has been created, with a minister and three state secretaries. The Scholz government had pledged to build (or have built) 400,000 new homes a year, 100,000 of which would be social housing and owner-occupied apartments. The current housing shortage has now reached almost 1 million. As in the Netherlands, it will be difficult to make up this shortfall. However, the war in Ukraine caused construction and housing policy to sink far down the agenda. The effects of the slump in construction activity are not yet visible. They have only been in the press since early 2023, due to the delay in publishing national statistics.

In terms of support programmes, the government is currently focusing on many other issues. Promoting home ownership is either linked to stringent energy requirements or unrealistically low income. Only some states' social housing subsidy programmes have suddenly become attractive to investors, given the increase in interest rates.

No cheaper locations outside cities yet, more and more regulation

The fact that demand for housing cannot be met at present and probably not in the coming years either has not led to the development of cheaper out-of-town locations in planning. Developing new housing estates on the urban fringe is still a lower political priority than inner-city densification. The so-called 30 hectare target (per day, a maximum of 30 hectares of undeveloped land can be converted into development land in all of Germany) is about as important for German spatial development policy as the nitrogen debate is in the Netherlands, which conversely is not an issue in Germany.

Sale prices have risen sharply in nearly all metropolitan areas and medium-sized cities in Germany due to pressure on the housing market. With interest rates higher and the number of households growing at the same time, rents will have to go up in the coming years. This will exacerbate affordability problems. However, it will not be fast enough to create new incentives for investment.

Politicians are increasingly intervening in national and local markets with regulatory measures. There is talk of further tightening of rental law, such as capping index-linked leases to inflation. Up to 50% of new-build production by developers will have to consist of social and low-cost housing. Public and even private portfolio holders, who have now publicly announced that they will decrease their new builds, are thus coming under pressure.

Large regional variations

There are major regional variations in absolute sale prices: the average price of a new-build apartment is € 13,300/m^2 in Munich, € 8,750/m^2 in Hamburg, € 8,400/m^2 in Frankfurt, € 8,800/m^2 in Berlin and € 7,300/m^2 in Nuremberg. In the popular province of Baden-Württemberg, prices are around € 5,000/m^2. Prices have increased by some 15% to 20% since 2020. Consumers have to pay around € 1,500,000 for a semi-detached house in the city of Munich and in the regions around Berlin, Hamburg, Düsseldorf and Frankfurt, as in Baden-Württemberg. (Source: Trimag-Püschel-Wolf Gbr, Delphi-Committee, Q4 2022)

Internal developments

COVID
The corona virus situation in the Netherlands and Germany normalised and became manageable for healthcare in 2022. This allowed BPD to return to the situation where our employees work to a greater extent from our offices, as was normal before the pandemic. This is also our preference for the future. At the same time, we are integrating hybrid variants of collaboration, where relevant, into our working methods. Our staff proved and remained very flexible and engaged throughout the corona period. BPD is particularly proud of this.

Departure of CFRO BPD Europe
In July 2023, Carl-Jan Kreikamp, CFRO BPD Europe, will leave after 30 years of service at BPD. The search for a successor has now begun. Carl-Jan Kreikamp will hand over his duties to the other members of the Managing Board in April.

Management Netherlands
An independent management for the Dutch development company was appointed on 1 February 2022. Harm Janssen was appointed as managing director of BPD Bouwfonds Gebiedsontwikkeling on the same date. On 1 October 2022, Ruud van Dam joined the Dutch management as financial director.

From collective employment agreement to terms and conditions of employment
BPD terminated its own 2020-2022 company collective employment agreement with the trade unions in September 2022. In constructive consultation with the works council (OR), a terms and conditions of employment agreement was concluded that takes effect on 1 January 2023. A covenant was concluded with the Works Council for this purpose. In the first year, it was agreed that negotiations would concern only the wages paragraph. Those negotiations have now resulted in an agreement in principle that was submitted to the employees for approval.

Pension scheme
BPD will move to a new pension scheme with effect from 31 December 2022 that is in line with the amended Rabobank pension scheme. The change is partly motivated by the new pension system that is currently before the Dutch Senate for decision.

Recruitment
In Germany, BPD added 10 internal staff this year: from 360 (311.2 FTE) to 370 (311.03 FTE) employees. This represents growth of 2.8%. Staff turnover in Germany was 12.6% (46 employees). On balance, therefore, 56 new employees were hired.

A reorganisation was announced in the German company in the first quarter of 2023, due to declining sales. This will involve a reduction in personnel and other costs. Regarding the reduction in personnel costs, it was decided not to renew temporary contracts and to critically review which employees are surplus to requirements in each region given the current market conditions and part company with them. In total, this involves a reduction of 41 employees. The regional branch offices in Dortmund and Mannheim will also be closed.

In the Netherlands, BPD added 30 internal employees: from 388 (366 FTE) to 418 (391 FTE) employees. This represents growth of 7.7%. Staff turnover in the Netherlands was 7.4% (30 employees). On balance, therefore, 60 new employees were hired. This growth took place in a very tight (real estate) labour market. Nonetheless, we are and continue to be an attractive employer. Our main pillars for this are attractive and competitive terms and conditions of employment, our vision and strategy for the housing market, responsibilities at a low level in the organisation, and a high degree of independence for employees in the performance of their work.

Diversity at the top
At the end of September 2021, the bill 'More balanced ratio of men and women on management and supervisory boards' was passed by the Dutch Senate. This law took effect on 1 January 2022.
The law aims to make the ratio of men to women in senior management at large companies more balanced. BPD is subject to these criteria. The law contains an obligation to set appropriate and ambitious targets in the form of a

target for a more balanced ratio of men to women in management and supervisory boards and other senior management.
BPD aims for at least 33% women in its senior management.
The situation in the Netherlands at year-end 2022 is:

- GMS: 1 woman out of a total of 2 people = 50%
- MB: 1 woman out of a total of 3 people = 33.3%
- Other senior management (executives): 5 women out of a total of 19 people = 26%

In Germany, there is as yet no legal regulation establishing the ratio of men to women in senior management. The situation in Germany at year-end 2022 is:
Management Board: 0 women out of total 3 people - 0%

- Other senior management (executives): 2 women out of a total of 9 people = 22%

BPD has met its own targets in the GMS and the MB. This does not apply to other senior management. Special attention will be devoted to this issue. In particular, female candidates will be preferred when recruiting externally and appointing internal candidates to executive positions. It should be noted that recruitment is sometimes complex because it is still the case that relatively few women are employed in the technical professions.

Work experience and job satisfaction
MonitorGroep conducted a job satisfaction survey among all BPD staff in the Netherlands in December. With an 87% response rate, a satisfaction score of 7.7, a job happiness score of 7.4, and an employee net promoter score of 51% (30% nationally), we can be justifiably proud. The results are slightly lower than in 2020, but are still well above MonitorGroep's benchmark. Where necessary, we will initiate improvement processes in the various business units.

Between April and May, market research firm Ipsos conducted a work experience survey among all BPD Germany employees with a response rate of 83%. Results from BPD employees continue to show a very high level of identification with BPD and a high willingness to perform. The results were at a similar level to 2021.

Strategy programme Netherlands: Ambitie26
BPD's current strategy programme was completed in 2022. A new strategy has been launched in the Netherlands: Ambitie26. This sets out the lines for BPD's direction for the next four years, i.e. until 2026.

With Ambitie26, we are committed to a programme in which we continue our further growth not only in numbers of area developments and homes. It is about more than

Proeftuin Erasmusveld, The Hague

numbers: we also want to add measurable sustainable and social value. 'Ambition' means we really want to achieve something. It is about progress. We see it as our social task to structurally increase the share of affordable housing (both owner-occupied and mid-price rental) and to make living environments more sustainable.

Ambitie26 has three focal points:

- *Priority 1:* BPD aims to make housing accessible and affordable. We want to realise affordable homes for all, including by focusing on scaling up new area developments, working closely with housing associations, making more acquisitions for our own mid-price rental fund BPD Woningfonds, and using serially developed and factory-built homes from our construction partners.
- *Priority 2:* BPD sees every area development as a driver of landscape quality and sustainable transitions. We see this as an opportunity to fulfil our ambitions in terms of nature, landscape and climate. These ambitions are also set out in our sustainability strategy Sustainable Acceleration.
- *Priority 3:* BPD has an unwavering focus on continuous learning, collaboration and improvement, as an organisation and as individuals. BPD strives for continuous self-development. This is how we can achieve the best performance in a rapidly changing world and fulfil our ambition. One of the ways we intend to achieve this is by continuing to invest in the knowledge and skills of our employees.

In the coming years, we will undertake several initiatives to give concrete expression to our strategic ambitions.

Strategy programme Germany: Vorsprung26

Vorsprung26 establishes the strategic direction for BPD Immobilienentwicklung GmbH until year-end 2026. This programme focuses on improving cooperation: externally with stakeholders on complex area developments, internally in teams and between regions and central departments. The motto in this regard is: 'Developing the best living environments with the best team'. Several broad-based teams are working for and with each other on the implementation of this programme introduced in 2022.

Vorsprung26 has five focal points:

- A directing role in area and project developments
- Strengthening customer orientation
- Technological advancement and digitalisation
- Organisational and knowledge development
- Social and sustainable value creation

Parallel to and in coordination with the Dutch knowledge management programme, BPD Immobilienentwicklung organises various knowledge programmes, both thematic and function-oriented. In 2022, the focus was on a master class 'Gebietsentwicklung' for senior (commercial) property developers and area developers. Induction meetings for new employees and training sessions to support the introduction of new digital tools and processes were also covered.

Knowledge and skills

In Ambitie26, learning and knowledge sharing is a key focus. An organisation cannot come up with the best and most competitive solutions in a rapidly changing world unless it works on its continuous development and gives its employees the tools to share their knowledge on an ongoing basis. BPD therefore organises - both thematically and functionally - various knowledge management activities. Last year, this vision took shape in the following knowledge programmes, among others.

Master classes for developers and area developers

We invest in long-term master class programmes for our (senior) developers and area developers. The development & realisation master class for developers, area economists and Building Department was completed this year. The final two modules dealt with project and process management. Previously, the programme featured modules on influencing, persuasion and stakeholder management. The Area Development Academy presented two modules last year, focusing on climate, landscape, water and biodiversity as well as participation and partnerships. Both modules responded to new challenges that are also reflected in the new strategy programme.

In-company training courses

BPD has a lot of expertise in-house. Several training courses were again organised in cooperation with our own experts with the aim of continually raising the knowledge level of BPD colleagues. The courses focus on both theory and its application in day-to-day BPD practice. For instance, in several sessions, many colleagues attended the In-company Tax and the In-company Real Estate Appraisal courses. In these courses, in-house teachers refresh the basics, but also share new, up-to-date knowledge. Finally, an In-company course on the Environment Act was organised.

BPD College Tour

Last year's BPD College Tour again covered a variety of topical issues, through online interviews, in which ‘how?’

was the most important question each time. These sessions make complex, sometimes abstract issues more concrete and manageable. Employees are given the tools to address the themes and BPD experts are given the opportunity to share their knowledge with the rest of the organisation. Broadcasts produced in 2022 included parametric design, neighbourhood satisfaction, sustainable area development, moral decision-making and BPD Whize (target market segmentation). All sessions are recorded and can be watched on demand. Relevant reports, models and documents are added to the case files.

Digital transformation

In digital transformation, 2022 marked the transition from phase 1 ('preparation') to phase 2, in which a start has been made on the first actual transformations. To gain focus, BPD's integrated operations have been made more explicitly central. Examples of landmark projects launched in 2022:

- *Parametric design* - relaunch with focus on organisational assurance of parametric design skill in early phases of area developments;
- *Proeftuin 3D+Ontwikkelen* - a study aimed at optimising cooperation with external stakeholders in site and building development, using 3D technology;
- *BIMLegal* - aimed at improving cooperation with civil-law notaries, improving services to buyers, and achieving process efficiency benefits;
- *PROMIS* - aimed at strengthening internal cooperation and laying the foundations for increasingly data-driven operation;
- *Customer and building journey BPD Woningfonds* - focused on connecting BPD Woningfonds to the innovations deployed by BPD Ontwikkeling in the customer and building domain.

The projects demonstrate the practical significance of digital transformation in parts of our process. The move to implementation has meant that employees and operational managers from different departments have been involved more than previously was the case. This has given transformation an explicit organisational component.

To make room for initial implementations, the Digital Board sharply reduced the number of projects in progress in 2021 (by 60%). This allowed us to start the chosen projects and give focused attention to the design of learning and implementation methodologies that fit BPD.

Integrity and privacy protection

The Compliance & Privacy department underwent substantial development in 2022, as BPD has to comply with ever-increasing legislation and regulation as well as our shareholder's requirements. We ourselves wish to be *compliant by desire* , with an organisation that is demonstrably *in control* .

A further step has therefore been taken towards a resilient, more professional compliance organisation. This is an organisation that helps manage integrity risks. Through a number of projects, we focused on a more data-driven compliance organisation, more standardised processes, clearer ownership of compliance in the first line, and strengthening the German compliance organisation. All this contributed to further strengthening our integrity culture.

There was much focus on culture and behaviour through dilemma sessions, presentations on a safe working environment and various blogs and communication messages, thus building on previous findings from measurements of integrity. During the dilemma sessions, small groups of employees discussed the dilemmas they face in their daily work. Among other things, this helps to keep the moral compass well calibrated. It also allows us to further define a common language and a shared framework for ethical conduct that is universally endorsed and observed. This means we can continue to do the right thing, day after day.

To avoid a situation in which BPD does business with parties that could harm our reputation, we have implemented an updated Business Partner Due Diligence (BPDD) policy. This ensures that integrity risks around entering into business relationships are identified. We currently do the screening of our business partners in the regions. From 1 January 2023, this will change. A central, specialist team takes charge of screening from then on. This contributes to a uniform working method and more efficiency and quality in our BPDD tests. New BPD employees must take and complete a BPDD e-learning when they join.

BPD has its own privacy policy, retention policy and data breach policy. New BPD employees are required to complete a privacy e-learning course when they join the company. Registers have also been created for the purpose of reporting to the Dutch Data Protection Authority (the DPA).

Awareness of privacy-related issues has increased, with additional awareness training on a regular basis.

BPD has its own *compliance policy framework*, in which policy documents are aligned with both legal requirements and our shareholder's policy.

To determine whether BPD effectively controls its compliance risks (is demonstrably *in control*), the Compliance & Privacy department has set up a Compliance Risk Control Framework (RCF), which begins with the annual Systematic Risk Assessment (SIRA). Monitoring results are shared directly with the first line, so we can apply what has been learnt and implement improvements. The SIRA was also carried out in 2022. Compliance & Privacy played a facilitating and coordinating role in this assessment.
The risks identified in the SIRA have been included as an integral part of the 2023 annual compliance plan.

Both monthly and quarterly reports were submitted to BPD Europe's Managing Board, the Delegated General Meeting of Shareholders, BPD Woningfonds, the regional offices and the shareholder.

BPD Cultuurfonds.
The BPD Cultuurfonds was established in 1988 on the initiative of Bouwfonds and its then shareholders, the Dutch municipalities. Since its inception, they have supported more than 1,300 arts and culture projects. Today, the BPD Cultuurfonds is made possible by BPD and is governed by an independent expert board, consisting of mayors and others, which evaluates applications and awards financial support. It is a conscious decision by BPD to contribute to the quality and experience of public space in the Netherlands through art and culture. Responsibility for the BPD Cultuurfonds lies with BPD's Arts & Culture Department, a centre of expertise on art and culture within BPD that also regularly advises municipalities and provinces on their art projects in public spaces.
Last year, BPD Cultuurfonds, in collaboration with Noorderlicht, launched a multi-year programme to draw attention to the earthquake-affected area in Groningen. Under the title 'Renewed energy', they are organising a programme full of exhibitions, publications and public activities. How can Groningen change and still keep its character? This is the crucial task for its people and landscape.

Sponsorship
BPD has chosen to support a limited number of social initiatives. BPD Europe has a multi-year sponsorship relationship with Stichting HomePlan. This foundation provides decent housing for the world's most vulnerable and poorest people, in areas that many have neglected and sometimes virtually abandoned, including remote areas in South Africa, Haiti and Guatemala. The foundation also helps to make people more self-reliant, investing in computer schools and vegetable gardens with the motto of *house, home, future*.

BPD supports the foundation with donations and by having a total of 10 employees each year, five from the Netherlands and five from Germany, spend a week helping build these homes, led by local contractors. Our

Zuiver Bosrijk, Eindhoven

Wiesentalviertel, Lübeck

employees also organise their own fund-raising for the foundation out of enthusiasm, but separately from BPD.

In early 2022, BPD in the Netherlands chose to be the main sponsor of the Princess Christina Competition for three years. This a leading platform for classical and jazz music education and talent development for children and young people. BPD will attend the regional and national finals together with employees and associates.

BPD Woningfonds

After a strong expansion of the housing portfolio in 2020 and 2021, 2022 featured a stagnation in the accretion of new projects due to rising inflation and rising construction costs. Furthermore, over 1,000 houses from projects committed (in previous years) went under construction in 2022.

At year-end 2022, there were 1,027 properties in operation and more than 2,700 properties in construction and the committed pipeline. The management organisation was strengthened by 2 FTE, bringing total staffing at the end of 2022 to 10.4 FTE.
BPD Woningfonds has taken several steps in the area of digitalisation. Functional designs for the primary processes are in place. Several new dashboarding and back-office applications have been commissioned.

BPD Woningfonds' portfolio strategy has been broadened to include care homes for the elderly. The target group includes seniors with medium to heavy care needs. Naturally, we also focus on middle-income households in this target group. Our portfolio strategy, focusing on middle-income earners and expanding the target group of seniors, aligns well with central government policy and demographic trends in the Netherlands. The expansion can be accommodated within BPD Development's large-scale area developments.

ESG

During 2022, it became clear that the entry into force of the Corporate Sustainability Reporting Directive (CSRD) for large companies in the EU has been delayed by at least one or two years - depending on the category of companies to which an organisation belongs. BPD will be required to report on sustainability (E), social impact (S) and good corporate governance and transparency (G) by 2025 at the latest. BPD will start doing this in line with an ESG policy to be formalised and the results achieved. In 2024 - in line with the strategy and associated performance indicators to be defined in 2023 - we will set up our information systems to collect the necessary data so that we can report on this in 2025.

In 2021, a multidisciplinary internal project group was created to prepare for this new legislation. In 2022, under the guidance of an external specialised consultancy, the first steps were taken to arrive at an ESG vision and the development of a specific ESG strategy and concrete objectives for BPD. A roadmap has been drawn up to enable reporting on ESG from 1 January 2025.
In 2022, interviews were conducted with internal stakeholders in the Netherlands and Germany and external stakeholders in the Netherlands. These interviews led to an initial overview of the topics in these ESG domains in which BPD can make the most impact. This obtained input was analysed and the main topics were identified using a materiality matrix. Based on this matrix, our strategy will be determined and formulated in 2023. Two workshops with members of the BPD core team also took place in which, based on the materiality matrix, a first draft was drawn up for the ESG framework and associated performance indicators and targets linked to the Sustainable Development Goals (SDGs).
We will define and formalise the first version of the BPD ESG strategy, including concrete targets and how to measure them, in 2023. With this, BPD is on track according to the roadmap and schedule formulated to achieve its ESG strategy of enabling timely reporting in line with the EU CSRD from 2025.

Sustainability
As the largest area developer in the Netherlands, BPD takes ownership of its role in the sustainability transition. We come up with concrete solutions that contribute to creating a more sustainable society through new-builds and redevelopment initiatives. Because BPD concentrates on large-scale area developments, we have a strong position and a unique opportunity to accelerate the transition to a sustainable society.

In the past year, we continued to plot a course towards developing sustainable and well-balanced areas and buildings based on our sustainability strategy (available at bpd.nl/duurzaam-versnellen). In doing so, we aim to address the social and urgent challenge of climate change and offer the answers that area development can provide.

BPD realises sustainable living environments by offering cohesive solutions based on four sustainability pillars: climate & landscape, energy, circularity and mobility. These pillars are not separate issues, they are interconnected. Sustainable area development calls for integration and connection of available knowledge and solutions. This is why we assess any options for sustainability improvements from a holistic perspective, combining them into an integrated sustainability concept. How we interpret this may differ from area to area. It may, for instance, take the form of green areas to allow for water storage and recreation Or to innovative combinations of collective and individual thermal energy systems powered by aquathermal energy.

Sustainability performance and monitoring
In the Netherlands, we measure our sustainability KPIs using the Business Balanced Scorecard. This helps us monitor the implementation of our sustainability ambitions for our four Dutch regions. The KPIs inform the policies each region will pursue for the coming years. They give us a means of demonstrating to the public what our national and regional sustainability goals are. We update our performance on a quarterly basis, reporting to our shareholder, Rabobank.

The following KPIs were achieved for 2022:

Energy
In the field of energy, a relatively large amount has been laid down by law, especially in the NZEB (nearly zero-emission building) standards. The three NZEB standards are based on the principles of Trias Energetica: (1) reduce energy needs first, (2) then maximise the use of renewable

energy, and (3) use fossil energy as efficiently as possible. A zero-emission home generates its own building-related energy. This includes an NZEB 2=0, which means a zero-emissions building or zero-emissions home.
The average NZEB 2 performance of our ground-level homes exceeds the Buildings Decree (*Bouwbesluit*) by 72%. 54% of these homes are zero-emission. The NZEB 2 performance of our apartments exceeds the legal standard by 25%.

Circularity

The central government's goal is for the Netherlands to be fully circular by 2050. The sub-target is for the Netherlands to use 50% less primary raw materials (minerals, metals and fossil) by 2030. The stated targets for 2050 in the construction sector are as follows:

– Materials use will be optimised over the entire life of the structure (preserving value, reducing costs, increasing reuse and reducing environmental impact);
– Construction will reduce CO_2 emissions as far as possible, both in the production and construction phase and in the use phase;
– Construction will be an innovative sector that proactively responds to changes in society and to market and consumer demand.

The Environmental Performance of Buildings (MPG) is an indicator of the environmental impact of the materials in a building. An MPG calculation will be mandatory for an environmental permit. From 1 July 2021, a national limit of no more than 0.80 has applied to new homes. This will be gradually tightened in the coming years to 0.50 by 2030. The average environmental impact of the materials used in BPD homes (the environmental building performance is 0.61.

Climate & Landscape

A green environment in or near a neighbourhood or workplace contributes to people's well-being. People feel healthier, have demonstrably less stress and visit their doctor less often. Not only because of the fresh air, but also because of the positive effects of nature.
Nature-inclusive development is a form of sustainable development where the structure and surrounding public space contribute to local biodiversity and general natural values. With climate adaptation, our starting point is to realise our area developments in such a way that they can withstand challenges of water damage, drought, heat and flooding. This is largely in line with the agreements made in the covenants for Climate Adaptive Building in Zuid-Holland, Utrecht and MRA/Noord-Holland. BPD has signed up to these covenants.

Climate-adaptive and nature-inclusive measures have been applied in 71% of our area developments. In 58% of our projects, provisions have been made inside buildings and/or in public areas to create habitats (such as nesting boxes) for birds, insects and small mammals.

Mobility

In 71% of our projects, we approach the local mobility issue from various angles based on the WCPMO principle. WCPMO stands for Walking, Cycling, Public Transport, MaaS (Mobility as a Service) and Own Car. The W has the highest priority, followed by the C, the P, the M and only then the O. The most frequently used measures are active mobility (walking and cycling, 64%) and accessibility through appropriate public transport (40%). In 15% of our projects, we also use (electric) shared mobility solutions (hubs) and smart charging infrastructure (26%).

We continued to work on making our sustainability performance measurable in 2022. Our targets in this area are structurally embedded in our decision-making processes and are monitored on a quarterly basis. The sustainability performance of the various BPD projects is embedded in a sustainability database, which all regional offices have now adopted. Information can be filtered from this database and be tailored to specific future projects, allowing us to scale up our sustainability innovations. Using the knowledge available enables faster decision-making on what would be the best sustainability strategy for any given project. Lessons and key figures learned from past projects are continually being added to the database.

Baseline measurement of CO_2 emissions from own business operation

The starting point for the topic of CO_2 at BPD is the Climate Agreement, which sets a target of a 49% reduction of CO_2 by 2030 compared to 1990. The agreement thus follows the European Climate Act, which was further refined in July 2022: by 2030, the reduction has to be 55%, and 95% by 2050.

A baseline measurement was carried out in 2022 to understand the carbon footprint of our own operations. This revealed that around 75% of our footprint is related to mobility: business travel and commuting on land and in the air. Around 25% of our footprint comes from office heating and electricity consumption. In 2023, we will (inconjunction with the ESG strategy) further elaborate and specify our CO_2 reduction targets, for both our area developments and our own business operation.

Screening of our projects according to NL Greenlabel

Climate-adaptive and nature-inclusive area development brings nature and people closer together and creates attractive and healthy living environments. A screening by NL Greenlabel has provided insight into how we put this into practice. The screening also shows how we are working towards our sustainability goals and how our projects relate to our sustainability strategy.

We score label B or higher on average with our area developments (the legal standard is label G). Based on the screening, it can be concluded that the ambition level of our sustainability strategy is reflected in practice. In our role as principal, we do not appear to be managing this adequately. There are still opportunities to provide clear preconditions that a party, service or product must meet to ensure sustainability in the outdoor space.

To ensure cohesive sustainability in that outdoor space, it is imperative that the right research takes place at the right time. Legal research is frequently not sufficient for the area to add value to humans and animals. These studies and recommendations additionally constitute evidence that demonstrates the coherent sustainability in the planning process. For instance, a comprehensive soil survey, which includes includes consideration of soil life enrichment. Or working with model calculations for flooding, heat stress and drought. Another good example is extensive ecological research, involving an ecologist in a project.

Based on these insights, BPD has developed its own roadmap to apply the recommended process approach in its daily practice. This helps us raise internal awareness of opportunities at each step of the development process.

Knowledge sharing & partnerships

The spatial challenges are huge. Many sustainability transitions require space. To honour all those spatial demands, we would need an area as much as four or five times larger. That is not possible. So we have to make holistic considerations and choices. For example, by seeking an optimal combination between the use of the subsoil for water storage, infrastructure and green space. The sustainability challenges and their innovative solutions also followed in rapid succession in 2022. They had an effect in all sorts of areas that affect our work.

The Sustainability Expert Team works - together with BPD colleagues and designated sustainability ambassadors in all regional offices - on the permanent (further) development of knowledge, expertise and skills in the field of sustainability. To this end, we organise meetings, training courses, academies and master classes. These always have a clear link to our sustainability strategy. We do this to be effective and adaptable, but also distinctive and innovative. Because knowledge and ideas only gain value when applied, there is emphasis on collaboration and sharing: both within the organisation, but also from outside to inside and vice versa. We therefore conducted extensive 'crash tests' on (local) regulations and policies under development. We mirrored and tested new ambitions and standards against the practice of our projects.

We share these insights with our chain partners and relations as far as possible. For example, by participating in the working groups of knowledge programmes and covenants. Some examples in 2022: MRA Green Deal Timber Construction, Future-proof Construction in Zuid-Holland, Agreement of Intent on Climate-proof Construction (MRA and Utrecht), DGBC EU Taxonomy, DGBC framework for climate adaptive buildings, Spring Agreement 2.0 and Emission-free New Construction G4.

An e-learning on Sustainability has been developed for new employees. This explains the Sustainability Strategy, including its KPIs.

Highlights: Sustainability in BPD projects

1 **Poortmeesters**
Delft

PoortMeesters is a sturdy residential building with town houses and apartments. The residential building will consist of 114 homes in a variety of housing types, making PoortMeesters suitable for all stages of life. In PoortMeesters, we are applying innovative techniques. Highlights include the two gates that give access to the largest water-neutral roof in the Netherlands. It forms a spectacular, green collective courtyard adjacent to private gardens, with a high-tech storage and drainage system. It retains water in the garden's soil layers for as long as possible and then drains it into underlying water reservoirs. The gates will be lined with a 3D-printed Delft Blue ceramic artwork consisting of 4,000 tiles. The heating system is provided by PVT panels, which supply electricity as well as heat to a heat pump. The entire plan is energy-neutral. Cars will be parked in the car park under the courtyard.

PoortMeesters, Delft

De Wielewaal
Rotterdam

De Wielewaal is a green neighbourhood with 675 homes, 248 of which fall into the affordable category. The neighbourhood has traditionally had strong social cohesion. Community building with long-term and new residents is therefore an important part of the restructuring. This was started even before construction started. The Wielewaal House, the shared garden and the virtual Wielewaal form the hub of the community, where residents can meet and there are all kinds of activities. In the shared garden, they can choose shrubs and flowers for their front garden. If you rent or buy a house in the Wielewaal, you automatically have a stake in the neighbourhood. Residents are responsible with their neighbours for the maintenance of shared public space and shared meeting areas.
The diversity in housing types makes the neighbourhood attractive to different target groups. As a result, many former Wielewaal residents are returning to the neighbourhood. Together with contractor Kraaijeveld, BPD helps people distanced from the labour market find work. Rotterdam residents who like to roll up their sleeves can get to work in the new Wielewaal. The Wielewaal Bouwcollege opened in October 2022, where Rotterdam practical school pupils can learn the building trade in practice. This is a unique initiative created through collaboration between BPD, Learn2Work, Van Wijnen, the practical schools in Rotterdam South and housing corporation Woonstad Rotterdam.

Wielewaal, Rotterdam

De Caai, Eindhoven

3 De Caai
Eindhoven

BPD is transforming De Caai, the cooperative dairy industrial site on Kanaaldijk-Zuid in Eindhoven, into a sustainable district with 700 homes, complemented by some 18,000 m² of commercial facilities in the historic buildings. Several listed buildings will remain as industrial heritage, such as the characteristic tall chimney, the office, the ice factory and the boiler house. After an extensive participation process - also involving local residents and former employees - BPD is taking advantage of this area transformation to give the buildings a new lease of life. They will become part of a healthy living environment, with a real community. In the very spacious basement of the old dairy, for example, food will soon be produced. Residents and people in the surrounding community will be able to sign up to participate for a monthly fee. They will get a bag of vegetables every week in return. This means that the operator of this urban farm will need fewer staff and there will be fewer transport movements, which is more sustainable. On the old factory site, there was only one tree. This will change radically in the new district, which will feature a green world with a rich variety of trees and plants. Again, the community will play a role in the use and management of the semi-public space. There will be a closed water circuit using an innovative water storage system, which will be filled with water during wet periods and saved for dry periods. A circular principle of thermal energy storage provides the energy supply: a thermal energy source will be tapped at a depth of 80 metres. So the buildings will be heated and cooled by intelligent use of the insulating properties of soil layers.

4 Park Langendijk
Breda

On the former Amphia site on the Langendijk in Breda, the old hospital complex is making way for a new housing estate of around 291 homes. This will be a varied programme, with 50 public-sector rental homes, 62 mid-price rental homes and 179 owner-occupied homes. BPD and the Stichting Struikroven have allowed the local residents to take home the greenery on the site. Shrubs and plants that would normally have been lost during demolition were thus given a second life in the neighbourhood gardens. Another positive aspect was the social contact that was made while this happened. Neighbours met, and students on local green courses helped by carefully removing that plants. The circular approach was also adopted for the demolition of the building. Reusable materials were inventoried ('urban mining') and then dismantled and sorted. The New Horizon company then works with other parties to ensure that these materials are reused elsewhere. Even the concrete released during the demolition of hospital buildings is reused in other new construction projects. This saves a lot of CO_2 emissions that would otherwise be released in the production of new concrete. This is a perfect fit with BPD's direction: to create sustainable, healthy and future-proof living environments.

5

Nieuwe Defensie
Utrecht

Nieuwe Defensie is an inner-city urban district. An area development with high densification, meeting the high housing demand in Utrecht. Future residents are involved in this development. Initially, the plan consisted of 600 houses, including 480 free-sector owner-occupied homes and 120 public-sector rental homes, plus 800 m2 of commercial property. The plan has since been expanded to include 100 public-sector rental homes, 150 affordable owner-occupied homes and 100 mid-price rental homes. This brings the tally to 950 new homes. Nieuwe Defensie will be built according to the principles of healthy urban living. All residents will soon have direct views of greenery from their homes, in the form of large roof gardens, green play areas and car-free green courtyards. A special feature is the rooftop 'sky-walk' park, which connects a number of rooftop (vegetable) gardens, provides ample space for relaxation and socialising, and guarantees a beautiful view of Utrecht. The neighbourhood will soon be largely car-free, inviting outdoor play and daily use of public space. Meanwhile, the first 100 houses have been completed. Vital professional groups (healthcare, education, police and defence) were given priority in the allocation of social housing. There will also be middle-income rental housing. BPD Woningfonds will take these properties into its portfolio.

De Nieuwe Defensie, Utrecht

Risk management

This section deals with BPD's risk profile and risk management. Risk management includes the risk categories and the control measures taken in 2022 to mitigate these risks.

Risk profile

BPD's core business is creating new living environments in the Netherlands and Germany.
BPD, through BPD RCF Fundmanagement B.V., is also active as fund manager of the BPD Woningfonds.

Property development

The property business generally requires a high level of capital investment. So the return on investment needs to be relatively high as well. The capital requirement very much depends on the conditions under which BPD can acquire, develop and resell its development holdings. Time is also an important factor in the risk profile of these activities.

The realisation of development rights obtained and investments in new property holdings generally features a short lead time (< 5 years). We classify the risk profile for these holdings as moderate.
Property holdings with a longer horizon come with more uncertainty about development options and actual returns. These holdings are accordingly classified as higher-risk.
A deterioration of market conditions due to, for example, government measures and reduced consumer confidence is another factor that leads to a higher risk profile.

Third-party fund management

Since 2020, BPD RCF Fund Management B.V. has provided the fund management for BPD Woningfonds. As a division of Rabobank, the BPD Woningfonds qualifies as a related party. The fund management risks have been classified as low because of the low capital requirement.

Risk management

General

All echelons of the BPD organisation acknowledge that risk management is key in safeguarding sound business practices. In both the Netherlands and Germany, BPD is structured so that the CEO bears ultimate responsibility for general management, the CFRO for financial and process control as well as risk and IT, and the COO for non-financial risk areas involving compliance, fraud, business conduct and operational risk.

BPD operates based on delegated powers in the countries and regions in which it is active. Investments in projects are linked to five different phases of the development process: feasibility, acquisition, preparation, completion and subsequent costing. A phase document is prepared for each transition from phase to phase; any related decision-making is based on a layered approval structure. Land purchases and sales and building developments are always reviewed by the Managing Board. The Real Estate Investment Committee has been set up to take major investment decisions.

Procedures have been created for acquiring new developments to ensure that developments that involve irresponsible risks are ruled out. Several procedures are in place for the investment strategy and the governing and primary processes that are designed to help BPD take structured and informed investment decisions. Partly with a view to providing good service to clients, BPD seeks to achieve a competitive return that is appropriate to the risk profile Rabobank has defined.

Business Control Framework

Risks are identified in BPD's processes and internal controls are implemented to mitigate them. We regularly test the effectiveness of these controls. The risk management method is described in the Business Control Framework (BCF), which is based on the COSO framework. BPD has implemented this framework because it seeks to be in control.

The BCF links BPD's own risk management processes to statutory regulations such as the Dutch Civil Code, the Financial Statements Act, tax legislation (VAT, transfer tax, corporate income tax, payroll tax, etc.), the Public Procurement Act and compliance-related regulation (including the GDPR). With regard to tax legislation, a separate Tax Control Framework has been prepared with associated risk assessment and testing work. The BCF has also been aligned to Rabobank's risk appetite and top risk assessment. The BCF links statutory regulations to the following processes at BPD:

Primary processes:
- Purchase and sale of land
- Site (i.e. land) development
- Building development
- Partnerships with third parties
- Property management

Supporting processes:
- Financial management
- HR management
- Personnel records and payroll accounting
- Information management

There is much attention devoted to culture and behaviour through dilemma sessions, presentations on a safe working environment and communication messages, building on the findings from previous integrity measurements. Among other things, this helps to keep the moral compass correctly aimed at acting with integrity. The code of conduct signed by all BPD employees enshrines our standards and values in four ethical principles:
- We respect each other;
- We abide by the law;
- We behave ethically in all our actions;
- We have the courage to report irregularities.

BCF-based risk management is a continuous, cyclical process aimed at continuous learning and improvement. With this in mind, BPD has formed a Risk Management Committee (RMC), which reports to the Managing Board. The RMC meets ten times a year, and consists of the CFRO, the Senior Operations Manager, the Head of Compliance & Privacy, the Head Office Controller and the Finance Manager (regional).

The RMC is responsible for:
- Performing periodic risk assessments to analyse risk;
- Coordinating and managing regional and centralised tests to verify the presence, existence and effectiveness of controls.

The tests are performed by independent officials and the outcomes, which are reported to the RMC, serve as input for the BCF report that is prepared by the CFRO. The BCF report and the report prepared by Compliance are part of the quarterly financial and risk report submitted to the Managing Board. In addition, both internal and external auditors rely on our BCF work.
The RMC performed the annual risk assessment and tests in 2022. Among other things, this means that at each meeting, a risk analysis of a process is re-assessed (a re-assessment session) and that the tests conducted are subjected to thorough analysis. Tests can be fine-tuned based on the outcomes of these sessions. This did not lead to any major adjustments in 2022.

In Control Statement
The BPD control framework is based on the Rabobank In-Control Manual. This framework identifies the risks associated with the key items in the financial statements. Controls have been defined for these risks. The controls were tested in 2022, resulting in an In Control Statement from the management to Rabobank. The risks and controls are reviewed in an annual assessment and adjusted where necessary.

Risk appetite
BPD's Risk Appetite Statement (RAS) defines the level of risk that it is willing to accept in order to achieve its objectives. The RAS has been agreed with Rabobank. The risk appetite is based on a risk strategy that is in line with the corporate strategy, and developed by formulating indicators for each risk category. A risk appetite has been established for each risk indicator. It defines the maximum risk level that will be accepted as well as an early warning level at which management can take action to prevent the risk appetite from being exceeded. Within the confines of the RAS, BPD acts in a socially responsible manner in the interests of its various stakeholders.

Each quarter, the Managing Board and the Real Estate Investment Committee receive a report stating whether the company has operated within the limits of the RAS indicators. If these limits are exceeded, the Managing Board will take mitigating measures. The RAS is reviewed annually and adjusted as necessary. The RAS limits and early warnings were not exceeded in 2022.

Demand for housing declined in 2022, and sale prices fell slightly. The number of realised transactions was lower than budgeted for 2022 and was lower than in the previous year. The average margin per unit was lower than budgeted and lower than in the previous year.

Risk categories

BPD distinguishes the following risk categories, illustrated below by some of the risk indicators we use:

- ***Integrated risk:*** general risks associated with realising the business strategy, expressed in the company's return.
  Indicator: Commercial Return on Invested Capital (CROIC)
- ***Climate risk:*** this includes damage from flooding, heat stress and drought (including foundation damage).
  Indicator: KNMI scenarios and NZEB standards, among others.
- ***Credit risk***: the risk that a counterparty can no longer meet its payment obligations.
  Indicator: funding level of partners
- ***Balance sheet risk***: this includes interest-rate, currency and liquidity risk.
  Indicators: external assets, unused credit lines and bank guarantees, equity duration
- ***Market risk:*** the risk that changes in market variables as a result of changes in the general economic climate will lead to gains or losses on positions.
  Indicators: properties under construction, unsold properties, total investment in building sites, properties in operation
- ***Risk associated with strategic land holdings***: the risk arising from land holdings that are not expected to be designated for residential purposes for the time being.
  Indicator: land without a designated use whose designation is not expected to be changed within five years
- ***Risk of properties in operation in statement of financial position:*** the risk of such properties declining in value.
  Indicator: 'properties in operation' item in statement of financial position
- ***Non-Financial Risk:*** a category with a broad scope, including the risk of operational incidents, risks associated with business continuity management (BCM), information security risks, the risk of fraud, compliance risks and business conduct risks.
  Indicator: losses resulting from, and frequency of, operational incidents, fraud cases, staff compliance with registration requirements dictated by code of conduct

The table on the next page shows the risks identified by BPD. The probability of occurrence and its impact are estimated for each risk, followed by a disclosure on the estimated impact and risk of occurrence for each category.

Integrated risk

We define integrated risk as the risk of general developments affecting BPD's ability to attain its corporate strategy. These include:

- Political risks, such as:
  - statutory regulation and the pace of permit-granting (e.g. nitrogen/PFAS, local authorities' ambitions for housing developments and lack of official capacity)
  - Protracted zoning procedures
  - Changes in climate policy
- Limited construction capacity at contractors and rising costs for both materials and labour. Housing shortages, particularly for middle-income earners, and affordability for home buyers.
- Availability of building sites. Housing, agriculture, the climate, the energy transition and nature are 'battling for space'.

Risk category	Risk probability (high/medium/low)	Impact (high/medium/low)	Risk appetite exceeded in 2022 (Y/N)	Early warning level exceeded in 2022 (Y/N)
Integrated risk	medium	high	N	N
Climate risk	medium	medium	N	N
Credit risk	low	low	N	N
Balance sheet risk	low	low	N	N
Market risk	high	high	N	N
Risk associated with strategic land ownership	medium	high	N	N
Risk of properties in operation in the statement of financial position	medium	low	N	N
Non-financial risk	low	low	N	N

Risk – medium: these developments present both opportunities and threats for BPD. The rulings on nitrogen (PAS) and PFAS are causing delays in planning and decision-making. However, these issues have limited implications for BPD developments. Indeed, most of BPD's developments are not near Natura 2000 sites. For details about the effects of these developments on BPD, see the sections Market Developments in 2022 and Outlook for 2023.

Impact – high: decision-making by national and local authorities has a major impact on BPD's activities going forward, as this affects the availability of sites for residential building, the pace of permit-granting and fundamental choices about how to use the limited space.

Climate Risk

Risk – medium: In BPD's operations, the risks of damage due to rainfall or rising groundwater play an important role. Risks due to dyke breaches are more limited. Regarding foundation damage, it can be said that this risk concerns almost no recent housing developments. New-build housing is less susceptible to heat stress, partly due to the T0-July requirement (cooling) becoming mandatory from 1-1-2022 (part of NZEB).

Impact – medium: Regarding climate risk, BPD's focus is on the impact of flooding from rainstorms and consequences of rising groundwater. By creating sufficient space for surface water (including green roofs and water storage), we assess this impact as medium.

Credit risk

Risk – low: BPD mainly provides loans to reliable parties such as local authorities or to partners, in which case it demands many underlying securities (joint developments).

Impact – low: Loans are a relatively minor item in the statement of financial position.

Balance sheet risk

Risk and impact – low: BPD's operations are mainly funded by Rabobank (our shareholder) through an instant-access credit facility. Rabobank is a dependable, cash-rich partner that funds BPD based on agreements signed between the two parties.

Market risk

Risk – medium: the opportunities and threats associated with integrated risk also apply to market risk and the risk associated with strategic land holdings. For details, see the section on integrated risk.

Impact – high: If property values decline, this will affect BPD's direct property holdings and the sale prices of properties to be developed. This could materially impact BPD's financial situation.
BPD's direct property holdings are its land portfolio, unsold properties under construction, unsold but completed properties and properties in operation.

At 31 December 2022, these direct property holdings amounted to € 2,591 million (2021: € 2,270 / 2,212 million). BPD has defined individual risk limits for properties in operation, building sites, land without a designated use whose designation is not expected to be changed within five years, number of unsold homes under construction and completed, unsold commercial real estate (under construction and completed) in GFA (in square metres). No risk limits were exceeded in 2022. Valuations are internally assessed annually using principles established by the Managing Board.
Economic market conditions have worsened due to the war in Ukraine. Commodity prices and inflation have increased and mortgage rates have risen sharply. This is reflected by lower home sales in the second half of 2022. Market risk has accordingly increased (from medium to high). However, pressure on the housing market remains undiminished. Affordable housing in particular is becoming more scarce. Over time, we expect the number of home sales to increase again.

Risk associated with strategic land ownership

Risk – medium: the opportunities and threats associated with integrated risk also apply to market risk and the risk associated with strategic land holdings. For details, see the section on integrated risk.

Impact – high: a delay or absence of change in zoning plans for land without a residential designation will have a major impact on the value of land holdings.

Risk of properties in operation in the statement of financial position

Risk – medium: Property in operation relates to leased properties at future development sites.

Impact – low: BPD has a relatively small financial interest in properties in operation.

Non-financial risk

Non-financial risks are divided into the following categories:

- Operational incidents (low risk; low impact)
- Business Continuity Management (BCM) and information security (medium risk; low impact)
- Compliance and business conduct (low risk; medium impact)
- Fraud (low risk; low impact)

Operational incidents are limited by a system of internal control measures. We therefore assess the risk of occurrence as low. Operational incidents tend to be limited in scale, so their impact is low.

Internal control measures are in place to mitigate risks in relation to BCM and information security and compliance and business conduct. Risk assessment and the implementation of internal controls in relation to non-financial risks are an integral part of the primary and supporting processes in the BCF. For these items, we assess the risk of occurrence, or impact, as higher than for operational incidents. This is due to the higher probability of an IT hack, for example, and the impact of non-compliance having a greater effect for reputational and/or financial damage.

Fraud risk

We conduct an annual fraud risk analysis as part of our Systematic Integrity Risk Analysis (SIRA). The SIRA is a means of identifying integrity risks and how BPD manages these risks, and thus forms the basis for setting up a controlled and ethical business operation. In this risk analysis, we distinguish between gross and net risks. Gross risks are those where it is assumed that no control measures are in place. However, if BPD has control measures in place (e.g. through policies, a code of conduct and training) then the residual risk is known as net risk. The SIRA results in 2022 show a slight increase in the risk profile this year. Although all risks are within the risk tolerance of both BPD and Rabobank, four risks score highest: culture and behaviour, data privacy, conflicts of interest and fair customer treatment. Based on the outcomes of the SIRA 2022, focus areas (including additional management measures such as policy updates and knowledge sessions) have been formulated for 2023.

One of the compliance risks at BPD is fraud risk. Internal fraud risk is defined as an intentional act by one or more BPD employees using deception to obtain an unlawful or illegal advantage. External fraud involves an intentional act by third parties.

The main potential fraud risks relating to our business are: bribery and corruption, personal conflicts of interest, transactions with fraudulent parties, self-enrichment and manipulation risks. This fraud risk analysis shows that adequate mitigating measures are in place for the identified fraud risks. The implemented segregation of duties, authorisation structures and the way decision-making and proxies are embedded at BPD, as well as training on ethics and integrity, contribute significantly to this.

The controls on (both internal and external) fraud are incorporated in the Business Control Framework. These controls are tested through BPD Europe's Risk Management Committee and reviewed by Audit Rabobank through thematic reviews. Controls such as segregation of duties and authorisation structure in systems score just slightly higher than approval framework and awareness campaigns (phishing etc.).

The overall residual risk of fraud has been assessed as low in the SIRA in 2022 and thus falls within BPD's risk appetite. BPD is not aware of any internal or external fraud that could potentially lead to material misstatements in the financial statements.

Outlook

Outlook
Housing development and home sales continued apace in the first few months of 2022, but the situation became increasingly challenging thereafter. This was and is mainly due to geopolitical tensions, rising construction costs, sharply rising interest rates after a period of historically low interest rates and high inflation, largely the result of the energy crisis. All this led to very low consumer confidence. Home purchases are also being postponed as a result. The result in 2022 was € 126 million net profit, involving 6,081 housing transactions.

Unfortunately, these uncertain times seem to be still with us. The impact of the PAS and PFAS issues on our business in the Netherlands also continues to create procedural uncertainties (and hence delays in the realisation of a limited number of BPD projects). Nevertheless, these issues have limited implications for our developments. Indeed, most BPD developments are not near Natura 2000 sites.

We expect uncertainties to persist in 2023 in both the Netherlands and Germany. However, pressure on the housing market remains undiminished. Affordable housing in particular is becoming more scarce. So in time, the number of home sales will increase again, although it is difficult to foresee when that upward movement will begin.

Affordable owner-occupied and rental housing linked to major challenges around nature and climate
With our Ambitie26 strategy programme, we are explicitly choosing a larger, more social goal. It is not only about a healthy financial return in the short and long term, but also - and equally - about social return. The main underpinning of this social return is the realisation of more affordable rental and owner-occupied housing for middle-income households, at the same time linked to targets for nature and climate. These are physical tasks: nature and landscape, green public spaces, water storage, sustainable energy generation and smart mobility.

In line with our sustainability strategy, we see every area development as an opportunity to fulfil our ambitions in terms of nature, landscape and climate. At the city outskirts and beyond, climate, landscape and living form the basis of our vision and planning development. In urban areas, we are putting maximum effort into climate resilience, biodiversity, urban nature and green public spaces. Every area development explicitly focuses on increasing biodiversity and potential uses. We are enhancing natural values and making the landscape widely accessible. Our ambition is new area developments that are net energy-generating.
We are committed to increasing sustainable use and reuse of materials.

The German strategy programme Vorsprung26 aims to develop vibrant areas that make a social contribution to integrated, sustainable and future-proof housing and living environments. We are working with the best teams to achieve this. In our area developments, we take account of climate protection, climate change adaptation, energy, biodiversity, resource conservation and mobility. The ESG criteria and the United Nations Sustainable Development Goals play an important role here.

Building on city outskirts
BPD believes that building on the outskirts of cities is just as important as building in cities. More land needs to be made available for building in suburban areas based on multiple choices, such as area developments with various types of housing for various target groups, close to public transport, with space for nature development. Areas in which smart solutions to deal with water and heat stress and to use renewable energy are integrated.

BPD Woningfonds offers perspective
As explained above, BPD Woningfonds will invest in new-build mid-price rental housing in the coming years. The fund will expand to include 15,000 sustainable rental properties in its portfolio. We expect the fund to be able to make a lasting and impactful contribution to remedying the shortage in the housing market in this particular category.

Integrated approach still leading
Area development is by definition a long-term objective. BPD develops areas and districts where people can lead happy, healthy and fulfilling lives. These are future-proof,

Karaat, Groningen

vibrant areas: they are easily accessible by bicycle, car and/ or public transport and designed for different target groups, offering affordable and energy-efficient homes. We can only deliver on our ambition if we take a full-service approach to housing, nature development, the energy transition, climate change adaptation and mobility. BPD focuses mainly on concept and area development. That is where our strength lies.

Investments and financing

Future investments and funding are expected to keep pace with the size and exposure of the organisation. Any staffing changes will be made accordingly.

Internal organisation

BPD strives for continuous self-development. This is how we can achieve the best performance in a rapidly changing world and fulfil our ambitions. This will place high demands on our employees: professionalism, knowledge and skills, learning ability, cooperation and environmental awareness. We want to remain an attractive employer for ambitious employees and offer them a challenging, enjoyable working environment. To this end, we invest in the knowledge and skills of our colleagues.

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Consolidated Financial statements 2022

BPD Europe B.V.

Consolidated statement of profit and loss

(in € millions)	Note	Year ended 31 December 2022	2021
Revenue	3	**1,312**	**1,647**
Other income	3	**-**	**-**
Total revenue and other operating income		**1,312**	**1,647**
Impairment/(impairment reversal) of investment property	4	**2**	(5)
Impairment of property inventory	5	**14**	20
Impairment (reversal) of associates accounted for using the equity method	6	**(7)**	-
Cost of raw materials, consumables and work contracted out	7	**993**	1,274
Employee benefits expense	8	**108**	99
Other operating expenses	9	**25**	32
Depreciation	12,13,14	**15**	14
Operating expenses		**1,150**	**1,434**
Operating profit/(loss)		**162**	**213**
Finance income	10	**4**	4
Finance costs	10	**(29)**	(25)
Share of profit/(loss) of associates accounted for using the equity method	15, 30	**29**	37
Profit/(loss) before tax		**166**	**229**
Income tax expense	11	**(39)**	(59)
Profit/(loss) for the year		**127**	**170**
Attributable to non-controlling interest		**1**	**1**
Attributable to equity holder of the company		**126**	**169**

Consolidated statement of other comprehensive income

(in € millions)	Note	Year ended 31 December 2022	2021
Profit/(loss) for the year		**127**	**170**
Other comprehensive income			
Items subsequently reclassified to profit and loss after tax		**-**	-
Items not subsequently reclassified to profit and loss after tax		**-**	-
Total comprehensive income for the year		**127**	**170**
Attributable to:			
Equity holder of the company		**126**	**169**
Non-controlling interest		**1**	1

Total comprehensive income for the year
Attributable to equity holders of the company, broken down by:

Continuing operations		**126**	169
Discontinued operations		**-**	-
Total		**126**	**169**

Consolidated statement of financial position

(in € millions)	Note	2022	2021
			At 31 December
Non-current assets			
Property, plant and equipment	12	**11**	12
Right-of-use assets	13	**19**	19
Investment property	14	**211**	206
Associates accounted for using the equity method	15	**104**	105
Financial assets at fair value	16	**2**	2
Long-term loans and receivables	17	**76**	70
Deferred tax assets	18	**8**	6
Total non-current assets		**431**	**420**
Current assets			
Property inventory	19	**2,079**	1,649
Contract assets	20	**265**	390
Trade receivables	21	**83**	88
Short-term loans and receivables	22	**43**	42
Current tax assets	23	**26**	65
Prepayments and accrued income	24	**120**	141
Cash and cash equivalents	25	**82**	113
Non-current assets held for sale	26	**59**	16
Total current assets		**2,757**	**2,504**
Total assets		**3,188**	**2,924**

(in € millions)	Note	2022	2021
		At 31 December	
Equity	27	**1,095**	1,069
Non-controlling interest		**3**	2
Group equity		**1,098**	**1,071**
Non-current liabilities			
Long-term loans	28	**786**	777
Lease liabilities	29	**21**	17
Provisions	30	**61**	94
Deferred tax liabilities	18	**41**	55
Total non-current liabilities		**909**	**943**
Current liabilities			
Short-term loans	28	**714**	459
Lease liabilities	29	**6**	13
Contract liabilities	31	**257**	177
Trade payables		**49**	67
Current tax liabilities	32	**85**	115
Other current liabilities	33	**70**	79
Total current liabilities		**1,181**	**910**
Total liabilities		**2,090**	**1,853**
Total equity and liabilities		**3,188**	**2,924**

Consolidated statement of changes in equity

(in € millions)	Share capital	Share premium	Available for profit appropriation	Other reserves	Total equity attributable to equity holder	Non-controlling interest	Total equity
At 1 January 2022	**23**	**468**	**169**	**409**	**1,069**	**2**	**1,071**
Added to profit/(loss)	-	-	(169)	169	-	-	-
Profit/(loss) for the year	-	-	126	-	126	1	127
Other comprehensive income after tax	-	-	-	-	-	-	-
Total comprehensive income for the year after tax	**23**	**468**	**126**	**578**	**1,195**	**3**	**1,198**
Dividend distribution	-	-	-	(100)	(100)	-	(100)
Equity contribution including transaction costs	-	-	-	-	-	-	-
At 31 December 2022	**23**	**468**	**126**	**478**	**1,095**	**3**	**1,098**

For the breakdown of equity into individual reserves and movements in those reserves, see Note D to the separate financial statements.

(in € millions)	Share capital	Share premium	Available for profit appropriation	Other reserves	Total equity attributable to equity holder	Non-controlling interest	Total equity
At 1 January 2021	**23**	**468**	**162**	**347**	**1,000**	**1**	**1,001**
Added to profit/(loss)	-	-	(162)	162	-	-	-
Profit/(loss) for the year	-	-	169	-	169	1	170
Other comprehensive income after tax	-	-	-	-	-	-	-
Total comprehensive income for the year	**23**	**468**	**169**	**509**	**1,169**	**2**	**1,171**
Dividend distribution	-	-	-	(100)	(100)	-	(100)
Equity contribution including transaction costs	-	-	-	-	-	-	-
At 31 December 2021	**23**	**468**	**169**	**409**	**1,069**	**2**	**1,071**

Consolidated statement of cash flows

(in € millions)	Note	2022	2021
		Year ended 31 December	
Gains/(losses) for the year from continuing operations		**127**	**170**
Gains/(losses) after tax from discontinued operations		**-**	**-**
Adjustments for:			
Finance income and costs	10	**35**	21
Income tax	11	**39**	59
Depreciation	12, 13, 14	**15**	15
Changes in value of investment property and inventory	4, 5	**16**	15
Share of profit/(loss) of associates	15, 30	**(29)**	(37)
Interest received (finance income)	10	**2**	2
Changes in working capital – net		**(236)**	(164)
Cash generated from operations		**(31)**	**81**
Interest paid (finance costs)	10	**(38)**	(24)
Income tax paid	23, 32	**(60)**	(48)
Income tax received	23, 32	**6**	-
Net cash from/(used in) operating activities		**(123)**	**9**
Purchases of property, plant and equipment	12	**(2)**	(4)
Disposals of property, plant and equipment	12	**-**	-
Purchases of investment property	14	**(67)**	(14)
Disposals of investment property	14	**1**	-
Investments in associates	15, 30	**(1)**	(22)
Disposals of associates	15, 30	**17**	21
Dividends received from associates	15, 30	**16**	11
Investments in financial assets at fair value and loans and receivables	16, 17, 22	**(37)**	(32)
Disposals of financial assets at fair value and loans and receivables	16, 17, 22	**34**	57
Net cash from/(used in) investing activities		**(39)**	**17**
Proceeds from loans	28	**953**	1,044
Loan repayments	28	**(723)**	(883)
Dividend distribution	27	**(100)**	(100)
Net cash from/(used in) financing activities		**130**	**61**
Net cash and cash equivalents at 31 December	25, 28	**67**	99
Net cash and cash equivalents at 1 January	25, 28	**99**	12
Increase/(decrease) in cash and cash equivalents		**(32)**	**87**

The net cash position can be broken down as follows:

		2022	2021
Cash and cash equivalents	25	**82**	113
Call money and callable credit balances	28	**(15)**	(14)
Net cash and cash equivalents at 31 December		**67**	**99**
Cash and cash equivalents	25	**113**	56
Call money and callable credit balances	28	**(14)**	(44)
Net cash and cash equivalents at 1 January		**99**	**12**

Notes to the consolidated financial statements

1 General information

BPD Europe B.V. has its registered office and principal place of business at IJsbaanpad 1, 1076 CV Amsterdam, the Netherlands, and is listed in the Business Register of the Chamber of Commerce under number 08024283.

The consolidated financial statements 2022 include the financial information of BPD Europe B.V. and its subsidiaries, its equity interest in joint arrangements, its equity interest in associates over which significant influence is exercised and its other equity interests (hereinafter jointly referred to as 'BPD'). BPD operates in the Netherlands and Germany. The Cooperative Rabobank U.A. of Amsterdam (hereinafter 'Rabobank') is BPD's sole direct shareholder.

BPD engages in developing and managing real estate.

2 Summary of significant accounting policies

2.1 General

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with Part 9 of Book 2 of the Dutch Civil Code. Pursuant to the option provided in Section 402 of Part 9, Book 2 of the Dutch Civil Code, BPD has published a condensed statement of profit and loss in its separate financial statements. The financial statements are presented in euros, which is BPD's functional and reporting currency, rounded to the nearest million, unless otherwise stated.

The amounts recognised in the financial statements are presented based on historical cost, except for the 'financial assets at fair value', which are measured using the equity method of accounting.

The Managing Board prepared and approved these financial statements on 8 May 2023.

2.2 Going Concern

The Managing Board applies the going concern assumption in preparing these financial statements. This is based on BPD's medium-term planning (MTP), as well as the credit facility made available by Rabobank. We also noted that Rabobank's financial statements are filed and prepared on a going-concern basis.

2.3 Comparative figures/changes in presentation

The comparative figures have not been restated from last year, except for a voluntary reclassification of the property investments (see note 14) to non-current assets held for sale (see note 26).

2.4 New standards applicable in 2022

The following amendments applicable to financial years beginning on or after 1 January 2022 were applied by the group for the first time:

- Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16.

- Onerous Contracts - Cost of Fulfilling a Contract - Amendments to IAS 37.
- Annual Improvements to IFRS Standards 2018-2020.
- Reference to the Conceptual Framework - Amendments to IFRS 3.

These amendments have no material impact on the consolidated financial statements.

2.5 New, amended standards and proposed changes not yet adopted

Certain new standards, amendments to standards and interpretations have been published but are not mandatory for financial years beginning on or after 1 January 2022 and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods.

2.6 Foreign currency translation

The financial statements are prepared in euros. Receivables, debts and liabilities denominated in foreign currencies are translated at the exchange rates prevailing on the closing date. Transactions denominated in foreign currencies conducted in the reporting period are recognised in the financial statements at the rates of settlement. Any resulting exchange rate differences are recognised through profit and loss.

2.7 Judgements and estimates

The preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU requires the use of judgements and estimates that affect the recognition and reported amounts of assets and liabilities, disclosures about contingent assets and liabilities at the reporting date and reported income and expense for the reporting period. Although these judgements and estimates of events and actions are made to the best of management's knowledge, these estimates may not correspond to the actual results. The estimates and underlying assumptions are tested on a continuous basis. Revisions of estimates are recognised prospectively.

Key aspects requiring judgements and estimates (divided into significant and other) concern:

Significant

- the net realisable value of property inventory, including strategic land holdings (for more details, read on).
- the annual update of the budgeted costs of full-service developments, given that contract revenue may be subject to change (Note 2.9).

Other

- the decision whether or not to consolidate joint arrangements (for details, see Note 2.8).
- financial information for missing period reports for joint arrangements in which BPD is not the lead contractor (see Note 2.8).
- assessing whether assets should be accounted for as discontinued operations (Note 2.15).
- interim recognition of gains and losses on sold property developments (see Note 2.22).

Owing to the long-term nature of capitalised land, particularly if no zoning plan is in place, and the limited number of comparable transactions, especially in strategic land holdings, the measurement of property inventory (land holdings, work in progress, finished goods) and investment property comes with significant uncertainty. Valuations are made using various assumptions and valuation methods. Because of their subjective nature, different assumptions and methods may lead to different results. For more details of the assumptions and techniques used, see the accounting policies for property inventory (Note 2.22).

2.8 Basis of consolidation

Subsidiaries

Subsidiaries are all entities in which BPD has decisive control. BPD has decisive control if, as an investor, it is exposed or entitled to variable income by virtue of its involvement in the business and has the power to

influence that income by virtue of its control of the business. The assets, liabilities and earnings of these entities are consolidated in full. The financial statements of subsidiaries are included in the consolidated financial statements from the date that decisive control commences until the date that it ceases.
Non-controlling interests in equity and profit for the year are presented separately in the statement of financial position and the statement of profit and loss respectively.

Elimination of group transactions

Intra-group balances and transactions, and any related unrealised gains, are eliminated in preparing the consolidated financial statements. Unrealised gains on transactions with associates and joint arrangements are eliminated by reference to BPD's interest in the business. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment loss on the transferred asset.

Discontinued operations

A discontinued operation is a component of a group whose activities and cash flows are clearly distinct from those of the rest of the group and that:

- Represents a major line of business; and
- Is part of a single coordinated plan to dispose of this major line of business.

When a line of business is classified as a discontinued operation, it will be presented on a separate line both in the statement of profit and loss and in the statement of financial position. Netting in the statement of financial position is not permitted. The comparative figures in the statement of profit and loss are restated as if the line of business was discontinued at the start of the comparative period. The comparative figures in the statement of financial position are not restated. Balances and transactions between continuing entities and discontinued entities, as well as any related unrealised gains, are eliminated when preparing the consolidated financial statements, unless they are continued after termination of the discontinued operations. If a transaction qualifies as a common control transaction (i.e. the ultimate owner remains the same), the difference between the carrying amount of the discontinued operations and the selling price is recognised through profit and loss from discontinued operations.

Associates and joint arrangements

Associates

Associates are all entities over which the group has significant influence, but no control or joint control. This is usually the case when the group holds between 20% and 50% of the voting rights. After initial measurement at acquisition price, investments in associates are recognised using the equity method of accounting (see notes to joint ventures below).

Joint arrangements

BPD tends to develop fully serviced residential areas in collaboration with partners. In most cases, each partner has a decisive vote, meaning that decisions can only be taken by consensus. Therefore, these partnerships generally qualify as joint arrangements.

Each partnership has its own legal structure, which is dependent on the wishes and requirements of the parties involved. These partnerships usually take the form of a limited partnership/private limited company or a general partnership or something similar. If the partners opt for a limited partnership/private limited company structure, they limit their risk to their paid-up capital in principle and they will only be entitled to the entity's net asset. If they opt for a general partnership, each partner is liable without limitation in principle and each has the right to a proportional share of the entity's assets and is liable for a proportional share of the entity's liabilities in principle. As a result, purely based on legal form, a limited partnership/private limited company qualifies as a joint venture and a general partnership as a joint operation.
That said, the contractual terms and other relevant facts and circumstances may lead to a different conclusion. Material joint arrangements are reviewed annually, or more frequently if deemed necessary, to determine whether any contractual arrangements and/or facts and circumstances have changed that might warrant a change in recognition method.

Joint operations

Investments in joint operations are recognised based on BPD's share of their assets, liabilities, income and expense.

BPD's proportional share of joint operations is recognised in the different items disclosed in its statement of financial position and statement of profit and loss based on BPD's own accounting policies.

The items in the statement of financial position and statement of profit and loss for joint arrangements in which BPD is not the lead contractor are recognised based on quarterly reports provided by the lead contractor and adjusted to the accounting policies of BPD. The financial information of entities that have not submitted their Q4 reports to BPD by the time of its year-end closing is recognised using estimates for the missing period based on earlier reports, forecasts and additional information requested from the lead contractor.

Joint ventures

Investments in joint ventures are generally accounted for using the equity method. After initial measurement at acquisition price, BPD's share of profit and loss of joint ventures is recognised in the statement or profit and loss (based on BPD's own accounting policies) within 'Share of profit/(loss) of associates accounted for using the equity method'.
Dividends received or receivable are deducted from the acquisition price of a joint venture.
If BPD's share in the net asset value of the joint venture is negative, the joint venture is measured at nil. If, in this situation, the group is fully or partially liable for the debts of the joint venture or it has a constructive obligation, a provision is formed for this amount.
Unrealised gains arising from transactions between the group and a joint venture are eliminated by reference to the group's equity interest in the joint venture. Unrealised losses are eliminated too, unless the transaction results in an impairment loss having to be recognised on the asset in question.

2.9 Revenue

Revenue consists of contract revenue from property development and rentals. Rentals are earned from operating property inventory and investment property.

Contract revenue from property development

Contract revenue from property development comprises sales proceeds from land holdings (with or without a development plan) and the development and sale of residential and commercial property. Revenue is recognised as soon as control of the land (with or without a development plan) or a residential or commercial property has been transferred to the buyer.

In accordance with the provisions of IFRS 15, revenue is recognised at a point in time or over time. BPD uses the five-step model provided by IFRS 15 to determine the revenue recognition method for each development.
The five steps are as follows:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to each performance obligation;
5. Recognise revenue when the performance obligation is satisfied.

Identify the contract with the customer

A contract exists if BPD and the buyer of a plot and/or residential property/building have signed a contract of sale and this contract has become unconditional.

Identify the performance obligations in the contract

If BPD is responsible for the construction of the development only, the performance obligation comprises the delivery of the plot by BPD to the buyer. For full-service developments, the delivery of the plot and that of the buildings are inextricably linked, which is why this qualifies as a single performance obligation to the buyer of the property.

Determine the transaction price

The signed contracts of sale specify the transaction price. Where penalty clauses apply, they are deducted from revenue unless it is highly likely that they will not result in a significant drop in revenue.
Revenue from upward contract variations is included in total contract revenue if the amount has been accepted by the customer. The performance obligation is satisfied shortly after the payment for the related service by

the buyer in principle. BPD makes use of the practical expedient that, when payments are made by the buyer within one year of having satisfied the performance obligation, no financing component will be included in the contract.

Allocate the transaction price to each performance obligation
Depending on the contract of sale, the transaction price is allocated to the plot (construction-only; in Dutch: GKA) or the plot and the buildings (full-service).

Recognise revenue when a performance obligation is satisfied
The analysis BPD has performed shows that, overall, the following revenue recognition methods apply to each revenue category:

- *Sale of land holdings/plots*

Three different services can be provided when land holdings/plots are sold under a construction-only contract. These are transfer of the land holding, connection to mains services and road construction and landscaping. Revenue from the transfer of the land holding will be recognised as soon as its control is transferred by notarial deed; revenue from connecting mains services is recognised on a point-in-time basis as soon as the relevant service has been provided to the buyer. Revenue from road construction and landscaping is recognised over time based on percentage of completion.

- *Development and sale of a plot with buildings*

Two different services can be provided when a plot is sold including a property. These are transfer of the land holding and development of the property. Revenue from the transfer of the land holding will be recognised as soon as its control is transferred by notarial deed; revenue from developing the property is recognised over time based on percentage of completion. Revenue from any full-service property developments in the Netherlands is recognised over time, given that control of the land is transferred at the start of the contract and the buyer gradually comes to own the buildings constructed on this land by accession. Revenue is recognised based on the percentage-of-completion method. In Germany, revenue is generally recognised over time, given that the entity's performance does not create an asset with alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. The progress of the project is based on the costs of development incurred compared to the total development costs.

These are by far the most common revenue categories for BPD. BPD determines the recognition method of revenue from other projects and/or contracts in accordance with the five-step model provided by IFRS 15.

To determine expected earnings on developments, annual analyses are performed of all developments in aggregate based on market developments and the most recent outlook. If contracts turn out to be onerous, a provision is formed.
Revenue from upward contract variations is included in total contract revenue if the amount has been accepted by the customer.

Payment terms
Payment of construction-only contracts is channelled through notarial escrow accounts. The notary transfers the money to BPD within three days of the execution of the notarial deed.
In the Netherlands, billing for full-service property developments and other services takes place at the times contractually agreed between the parties based on the percentage-of-completion method. In Germany, billing takes place based on a statutory seven-instalment schedule. In both the Netherlands and Germany, payment is due within 14 days, unless agreed otherwise.

Rentals
Rentals are recognised as revenue on a straight-line basis over the term of the lease.
Rent reductions are recognised as an integral part of total rental income over the term of the lease.

2.10 Impairment of investment property and property inventory

This item comprises impairment losses arising from lower net realisable value or the reversal of such impairment

losses. For details, see Notes 2.18 (Investment property) and 2.22 (Property inventory).

2.11 Cost of raw materials, consumables and work contracted out

This item consists of the cost of land/plots purchased and property development contractors, as well as operating expenses associated with investment property.

The costs are determined with due observance of the aforementioned accounting policies and allocated to the reporting period to which they relate.

Directly attributable indirect costs based on normal production capacity are included in this item.

2.12 Employee benefits expense

Short-term employee benefits
Short-term employee benefits are expensed when the related service is provided. A liability is recognised for the amount expected to be paid if BPD has a present legal or constructive obligation to pay this amount as a result of services provided by the employee and the obligation can be measured reliably.

Defined contribution plan
A pension plan or other retirement provision is in place for employees in the Netherlands and Germany, in accordance with the local regulations and customs. These plans are administrated by various pension funds or by other external parties.
With effect from 1 August 2008, BPD's employees in the Netherlands have been covered by the pension plan offered by the Rabobank Pension Fund. BPD's pension plan qualifies as a defined contribution plan; under this plan, BPD's obligation is limited in principle to paying contributions net of contributions already paid. BPD does not offer a pension plan in Germany.
Defined contribution obligations are expensed when the related services are provided.
Prepaid contributions are recognised as an asset to the extent that there is a repayment obligation in cash or a reduction in future payments.

Other long-term employee benefits
BPD's net obligation by virtue of long-term employee benefits relates to entitlements employees have accrued in return for their service in the current and prior reporting periods. These entitlements are discounted to determine their present value. Revaluations are recognised through profit and loss in the period in which they occur. For details on the accounting policies for the other employee benefits, see Note 2.26 (Provisions).

Termination benefits
Termination benefits are recognised as a liability when BPD can no longer withdraw the offer of those benefits or – if earlier – when it recognises the restructuring costs. If the benefits are not expected
to be settled entirely within 12 months of the reporting date, they are discounted.
For details on the accounting policies for the restructuring provision, see Note 2.26 (Provisions).

2.13 Share of profit/(loss) of associates

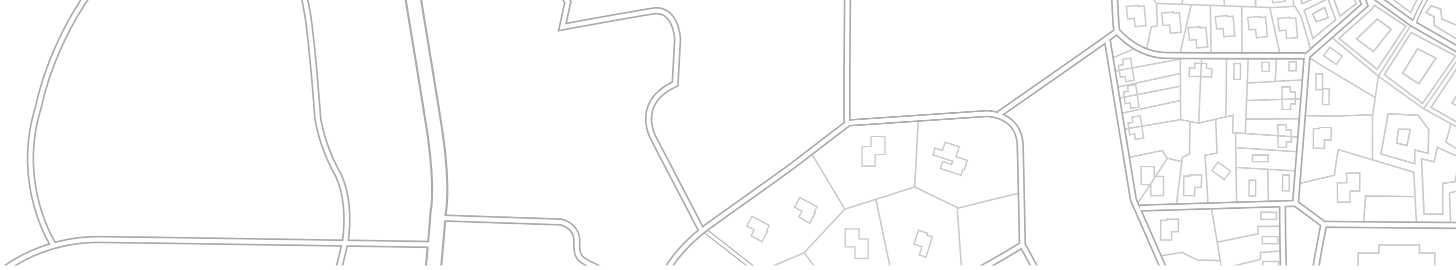
Share of profit of associates is determined based on the equity method of accounting using BPD's own accounting policies.

2.14 Finance income and costs

BPD's finance income and costs consist of:
- Interest income; and
- Interest expense

Interest income and expense are recognised through profit and loss using the effective interest method.

This item also includes interest income and expense relating to trading-book exposures. Interest income from loan losses is recognised based on the interest rate used to discount future cash flows in order to establish the recoverable amount.



Interest income net of loan losses is recognised using the effective interest rate at inception of the instrument. For details of the fair value of outstanding loans and the associated loan losses, see Note 2.20 (Financial assets and liabilities).

2.15 Gains and losses from discontinued operations

If a line of business is qualified as a discontinued operation, the comparative figures in the statement of profit and loss are restated as if the line of business was discontinued from the start of the comparative period. Discontinued operations are presented within the item 'Gains/(losses) after tax from discontinued operations'. Transactions between continuing group companies and discontinued group companies, as well as any related unrealised gains, are eliminated when preparing the consolidated financial statements, unless they are continued after termination of the discontinued operations.

2.16 Property, plant and equipment

Property, plant and equipment are measured at historical cost, net of accumulated depreciation and impairment losses.
Where an item of property, plant and equipment is made up of key components with different useful lives, each component is accounted for separately.

Additions and costs after initial recognition are capitalised only to the extent that it is probable that the future economic benefits embodied in the asset will flow to the company.

Separately identifiable components are capitalised and depreciated on a component-by-component basis. All other costs are expensed as incurred.
When an item of property, plant and equipment is retired or sold, the difference between the proceeds from the sale and the carrying amount is recognised through profit and loss.

Investments in rented buildings (long-term improvements or renovations of rented properties) are recognised at cost (acquisition price) and depreciated on a straight-line basis over their useful life (usually corresponding to the remaining term of the lease in question).

Depreciation is charged to the statement of profit and loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment, determining the estimated useful lives of each key component. Land is not depreciated.

BPD generally uses the following estimated useful lives:
- Owner-occupied properties and long-term building improvements: 5 to 40 years
- Operating assets: 3-5 years

Depreciation rates, depreciation methods and residual values of property, plant and equipment are reviewed periodically to make allowance for any changes in circumstances.

2.17 Leases where BPD is the lessee

Leases of property, plant and equipment and ground leases of property inventory are recognised as a right-of-use assets and a corresponding liability from the date at which the leased asset is available for use.
Right-of-use assets under ground leases are presented as investment property or property inventory given that ground leases are inextricably linked to the property in question.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- Fixed payments, less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the group under residual value guarantees;
- The exercise price of a purchase option if the group is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liabilities.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, i.e. the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the group; and
- makes adjustments specific to the lease, e.g. term and currency.

Where the group is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect.
Lease payments are allocated between principal and finance costs. The finance costs are charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are initially measured at cost; they are subsequently depreciated and stated net of impairment losses.
The cost of right-of-use assets is made up of:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

BPD generally uses the following estimated useful lives:

- Buildings in own use 1-6 years
- Vehicles 1-4 years
- Ground leases 1-40 years

Depreciation rates, depreciation methods and residual values are reviewed periodically to make allowance for any changes in circumstances.

Right-of-use assets are depreciated over the asset's useful life or the lease term on a straight-line basis, whichever is shortest. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

BPD's ground lease liabilities for property inventory relate to property developments projects in progress. As a result, these assets are classified as qualifying assets (assets that necessarily take a substantial period of time to get ready for their intended use or sale). Consequently, contrary to the accounting policies for ground lease liabilities described above, the associated finance costs and impairment losses are not recognised through profit and loss, but capitalised as property inventory.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit and loss. Short-term leases are leases with a remaining lease term of 12 months or less. Low-value assets (< € 5,000) comprise IT equipment and small items of office furniture.

2.18 Investment property

Investment property, which mainly consists of commercial properties, is not occupied by BPD itself. Part of the investment property is held for long-term rental income. The remaining investment property consists of commercial properties that are part of a property development and have been let for at least six months pending redevelopment. Investment property is recognised as a long-term investment and recognised at cost, net of accumulated depreciation and impairment losses. Investment property held for long-term rentals

is depreciated on a straight-line basis over 40 years, making allowance for the residual value of each property. Investment property that is part of a property development is depreciated on a straight-line basis over the period from the start of the let to the end of the let or the start of the development.
For the purposes of the notes to investment property and establishing any impairment losses, the fair value is determined at the most likely price that can reasonably be obtained in the market on the reporting date. The fair value is based on current prices in an active market for similar properties in the same location and in the same condition.

The fair value is generally determined using a discounted cash flow method or on the basis of capitalisation at net initial yields of comparable transactions. The value of investment property held for long-term rentals is usually determined by a certified external appraiser every year. Investment property that is part of a property development is valued internally every year as a minimum.

2.19 Non-current assets held for sale

Non-current assets (except for financial assets) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

They are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are not depreciated or amortised while they are classified as held for sale.
Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets held for sale are presented separately from the other assets in the statement of financial position. Liabilities relating to non-current assets held for sale are presented separately from the other liabilities in the statement of financial position.

A group of non-current assets held for sale is defined as a discontinued operation if it is a component of the entity that has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations and is part of a plan to dispose of such a line of business or area of operations. A subsidiary acquired solely for the purpose of resale is also recognised as an operation held for sale.
Gains and losses from operations held for sale are presented separately in the statement of profit and loss. Results for individual non-current assets held for sale are not presented separately in the statement of profit and loss.

2.20 Financial assets and liabilities

Classification
BPD classifies financial assets and liabilities in the following categories:

Cash and cash equivalents
Cash and cash equivalents comprise all legal tender including foreign currencies that are freely available.

Loans and receivables
(Long-term) receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets arise when BPD provides cash to a party without the intention of trading or selling the loan.

Financial assets
Financial assets at fair value through profit and loss comprise financial assets that, on initial recognition, are classified as financial assets at fair value through profit and loss. These include equity instruments.
For a description of the accounting policies for 'Associates accounted for using the equity method', see Section 2.8 (Basis of consolidation).

Loans
Borrowings are non-derivative financial liabilities with fixed or determinable payments that are not quoted on an active market. Borrowings arise when BPD borrows cash from a party.

Lease liabilities
For details of lease liabilities, see Note 2.17 (Leases).

Trade payables
Trade payables are non-derivative financial obligations related primarily to the cost of raw materials, consumables and work contracted out.

Recognition and derecognition
A financial asset – or a component of a financial asset – is derecognised if:
- the rights to the cash flows from the asset expire;
- the rights to the cash flows from the asset and substantially all the risks and rewards of ownership of the asset are transferred;
- an obligation to transfer the cash flows from the asset is assumed and substantially all the risks and rewards of ownership are transferred;
- an obligation to transfer the cash flows from the asset is assumed; or
- not all the economic risks and rewards are transferred or retained, but control over the asset is transferred.

If BPD retains control over the asset but does not retain substantially all the risks and rewards, the asset is recognised by reference to BPD's continuing involvement. The difference between the carrying amount and the transferred value of the asset is recognised in the statement of profit and loss. Any unrealised gains and losses are realised.

A financial liability – or a component of a financial liability – is derecognised if the obligation specified in the contract:
- is discharged;
- is cancelled; or
- has expired.

Measurement
Financial assets and liabilities are initially recognised at fair value, including directly attributable transaction costs (with the exception of financial assets subsequently measured at fair value). Subsequent measurement is at amortised cost using the effective interest method, with the exception of

financial assets at fair value through profit and loss. Interest accrued or payable on financial assets and liabilities is recognised within ‘Finance income and costs’ in the statement of profit and loss.

Impairment of financial assets and contract assets
BPD forms provisions for expected losses using expected credit loss
(ECL) models for financial assets at amortised cost and contract assets.

2.21 Current and deferred tax

The income tax expense is recognised in the period in which it arises, using tax rates enacted or substantially enacted in the relevant jurisdictions.

The future tax benefit of tax losses is recognised as an asset when it is probable that future taxable profits will be available against which the losses can be utilised. Current tax assets and liabilities are offset only if they arise within the same tax group and if there is both an enforceable right and the intention to settle the assets and liabilities on a net basis or to realise them simultaneously.

BPD’s Dutch-based wholly owned subsidiaries are generally members of the tax group headed up by Rabobank, with settlement being effected via Rabobank. Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The main temporary differences are the result of property development activities.
The amount of deferred tax is based on the manner in which the carrying amount of the assets and liabilities is expected to be realised or settled, using tax rates enacted or substantially enacted at the reporting date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.22 Property inventory

Property inventory includes asset items relating to the property development. These have been grouped into the following categories:
- building sites and equalisation funds;
- work in progress; and
- finished goods.

Building sites and equalisation funds
Building sites are measured at the lower of cost, including allocated interest and additional costs for purchasing the land and preparing it for development, and net realisable value. If it is uncertain that land for which the zoning plan does not identify a specific designated use will be built on, no interest is capitalised on that land. The contingent liability that depends on future changes in the designated use of the land in question is not included in the cost of land, but *is* weighed in determining the net realisable value.

The net realisable value of all building sites is calculated at least once a year and when indications so warrant. The net realisable value of building sites is the higher of their direct realisable value and their indirect realisable value. Direct realisable value is the estimated value at sale less the estimated costs of making the sale. Indirect realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs required to make the sale. When calculating indirect realisable value, scenarios are developed in which the cash flows make as much allowance as possible for site-specific issues and company-specific parameters and circumstances, such as location characteristics, ambitions, and financial and social prerequisites. An impairment loss is recognised if cost exceeds the higher of indirect realisable value and direct realisable value.

The equalisation funds relate to capitalised building rights purchased from third parties, in addition to building rights that have arisen at the sale of land to local authorities or other parties, and are measured as the cost of the land less the proceeds from the sale. The equalisation funds, less any required depreciation, must be recouped from future construction projects.

Work in progress

Work in progress relates to unsold residential property developments, as well as to unsold commercial property developments under construction or in preparation. Work in progress is measured at the lower of costs incurred plus attributable interest and net realisable value.
The carrying amount of unsold work in progress is reviewed annually to determine whether there is any evidence of impairment losses. If any such evidence exists, the indirect realisable value of work in progress is estimated, mostly using an internal or external valuation. Indirect realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs required to make the sale. A downward value adjustment is recognised if the cost exceeds the expected indirect net realisable value.

Finished goods

Unsold residential and commercial properties are recognised at the lower of cost and net realisable value. The net realisable value of finished goods is calculated at least once a year and when indications so warrant. For finished goods, the net realisable value is generally equal to the direct realisable value, which is mostly determined by means of an internal or external appraisal. If cost exceeds the expected direct realisable value, an impairment loss is recognised to the extent that this loss is for account of BPD.

Classification of property inventory as investment property

Property inventory may qualify for reclassification as investment property where appropriate
If a property is currently being for let and the related lease spans more than six months, the property is presented as investment property rather than as property inventory.

2.23 Contract assets and liabilities

Contract assets and liabilities relate to:

- Residential and commercial property developments that are under construction and for which BPD recognises revenue using the over-time method (see Note 2.9 – Revenue).
- Construction-only developments, for which part of the transfer obligation, such as road construction and landscaping (on an over-time basis) and connections to mains services (on an point-in-time basis), has yet to be fulfilled (see Note 2.9 – Revenue).

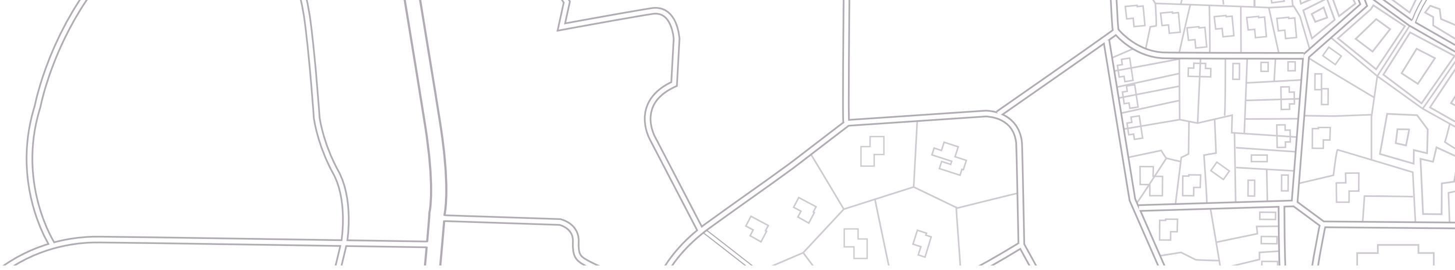
If the buyer's advance payments exceed BPD's performance obligations on the development, a net contract liability is recognised. If BPD's performance obligations on the development exceed the buyer's advance payments, a net contract asset is recognised. Contract assets are written off where there is no reasonable expectation of recovery. Impairment losses on contract assets are based on the simplified ECL approach.

2.24 Trade receivables

Trade receivables are receivables from buyers and tenants of residential and commercial properties and other receivables. Trade receivables are initially measured at fair value.
After initial recognition, trade receivables are measured at amortised cost, which usually corresponds to their face value. A provision for bad debts is based on the simplified ECL method.

2.25 Equity

The share capital consists of issued and paid-up capital, both of which are stated at nominal value. The reserves are made up of a share premium reserve, retained earnings and earnings for the relevant reporting period. The share premium reserve shows the amount paid up by the shareholder for the issued shares and includes capital contributions and dividend distributions made in the past by or for the shareholder. Profit and loss for the year is added to or deducted from retained earnings annually after a resolution of the General Meeting of Shareholders. Dividends on ordinary shares are charged to equity in the period in which they are approved by the General Meeting of Shareholders.



2.26 Provisions

BPD forms provisions for associates accounted for using the equity method, onerous contracts, employee benefits, warranties and restructuring costs when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, the discount rate used to determine the present value of provisions is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provision for associates accounted for using the equity method

If BPD's share of the losses of an associate accounted for using the equity method corresponds to or exceeds its equity interest in that associate, BPD will not recognise any more losses unless BPD is liable for the debts of the associate or has a constructive obligation. If so, the aforementioned criteria are used to determine whether a provision should be formed.

Provision for onerous contracts (land holdings and property developments)

A provision for onerous contracts arises if BPD has a constructive obligation to develop property or land, but the contract is onerous based on current estimates. The provision is formed after impairment losses have been recognised on the assets assigned to that contract.

Primary and secondary employee benefits

This includes jubilee benefits, the leave scheme for older employees and benefits to non-active employees. These are calculated on the basis of actuarial assumptions.

Warranty fund

This fund comprises warranties relating to sold and completed residential properties to the extent that BPD Europe has provided the warranty.

Owners of these properties are issued a ten-year warranty certificate at the time of purchase. Any resulting financial obligations will be met from this fund. At the reporting date, BPD calculates whether the level of the warranty fund corresponds to the expected financial obligations, the amount of which is determined on the basis of empirical data. Any differences are recognised through profit and loss. Given that the warranty tends to be issued by the contractor, BPD's warranty fund is in run-off.

Restructuring provisions

A restructuring provision is recognised if BPD has a constructive obligation at the reporting date. This is the case when a detailed plan has been approved and a valid expectation has been raised in those affected that the restructuring will be carried out by starting to implement that plan or announcing its main features. Only costs directly related to the restructuring are included in the provision.

Other provisions

Other provisions mainly concern other guarantees and legal claims.

2.27 Statement of cash flows

For the purposes of the statement of cash flows, cash and cash equivalents refer to cash at hand and net deposits and credit balances with banks.

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.

Cash flows from operating, investing and financing activities are stated separately. Changes in current assets and associated liabilities relating to operating activities are included in cash flows from operating activities. Investing activities comprise purchases and sales of non-current assets, including the acquisition and disposal of associates and of items of property, plant and equipment. Changes in equity, loans and repayments of loans are regarded as financing activities.

Notes to the consolidated statement of profit and loss

3 Revenue and other income

Revenue can be broken down as follows:

	2022	2021
Residential properties (including building sites)	**1,246**	1,527
Commercial properties	**36**	99
Total contract revenue from property development (revenue from contracts with buyers)	**1,282**	**1,626**
Rental income from investment property	**22**	16
Other	**8**	5
Total revenue	**1,312**	**1,647**

Revenue from contracts with buyers can be broken down into segments as follows:

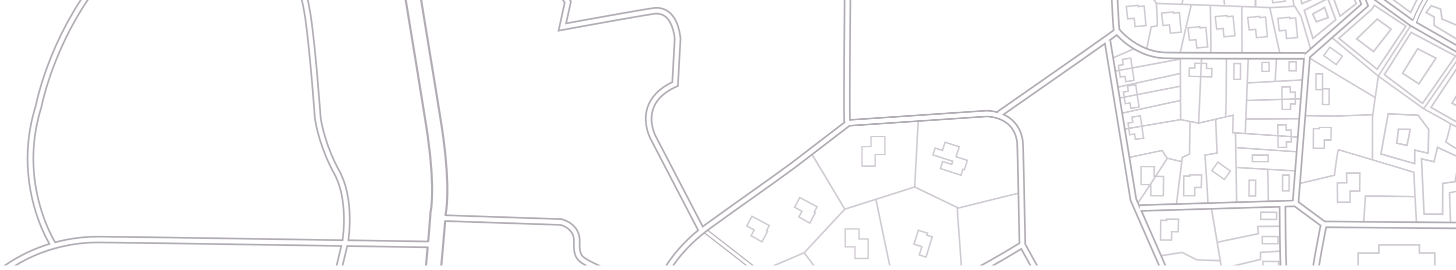
	Residential properties		Commercial properties		Total contract revenue from property development		
	NL	GE	NL	GE	NL	GE	Total
2022	**540**	**706**	**36**	**-**	**576**	**706**	**1,282**
2021	**719**	**808**	**99**	**-**	**818**	**808**	**1,626**

At year end, BPD's contractual performance obligations were worth approximately € 1,211 million.
These obligations can be broken down as follows:

Future sales value	Residential properties		Commercial properties		Total contractual performance obligations		
	NL	GE	NL	GE	NL	GE	Total
2023	176	716	-	-	176	716	**892**
2024	66	199	-	-	66	199	**265**
2025	20	30	-	-	20	30	**50**
After 2025	-	4	-		-	4	**4**
Total at 31 December 2022	**262**	**949**	**-**	**-**	**262**	**949**	**1,211**
Total at 31 December 2021	**209**	**1,273**	**53**	**-**	**262**	**1,273**	**1,535**

4 Impairment/(impairment reversal) of investment property

This item breaks down into impairment losses (€ 3 million) and reversals of previous impairment losses (€ 1 million).



5 Impairment of property inventory

Changes in value due to a decrease in net realisable value (NRV) can be broken down as follows:

	2022	2021
By type of property:		
Residential properties (including building sites)	**14**	20
Commercial properties	**-**	-
Total changes in value due to changes in NRV	**14**	**20**

For details on the changes in value due to changes in the net realisable value (NRV) of property inventory, see Note 19 (Property inventory).

6 Impairment (reversal) of associates accounted for using the equity method

The periodic review of impairments on participation values showed that € 7 million could be reversed.

7 Cost of raw materials, consumables and work contracted out

Cost of raw materials and consumables can be broken down as follows:

	2022	2021
Residential properties (including building sites)	**947**	1,167
Commercial properties	**36**	98
Total cost of property development	**983**	**1,265**
Operating expenses associated with investment property	**9**	7
Other	**1**	2
Total cost of raw materials, consumables and work contracted out	**993**	**1,274**

Costs of raw materials, consumables and work contracted out is divided into segments as follows:

	Residential properties		Commercial properties		Total cost of property development		
	NL	GE	NL	GE	NL	GE	Total
2022	**339**	**608**	**36**	**-**	**375**	**608**	**983**
2021	**491**	**676**	**98**	**-**	**589**	**676**	**1,265**

8 Employee benefits expense

The employee benefits expense can be broken down as follows:

	2022	2021
Salaries and wages (including variable remuneration and other pay)	**74**	68
Pension costs	**8**	7
Social security contributions	**9**	8
Insourced staff	**6**	7
Other personnel expenses	**11**	9
Total employee benefits expense	**108**	**99**
Number of employees (internal/FTEs)	**702**	677
Number of insourced staff (external/FTEs)	**71**	83
Total headcount (FTEs)	**773**	**760**

Of the total headcount, 316 FTEs worked outside the Netherlands in the reporting period (2021: 318).

9 Other operating expenses

Other operating expenses can be broken down as follows:

	2022	2021
Housing expenses	**3**	3
Office expenses	**2**	2
IT expenses	**14**	12
Selling and advertising expenses	**2**	2
Third-party services	**4**	3
General and administrative expenses	**9**	8
Allocation to provisions	**(9)**	2
Total other operating expenses	**25**	**32**

€ 5 million of other operating expenses (2021: € 2 million) concerns related parties.

10 Finance income and costs

Finance income and costs can be broken down as follows:

	2022	2021
Interest income	**4**	4
Total finance income	**4**	**4**
Interest on lease liabilities	**(1)**	(1)
Interest expense	**(28)**	(21)
Loan losses	**-**	(3)
Total finance costs	**(29)**	**(25)**

€ 2 million of interest income (2021: € 2 million) concerns related parties.
€ 25 million of interest expense (2021: € 19 million) concerns related parties.
Impairment losses were recognised on loans to a joint venture.

11 Income tax expense

This item concerns the corporate income tax liability.

Reconciliation between the tax liability and the amount resulting from the application of the Dutch tax rate to the profits for 2022 and 2021:

	2022	2021
Profit/(loss) before tax	**166**	**229**
At nominal Dutch tax rate of 25.8% (2021: 25.0%.	**43**	57
Effect of different tax rates in Germany	**1**	4
Effect of deferred tax (unrecognised)	**-**	1
Effect of prior-year tax	**(3)**	2
Other *	**(2)**	(5)
Total income tax expense	**39**	**59**
Effective tax rate	**23.6%**	**25.8%**

*The 'Other' line consists mainly of corporate income tax of investments accounted for using the equity method.

	2022	2021
Current tax		
Reporting period	**57**	48
Prior years	**(3)**	2
Deferred tax	**(15)**	9
Total income tax expense	**39**	**59**

Notes to the consolidated statement of financial position

12 Property, plant and equipment

Movements in the carrying amount of property, plant and equipment were as follows:

	2022	2021
Cost	**27**	23
Cumulative depreciation	**(15)**	(12)
At 1 January	**12**	**11**
Investments	**2**	4
Disposals – cost	**(1)**	-
Disposals – accumulated depreciation	**1**	-
Depreciated	**(3)**	(3)
Changes during the year	**(1)**	**1**
Cost	**28**	27
Cumulative depreciation	**(17)**	(15)
At 31 December	**11**	**12**

Property, plant and equipment consist of operating assets.

13 Right-of-use assets

Movements in the carrying amount of right-of-use assets were as follows:

	2022	2021
Cost	**33**	32
Cumulative depreciation	**(14)**	(9)
At 1 January	**19**	**23**
Investments	**6**	1
Divestments	**-**	-
Depreciated	**(6)**	(5)
Changes during the year	**-**	**(4)**
Cost	**39**	33
Cumulative depreciation	**(20)**	(14)
At 31 December	**19**	**19**

The carrying amount of right-of-use assets at 31 December 2022 was as follows:

- Leases of office buildings 15 (2021: (16)
- Vehicle leases 4 (2021 (3)

The following items have been recognised for right-of-use assets in the statement of profit and loss:

	2022	2021
Depreciation of leases of office buildings	**4**	4
Depreciation of vehicle leases	**2**	1
	6	**5**

Leased assets are not used as collateral for loans.

14 Investment property

Movements in the carrying amount of investment property were as follows:

	2022	2021
Cost	**261**	259
Cumulative depreciation	**(55)**	(26)
At 1 January	**206**	**233**
Investments	**67**	14
Disposals – cost	**(1)**	-
Disposals – accumulated depreciation	**-**	-
Depreciated	**(6)**	(6)
Impairment	**(1)**	-
Reclassified from investment property under development to property inventory	**14**	(20)
Reclassification to Non-current assets held for sale	**(68)**	(16)
Changes during the year	**5**	**(28)**
Cost	**248**	261
Cumulative depreciation	**(37)**	(55)
At 31 December	**211**	**206**

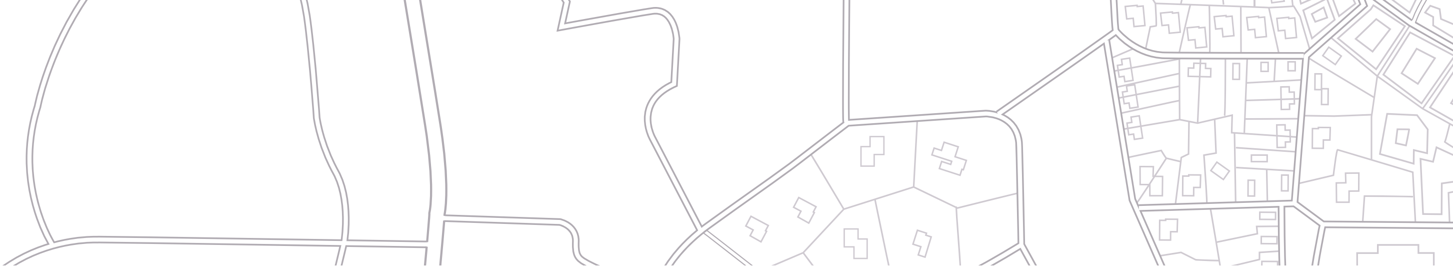
* An amount of € 16 million presented as investment property in the 2021 financial statements has been reclassified as Non-current assets held for sale. For further details, see Non-current assets held for sale (Note 26).

At 31 December, investment property could be broken down into the following classes:

Investment property held for future property development income	**211**	138
Investment property held for future operating and investment income	**-**	68

Investment property-related amounts recognised in the statement of profit and loss:

Rentals from investment property	**22**	16
Operating expenses associated with investment property	**(10)**	(7)



Fair value and valuations

The fair value of investment property stood at € 211 million at year-end 2022 (2021: € 233 million). At 31 December 2022, all investment properties were appraised internally (2021: 39% appraised externally).

In valuing the different classes of investment property, the valuers use a large number of parameters that are derived from contracts and market data where possible. A certain degree of judgement and estimation is generally unavoidable in this process. As a result, all investment property has been classified as Level 3 in accordance with the fair value classification of IFRS 13. Depending on the type of property, the following parameters are among those used to determine the fair value of the investment property: current and expected future market rent per square metre, current and expected future vacancy rates, location of the property, marketability of the property, average discount rate and potential credit risks.

The average discount rate used in 2022 was 4.1% (2021: 5.8%). BPD conducted sensitivity analyses of its investment property portfolio in 2022.
This revealed that a 0.25% change in the discount rate (2021: 0.25%) would have an impact of € 2 million (2021: € 4 million) on the appraised value.

Operating leases

At 31 December 2022, the investment property consisted mainly of commercial properties. The budgeted annual rentals income from investment property was € 4 million (2021: € 7 million).

15 Associates accounted for using the equity method

This item includes interests in joint ventures with an equity surplus. Equity interests with an equity deficit are recognised within provisions.

Movements in the carrying amount of associates accounted for using the equity method were as follows:

	2022	2021
At 1 January	**105**	**84**
Investments	**1**	22
Divestments	**(17)**	(21)
Gains/(losses)	**30**	31
Dividends	**(16)**	(11)
Other	**1**	-
Changes during the year	**(1)**	**21**
At 31 December	**104**	**105**

Associates and joint ventures
A separate legal entity is created for each joint venture. Depending on the legal form and the share held by BPD in the partnership, it is determined whether the partnership should be consolidated, partially consolidated or recognised on a net asset value basis. Joint ventures are used to keep risks related to developments within the partnership so that BPD is not exposed to them.

16 Financial assets at fair value

Financial assets at fair value with changes through profit and loss consist of equity interests of less than 5% in Nationale Maatschappij tot Restaureren en Herbestemmen van Cultureel Erfgoed B.V. (trade name BOEI) € 1.8 million (interest at 31 December 2022: 13.4%/ 31 December 2021: 15.2%) and Stadsherstel Historisch Rotterdam N.V. € 0.4 million (interest at 31 December 2022 2.16%; 31 December 2021 2.16%).

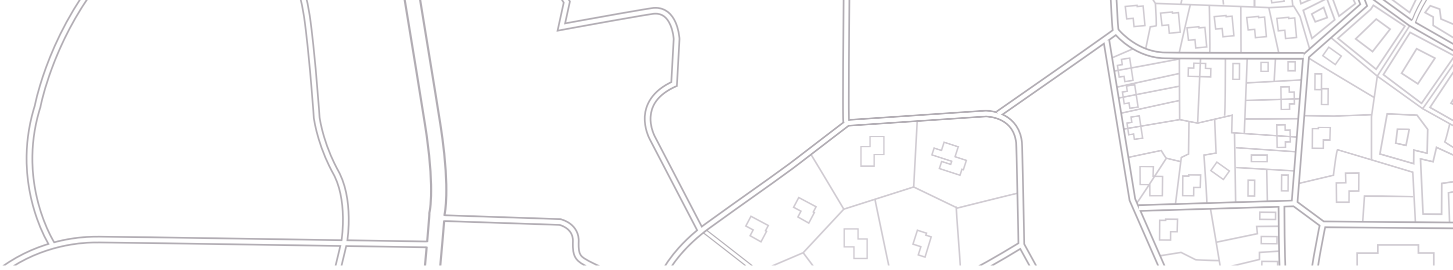
17 Long-term loans and receivables

Movements in the carrying amount of long-term loans and receivables were as follows:

	2022	2021
Property development loans	**70**	89
Provision for loan losses	**-**	-
At 1 January	**70**	**89**
Loans provided	**24**	25
Repayments received	**(4)**	(12)
Allocation to/(release of) provision	**-**	-
Capitalised interest	**2**	1
Reclassified	**(16)**	(33)
Changes during the year	**6**	**(19)**
Property development loans	**76**	70
Provision for loan losses	**-**	-
At 31 December	**76**	**70**

Of long-term loans and receivables, € 58 million is receivable from related parties (2021: € 65 million).

The loans, which mainly fall due in more than one year, are made up of loans to joint venture partners or loans provided in anticipation of the purchase of land. An amount of € 28 million has been provided on the loans (2021: € 40 million).



18 Deferred tax assets and liabilities

Deferred tax assets and liabilities for 2022 can be allocated to the following items:

	1 January 2022		Changes in 2022		31 December 2022	
	Assets	Liabilities	Through profit and loss	Through equity and other changes	Assets	Liabilities
Property inventory/contract assets	4	55	15	1	6	41
Capitalised tax losses	2	-	-	-	2	-
Total	**6**	**55**	**15**	**1**	**8**	**41**

Deferred tax assets and liabilities for 2021 can be allocated to the following items:

	1 January 2021		Changes in 2021		31 December 2021	
	Assets	Liabilities	Through profit and loss	Through equity	Assets	Liabilities
Property inventory/contract assets	-	42	9	-	4	55
Capitalised tax losses	2	-	-	-	2	-
Total	**2**	**42**	**9**	**-**	**6**	**55**

In accordance with IFRS 16 Leases, BDP recognised deferred tax assets and liabilities (net) for right-of-use assets of € 4 million (2021: € 4 million) and lease liabilities of € 4 million (2021: € 4 million) at 31 December 2022. The balance of deferred tax assets and liabilities at 31 December 2021 was nil (2021: nil).

- Deferred taxes within property inventory relate to differences arising between the tax base of the capitalised interest on land in production and its carrying amount in the financial statements, as well as provisions for inventories.
- Deferred taxes on property inventory are available both within and outside the tax group headed up by Rabobank. The deferred tax liabilities are expected to fall due in more than five years.
- Tax losses can be carried forward without limitation.
- At year-end 2022, a deferred tax asset was recognised for all tax losses (2021: no deferred tax asset was recognised for tax losses of € 5 million).

19 Property inventory

This item comprises property holdings and can be broken down as follows:

	2022	2021
ASSETS		
Building sites and equalisation funds	**2,126**	1,781
Impairment losses on building sites	**(313)**	(338)
	1,813	**1,443**
Work in progress	**287**	209
Impairment losses on work in progress	**(25)**	(10)
	262	**199**
Finished goods	**5**	9
Impairment losses on finished goods	**(1)**	(2)
	4	**7**
Total property inventory	**2,079**	**1,649**

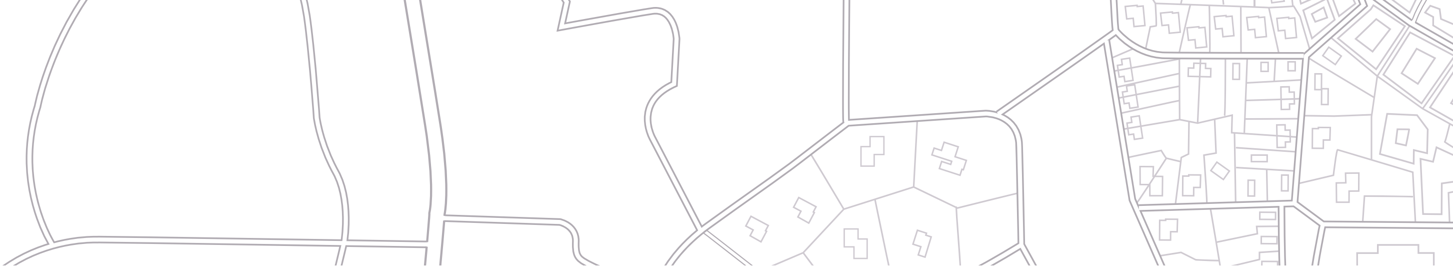
Impairment losses are due to the fact that the net realisable value is lower than capitalised costs.
Movements in impairments were as follows in 2022:

	At 1 January 2022	Added/released (through profit and loss)	Withdrawn/other changes	At 31 December 2022
Recognised within property inventory				
Building sites and equalisation funds	338	(5)	(20)	313
Work in progress	10	19	(4)	25
Finished goods	2	-	(1)	1
	350	**14**	**(25)**	**339**

Impairment losses are due to the fact that the net realisable value is lower than capitalised costs.
Movements in impairments were as follows in 2021:

	At 01 January 2021	Added/released (through profit and loss)	Withdrawn/other changes	At 31 December 2021
Recognised within property inventory				
Building sites and equalisation funds	400	(21)	(41)	338
Work in progress	9	3	(2)	10
Finished goods	12	(8)	(2)	2
	421	**(26)**	**(45)**	**350**

The additions to/release of the impairment losses are presented in the statement of profit and loss as part of changes in value of property inventory.



Net building sites and equalisation funds can be broken down as follows:

	2022	2021
Plots ready for development	**597**	349
Current land developments	**238**	232
Other land subject to zoning plan	**5**	12
Land not subject to zoning plan (< 5 years)	**820**	707
Land not subject to zoning plan (5-10 years)	**148**	138
Land not subject to zoning plan (> 10 years)	**5**	11
Equalisation funds	**-**	(6)
Total recognised within property inventory	**1,813**	**1,443**

Net work in progress can be broken down as follows:

	2022	2021
Residential properties in preparation and under construction	**261**	197
Commercial properties under development	**1**	2
Total recognised within property inventory	**262**	**199**

The value of unsold work in progress is reviewed annually to assess whether there is any evidence of impairment losses. A provision is formed for any potential impairment losses. Assumptions and estimates are taken into account in the assessment; for residential properties, this concerns house prices, expected margins per property and percentage of properties sold, while for commercial properties, this concerns expected developments in rent and vacancy rates (for a more detailed description, see accounting policies for property inventory). It is noted that due to current market developments, there is an increase in estimation uncertainty.
On balance, € 0 million of the provision for work in progress was released in 2022 (2021: release of € 3 million).

In 2022, an amount of € 19 million (2021: € 17 million) in interest was allocated and capitalised to work in progress. The interest rate used to determine the interest expense to be capitalised was between 1.0% and 3.6% (2021: between 1.0% and 4.0%).

Net finished goods can be broken down as follows:

	2022	2021
Residential property developments	**4**	5
Commercial property developments	**-**	2
Total recognised within property inventory	**4**	**7**

20 Contract assets

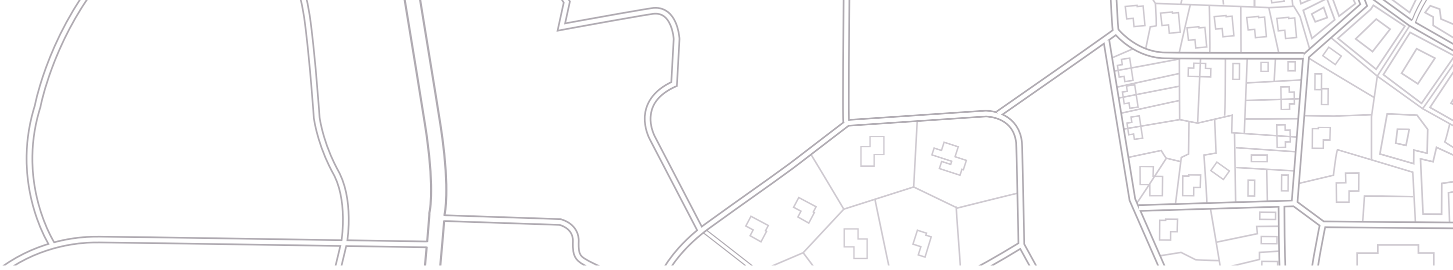
Movements in contract assets can be broken down as follows:

	2022	2021
At 1 January	**390**	**329**
Increases	**18**	369
Decreases	**(143)**	(308)
Changes during the year	**125**	**61**
At 31 December	**265**	**390**

All contract assets relate to residential construction and are expected to fall due within one year at 31 December 2022. No provisions were considered necessary at 31 December 2022 (2021: nil).

21 Trade receivables

Trade receivables consist of receivables from buyers of residential and commercial properties in the sum of € 83 million (2021: € 88 million). Receivables from construction-only debtors are ultimately settled upon legal transfer of the property, so no collateral is deemed necessary. Contract guarantees apply to full-service and commercial debtors, so that no collateral is considered required for these debtors either. The provision for bad debts amounted to € 1 million (2021: € 1 million).



22 Short-term loans and receivables

Movements in the carrying amount of short-term loans and receivables were as follows:

	2022	2021
Property development loans	**42**	49
Provision for loan losses	**-**	-
At 1 January	**42**	**49**
Loans provided	**13**	6
Repayments received	**(30)**	(45)
Interest capitalised	**1**	1
Tax provision released/(utilised)	**-**	-
Reclassified	**17**	31
Changes during the year	**1**	**(7)**
Property development loans	**43**	42
Provision for loan losses	**-**	-
At 31 December	**43**	**42**

These loans, which mainly fall due in less than one year, are made up of loans to joint venture partners or loans granted in anticipation of the purchase of land. An amount of € 31 million has been provided in the form of securities on the loans (2021: € 35 million).

At year-end 2020, no provisions for bad debts had been formed for short-term loans and receivables (2021: nil).

Of short-term loans and receivables, € 40 million consists of intercompany loans and receivables (2021: € 28 million).

23 Current tax assetss

Current tax assets can be broken down as follows:

	2022	2021
Income tax	**4**	12
VAT	**22**	53
Total current tax assets	**26**	**65**

BPD Europe B.V. and – where possible under the law – the Dutch associates in which it holds an equity interest of more than 90% are members of Rabobank's corporate income tax group.
BPD has opted to calculate the tax position independently and present it as a tax asset or liability rather than as an intercompany balance with Rabobank. Settlement of the current income tax asset will take place via Rabobank. Of the 'VAT' item at 31 December 2022, € 12 million concerns a prior-year tax asset in Germany (2021: € 38 million).

24 Prepayments and accrued income

Prepayments and accrued income can be broken down as follows:

	2022	2021
Prepayments on land purchases	**109**	134
Other prepayments and accrued income	**11**	7
Total prepayments and accrued income	**120**	**141**

25 Cash and cash equivalents

This item comprises all legal tender including foreign currencies that are available on demand.
This relates exclusively to current account balances totalling € 82 million (2021: € 113 million).

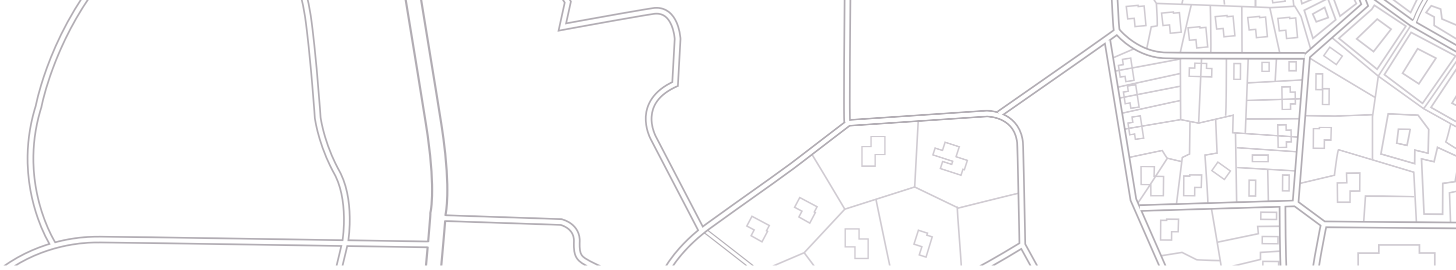
All cash and cash equivalents are freely available. Of cash and cash equivalents, € 49 million (2021: € 80 million) concerns intercompany balances.

26 Non-current assets held for sale

The assets held for sale in 2021 and 2022 relate to investment properties that meet the requirements from IFRS 5.
The investment properties recognised at year-end 2021 of € 16 million were sold in 2022.
In the 2021 financial statements, these investment properties were presented under Investment properties instead of Non-current assets held for sale. In the 2022 financial statements, the comparative figures have been changed (see Note 2.3 comparative figures/presentation change and 14 investment properties)

The assets and liabilities relating to this item can be broken down as follows:

	2022	2021
Investment property	**59**	16
Right-of-use assets	**-**	-
Cash and cash equivalents	**-**	-
Total non-current assets held for sale	**59**	16
Lease liabilities	**-**	-
Other current liabilities	**-**	-
Total liabilities held for sale	**-**	-
Balance of assets and liabilities held for sale	**59**	**16**
Result achieved on sale of investment properties	**-**	-
Total result after tax from non-current assets held for sale	**-**	**-**
Cash flow from operating activities	**16**	-
Total cash flow from non-current assets held for sale	**16**	**-**



27 Equity

The share capital amounts to € 22,510,500 (2021: € 22,510,500) and consists of 45,021 issued and paid-up shares. The shares have a nominal value of € 500 each.

For details on the reserves that must be maintained by law, see the notes to the separate financial statements.

28 Loans

This item can be broken down as follows:

	2022	**2021**
Term and money market deposits	**1,378**	1,145
Land purchase obligations	**40**	9
Call money and callable credit balances	**15**	14
Other loans	**67**	68
Total loans	**1,500**	**1,236**

Movements in the carrying amount of loans were as follows:

	2022	**2021**
At 1 January	**1,236**	**1,111**
Increases	**988**	1,036
Decreases	**(724)**	(883)
Reclassified	**-**	(28)
Changes during the year	**264**	**125**
At 31 December	**1,500**	**1,236**

Loans were presented as follows at year-end 2020:

Current (falling due in less than 1 year)	**714**	459
Non-current (falling due in more than 1 year)	**786**	777

Of loans, € 1,389 million (2021: € 1,138 million) concerns loans from related parties. The total credit facility provided by Rabobank amounts to € 1,850 billion (2021: € 1,650 million). Of this amount, € 1,350 million had been drawn down at 31 December 2022 (long and short) (2021: € 1,111 million).

An amount of € 70 million (2021: € 95 million) has a remaining maturity of more than 5 years. Loans falling due in less than one year are classified as current.
The average interest rate on non-current loans in 2022 was 3.2% (2021: 2.4%). No securities have been provided for the term deposits, call money and callable credit balances, and other loans.

29 Lease liabilities

Movements in the carrying amount of lease liabilities were as follows:

	2022	2021
At 1 January	**31**	**31**
Increases	**8**	25
Decreases	**(12)**	(27)
Interest	**-**	1
Changes during the year	**(4)**	**(1)**
At 31 December	**27**	**30**

Lease liabilities were presented as follows at year-end 2020:

Current (falling due in less than 1 year)	**6**	13
Non-current (falling due in more than 1 year)	**21**	17

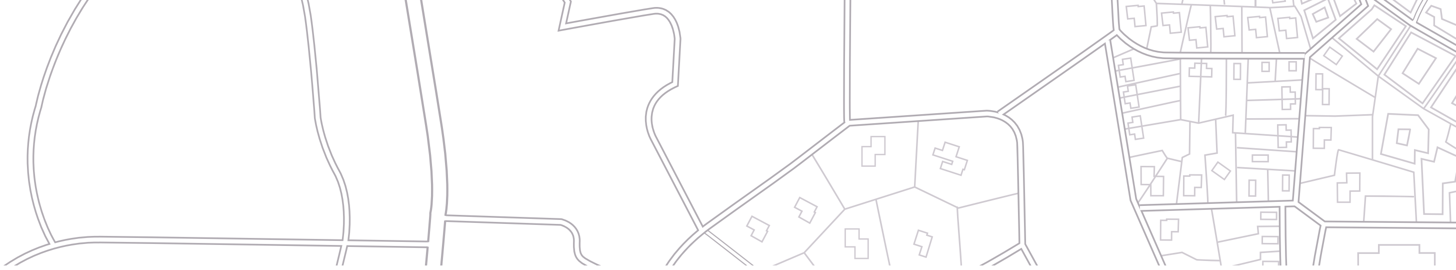
Of the lease liabilities, € 3 million falls due in more than five years (2021: € 3 million). The interest expense on the lease liabilities amounted to € 1 million in 2022 (2021: € 1 million). The lease liabilities concern the right-of-use assets (see Note 13 – Right-of-use assets and Note 20 – Property inventory).

30 Provisions

This item comprises the following short-term and long-term provisions:

	2022	2021
Provisions for joint ventures	**9**	9
Provision for land holdings and property developments*	**10**	18
Provision for employee benefits	**3**	3
Warranty fund	**20**	19
Other provisions	**19**	45
Total long-term provisions	**61**	**94**
Short-term provisions	**-**	-
Total short-term provisions	**-**	**-**
Total provisions	**61**	**94**

*€ 9 million of the provision on land and projects concerns land (2021: € 15 million) and € 1 million for buildings (2021: € 3 million).



Movements in the carrying amount of other provisions were as follows in 2022:

	Employee benefits	Joint ventures	Land holdings/ property developments	Warranty fund	Other	Total
At 1 January	**3**	**9**	**18**	**19**	**45**	**94**
Allocated and charged against profit	-	1	1	3	2	7
Released to profit	-	-	(4)	-	(35)	(39)
Withdrawn/changes in group composition	-	-	-	(2)	5	3
Other changes	-	(1)	(5)	-	2	(4)
At 31 December	**3**	**9**	**10**	**20**	**19**	**61**

Movements in the carrying amount of other provisions were as follows in 2021:

	Employee benefits	Joint ventures	Land holdings/ property developments	Warranty fund	Other	Total
At 1 January	**3**	**18**	**17**	**21**	**40**	**99**
Allocated and charged against profit	-	-	1	4	1	6
Released to profit	-	(6)	-	-	-	(6)
Withdrawn/changes in group composition	-	-	-	(2)	-	(2)
Other changes	-	(3)	-	(4)	4	(3)
At 31 December	**3**	**9**	**18**	**19**	**45**	**94**

Provision for employee benefits

This provision relates to jubilee benefits, the leave scheme for older employees and benefits to non-active employees.

The term of these provisions ranges from one to 50 years.

Provisions for joint ventures, land holdings and property developments

The term of provisions for joint ventures, land holdings and property developments depends on the development in question and ranges from approximately one to 30 years.

Warranty fund

Owners of homes developed by BPD are issued a warranty. The resulting financial obligations will be met from this fund to the extent that this warranty was issued by BPD. The average term of this provision is five years.

Other

These provisions have an average term of one to five years.

31 Contract liabilities

Contract liabilities can be broken down as follows:

	2022	2021
Residential properties (including building sites)	**252**	139
Commercial properties	**5**	38
Total contract liabilities	**257**	**177**

Movements in contract liabilities can be broken down as follows:

	2022	2021
At 1 January	**177**	**170**
Increases	**285**	237
Decreases	**(205)**	(230)
Changes during the year	**80**	**7**
At 31 December	**257**	**177**

The contract liabilities at 31 December 2022 concerned contractual performance obligations yet to be fulfilled arising from previously recognised revenue. For a breakdown of BPD's total contractual performance obligations at 31 December 2022, see Note 3 (Revenue and other income).

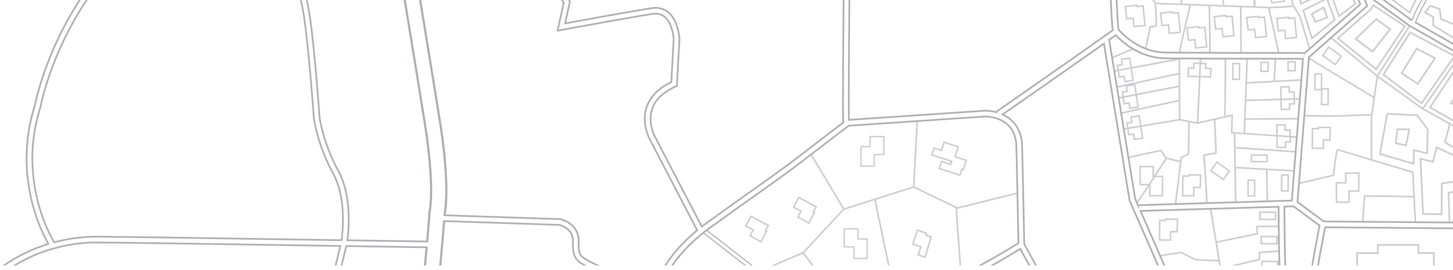
Contract liabilities amounted to € 177 million at 1 January 2022. The full amount is recognised as contract revenue in the statement of profit and loss for 2022.
Contract liabilities at 31 December 2022 are all expected to fall due within one year.

32 Current tax liabilities

Current tax assets can be broken down as follows:

	2022	2021
Income tax	**75**	82
VAT	**6**	31
Other taxes	**4**	2
Total current tax assets	**85**	**115**

The corporate income tax due by BPD within the tax group with Rabobank is settled within the group. The tax is presented as a current tax liability in the financial statements.



33 Other current liabilities

Other current liabilities can be broken down as follows:

	2022	2021
Interest payable	-	9
Other current liabilities	**70**	70
Total other current liabilities	**70**	**79**

Net interest payable consists entirely of related-party payables to Rabobank.

34 Commitments and contingencies

BPD has commitments and contingencies arising from guarantees issued and has also entered into a number of other commitments in relation to work in progress.

Commitments and contingencies can be broken down as follows:

	2022	2021
Contingencies arising from guarantees issued	**552**	484
Contingencies arising from group guarantees issued	**132**	139
Contingencies regarding land holdings	**530**	516
Commitments regarding land holdings	**75**	136
Third-party liabilities regarding residential properties	**643**	532
Third-party liabilities regarding commercial properties	**1**	20
Total contingencies	**1,933**	**1,827**

The contingencies arising from issued group and other guarantees will largely expire upon completion of the property development without leading to full or partial payment. This means that the amounts disclosed do not reflect expected future cash flows. There are no assets that have been pledged or provided as security. Joint and several liability in respect of obligations assumed by joint ventures is not disclosed unless the financial position of one or more partners so warrants. Legal claims are recognised as provisions if it is probable that the settlement will lead to an outflow of means and a reliable estimate of the expected outflow can be made.

In addition, no legal claims (2021: none) have been lodged against BDP; settlement of such claims may result in an outflow of funds, but this is not considered probable.

Conditional claims can be broken down as follows:
BPD has entered into contracts with several buyers that grant them a conditional reduction in the purchase price of their home. These buyers are expected to repay the reduction in purchase price to BPD as soon as they sell the property. The repayment depends on the sales proceeds achieved by the buyer. Combined, the purchase price reductions granted to buyers under this scheme amounted to € 11 million at 31 December 2022 (2021: € 10 million).

Joint and several liability of tax groups
Various group companies are members of the tax group for corporate income tax and VAT purposes that is headed up by Rabobank. Under the Dutch Collection of State Taxes Act, the companies and their fellow members of the tax group are jointly and severally liable for any taxes payable by the tax group.

35 Fair value

The table below shows the fair value of financial instruments (including those not recognised at fair value in the financial statements). Fair value is the price that would be received when selling an asset or that would be paid to transfer a liability in an orderly transaction between market participants on the measurement date. The loan portfolio qualifies as a financial asset.

The fair value of financial assets and liabilities is broken down in the table below:

	2022		2021	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets at fair value	2	2	2	2
Long-term loans and receivables	76	76	70	70
Short-term loans and receivables	43	43	42	42
Cash and cash equivalents	82	82	113	113
Total financial assets	**203**	**203**	**227**	**227**

	2022		2021	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Non-current liabilities	714	787	777	797
Current liabilities	786	731	459	432
Total financial liabilities	**1,500**	**1,518**	**1,236**	**1,229**

Fair value of financial assets and liabilities

The fair value of floating-rate financial assets recognised at amortised cost is assumed to correspond to their carrying amount.

The fair value of fixed-rate receivables recognised at amortised cost is calculated by discounting the contractual cash flows at the current market rate for similar loans and mortgages. The fair value of fixed-rate financial liabilities recognised at amortised cost is calculated by discounting the contractual cash flows at the current market rate of interest for similar obligations. For details on the fair value of financial assets recognised in the financial statements, see Note 2.20 (Financial assets and liabilities). Interest accrued on financial assets (at the reporting date) is included in the carrying amount of the financial assets.

The fair value of non-financial assets and liabilities such as property, equipment, prepayments and non-interest-related accruals is not included in the table.

The tables below show which accounting policies were used to determine the fair value of the financial assets and liabilities. There are three fair value hierarchy levels:

Level I Valuation based on quoted market prices;
Level II Valuation using valuation techniques based on assumptions supported by observable market data; and
Level III Valuation using valuation techniques based on assumptions not fully supported by observable market data.

Measurement of financial assets and liabilities in 2022:

	Fair value			
	Level I	**Level II**	**Level III**	**Total**
Financial assets at fair value	-	-	2	2
Long-term loans and receivables	-	76	-	76
Short-term loans and receivables	-	43	-	43
Cash and cash equivalents	-	82	-	82
Total financial assets	**-**	**201**	**2**	**203**

	Level I	**Level II**	**Level III**	**Total**
Non-current liabilities	-	787	-	787
Current liabilities	-	731	-	731
Total financial liabilities	**-**	**1,518**	**-**	**1,518**

Measurement of financial assets and liabilities in 2021:

	Fair value			
	Level I	**Level II**	**Level III**	**Total**
Financial assets at fair value	-	-	2	2
Long-term loans and receivables	-	70	-	70
Short-term loans and receivables	-	42	-	42
Cash and cash equivalents	-	113	-	113
Total financial assets	**-**	**225**	**2**	**227**

	Level I	**Level II**	**Level III**	**Total**
Non-current liabilities	-	797	-	797
Current liabilities	-	432	-	432
Total financial liabilities	**-**	**1,229**	**-**	**1,229**

The level-III financial assets at fair value relate to some equity interests in entities over which BPD has no significant influence and that are not quoted.

36 Fees as per Section 382a, Book 2, Dutch Civil Code

(in € thousands)	2022	2021
Audit of financial statements	**928**	922
Other services	**1,290**	491
Total fees	**2,218**	**1,413**

The fees relate to the services provided to the company and its consolidated entities by accounting firms and external auditors as referred to in Section 1(1) of the Dutch Accounting Firms (Supervision) Act and to the fees charged by the entire network to which the accounting firm belongs.

These fees are for the audit of the financial statements 2022, regardless of whether or not the services were provided during the reporting period. The fee PricewaterhouseCoopers Accountants N.V. charged for the audit of the financial statements 2022 was € 770,000 (2021: € 800,000).

37 Executive remuneration

The names of the members of the Managing Board, who jointly qualify as key management, are listed on page 7 of the Annual Report. In 2022, the remuneration of the Managing Board and its legal predecessors amounted to € 1.8 million (2021: € 1.8 million).

This amount, which is recognised within the employee benefits expense, can be broken down as follows:

(in € thousands)	2022	2021
Short-term employee benefits	**1,591**	1,470
Pension plans	**87**	85
Other long-term employee benefits	**130**	233
Total executive remuneration	**1,808**	**1,788**

No loans have been granted to the members of the Managing Board (2021: nil).

38 Risk management

38.1 Governance

The Managing Board of BPD bears collective responsibility for BPD's risk profile, which is determined based on a Risk Appetite Statement (RAS). The RAS defines the level of risk that BPD is willing to accept in order to achieve its objectives. Specifically, this means that the risk appetite for each risk category is determined in qualitative terms before quantitative standards are applied.
In adopting the risk appetite and risk management policy, the Managing Board is supervised by the General Meeting of Shareholders.

38.2 Financial instruments

Developing, owning and financing real estate is a capital-intensive process. For this reason, BPD's operations are determined to a large extent by the efficient and risk-aware use of a few relatively simple financial instruments. The choice of financing method is largely determined by the term for which the funds are required and by the interest rate sensitivity of the value of an investment or portfolio for which the funds are used. BPD does not use derivatives or interest rate swaps, nor does it use other, more complex financial instruments.

38.3 Measurement, benchmarks and reporting

Risk Management ensures that all relevant risks associated with operations are measured, mitigated and managed in a consistent manner. It does so by assessing the risks against the pertinent risk policy and the risk appetite. The risk policy is based on Rabobank's policy and has been formalised for market and credit risk, balance sheet risk, operational risk and product approval.
Risk management practices are reported to the General Meeting of Shareholders at least quarterly.
There is also a direct reporting line to Rabobank Risk Management. BPD's policy and position with regard to the risk categories are described in the following sections.

38.4 Market risk

Market risk is the risk that changes in market variables as a result of changes in the general economic climate will lead to gains or losses on exposures. BPD operates on the property market and – through its funding from Rabobank – on the money and capital market. For a quantification of market risk in the money and capital markets, see Note 38.5 Interest rate, currency and liquidity risks.
BPD breaks down its exposures to the property market into 'properties under development' and 'properties under management'.
Decisions to invest in or sell properties in each of these categories are made based on a layered approval structure and an assessment by experienced risk assessors. Their risk assessment will always include a Customer Due Diligence (CDD) review. BPD can approve investments within its own mandate, while approval for the most sizeable investments must be obtained from the Property Investment Commission (Dutch acronym: VIC). This approval structure is evaluated annually.

Market risk associated with property

Decreases in value on the property market have an immediate effect on BPD's direct property holdings, i.e. its land portfolio, unsold properties under construction, unsold but completed properties and properties in operation. On 31 December 2022, these 'direct' property holdings amounted to € 2,349 million (2021: € 1,871 million).

Market risk associated with financial assets

BPD also owns 'indirect' property because, where appropriate, it participates in investment funds with property as collateral. At 31 December 2022, this portfolio of investments amounted to € 2 million (2021: € 2 million). Participations in funds for which there is no active market are measured based on net asset value.

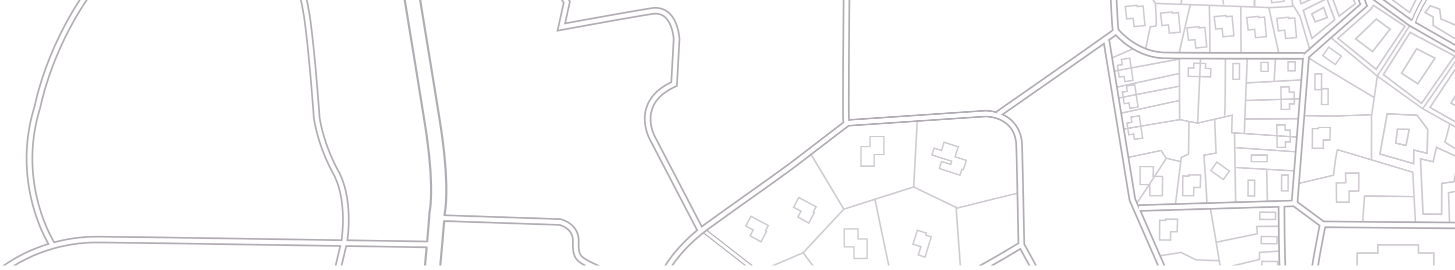
38.5 Interest rate, currency and liquidity risks

Interest rate risk

Interest rate risk is the risk of changes in a company's earnings or enterprise value as a result of fluctuations in interest rate markets. Interest rate risk can be quantified in terms of value and income effects. The sensitivity of the value of BPD's equity to interest rate fluctuations is expressed in the modified duration of equity. BPD is aware of the assumptions underlying the calculations. For this reason, the main focus lies on developments in this figure from month to month, keeping the approved assumptions as constant as possible. The modified duration of equity on 31 December 2022 was 2.4 (2021: 2.0). For the position at 31 December 2022, a parallel rise of 100 basis points in the yield curve would lead to a reduction of € 23 million in the value of equity (2021: € 20 million). A duration limit has been set for this change in value. BPD remained well below that limit.

Currency risk

Currency risk is the risk that the exchange rate of a foreign currency changes such that the value of an asset or liability denominated in that foreign currency shows an adverse change. At 31 December 2022, BPD's exposure to foreign exchange positions was very low (the same applied at year-end 2021).



The interest margin and other gains and losses subject to currency fluctuations are not material. Therefore, currency fluctuations are not hedged.

Liquidity risk

Liquidity risk is the risk that BPD may be unable to duly meet its payment obligations. These may include interest and repayment obligations on current liabilities, as well as property-related investments, such as stage payments in the property development business. BPD takes out loans from Rabobank, which has good access to money and capital markets thanks to its credit rating. Each year, the funding requirement for the coming year is calculated based on which a limit is agreed with Rabobank. At 31 December 2022, more than 90% of short- and long-term loans consisted of liabilities to Rabobank. The credit facility provides sufficient room to refinance current liabilities.

Analysing the refinancing obligation requires an understanding of cash flows. In addition to the principal amounts and accrued interest on the liabilities, future coupon payments also contribute to an understanding of BPD’s liquidity position. The table below provides a breakdown (undiscounted) of all these liabilities with respect to BPD's financial instruments into liquidity-related maturities on the basis of the remaining period at the reporting date until the first reasonable contractual maturity date.

Contractual maturity date of financial liabilities at 31 December 2022:

Liabilities	**Payable on demand**	**Less than 3 months**	**3 months-1 year**	**1-5 years**	**More than 5 years**	**Total**
Long-term loans	-	-	-	716	70	786
Lease liabilities	-	1	5	14	7	27
Short-term loans	15	155	544	-	-	714
Total financial liabilities	**15**	**156**	**549**	**730**	**77**	**1,527**

Contractual maturity date of financial liabilities at 31 December 2021:

Liabilities	**Payable on demand**	**Less than 3 months**	**3 months-1 year**	**1-5 years**	**More than 5 years**	**Total**
Long-term loans	-	-	-	682	95	777
Lease liabilities	-	8	5	14	3	30
Short-term loans	14	56	389	-	-	459
Total financial liabilities	**14**	**64**	**394**	**696**	**98**	**1,266**

38.6 Credit risk

Credit risk is the risk that BPD incurs losses as a direct result of default by the counterparty. Credit risk is subject to a layered approval structure and determined based on an assessment by experienced risk assessors.
In addition to assessing credit risks, BPD has set up robust processes governing CDD regulations.

Maximum credit risk exposure
The table below shows the maximum credit risk exposure per financial asset. The exposures are shown without the mitigating effects of netting agreements and collateral provided. The amounts below correspond to the carrying amounts of the assets presented, as that amount best reflects the maximum credit risk position. The table covers financial assets only.

Maximum credit risk exposure:

	2022	2021
Long-term loans and receivables	**76**	70
Short-term loans and receivables	**43**	42
Total maximum exposure on outstanding loans and receivables	**119**	**112**

Credit risk concentration in the residential property sector is inherent in BPD's operations and market position.

Securities
BPD provides loans to special-purpose entities in which it has an equity interest. It is BPD's policy to demand appropriate collateral before loans are provided.
The main type of security BPD accepts is mortgage collateral. Developments in the value of the property received as collateral are part of a review policy in which all aspects of a loan disbursement that contribute to the credit risk are reviewed on a regular basis. BPD also receives securities in the form of guarantees. These usually concern counter-guarantees obtained from joint venture partners to offset part of a guarantee provided by BPD to the joint venture's counterparty.

Credit quality
In most cases, BPD's loan portfolio consists of loans to entities managed by BPD itself, such as property companies in which BPD undertakes property development activities with a partner and whose financial accounts are kept by BPD. This means that BPD has a much better and more timely understanding of the borrower's financial situation than if the loan had been granted to an entirely external party, as a bank does.

Quality of outstanding loans:

Financial assets	Not past due, not impaired: Extremely high quality	Not past due, not impaired: High quality	Not past due, not impaired: Standard quality	Impaired	Total
Long-term loans and receivables	17	-	59	-	76
Short-term loans and receivables	2	-	41	-	43
At 31 December 2022	**19**	**-**	**100**	**-**	**119**

Financial assets	Not past due, not impaired: Extremely high quality	Not past due, not impaired: High quality	Not past due, not impaired: Standard quality	Impaired	Total
Long-term loans and receivables	3	-	67	-	70
Short-term loans and receivables	16	-	26	-	42
At 31 December 2021	**19**	**-**	**93**	**-**	**112**

In 2022 and 2021, there were no outstanding loans that had matured but had not been impaired.

The carrying amount of impaired loans before impairment was nil (2021: nil). The fair value of the collateral provided for impaired loans was nil (2021: € nil). All collateral involved real estate.

38.7 Operational risk

BPD defines operational risk as the risk of losses caused by inadequate or failing internal processes, people and systems, or by external events. This includes measuring the effects of gaps relating to going concern, information security, legal affairs, tax affairs, compliance, governance and reputation management.

BPD limits these risks by applying unambiguous and concrete policies and logical procedures to its business processes. Risks associated with business operations are periodically identified and translated into risk indicators that allow BPD to monitor the level of risk. The procedures for identifying operational risks, establishing controls and testing the effectiveness of these controls for business operations in the broadest sense have been formalised in a Business Control Framework.

Dashboards are compiled quarterly to provide insight into gaps in testing controls within the business processes, the position of risk indicators and the classification of operational incidents. They also provide an understanding of BPD's operational risk appetite, the quality of the operational risk management framework and the impact of the quality in terms of economic capital for operational risks. The management information includes attention to non-financial risks and the associated risk appetite of BPD.

39 Related parties

BPD's related parties are its subsidiaries, joint ventures, associates and
executive directors (see Note 36 – Executive remuneration), ultimate parent company Rabobank and other key associates of Rabobank.

BPD engages in some related-party transactions in its normal course of business. These transactions take place at arm's length and at market rates. In accordance with IAS 24.4, BPD's intragroup transactions are not disclosed in the consolidated financial statements. No provisions for bad debts were formed for related-party loans in 2022 and 2021.

The table below breaks down the transactions that took place in 2022 and 2021, as well as any intercompany balances at year-end 2022 and 2021 between BPD on the one hand and Rabobank, the joint ventures, associates and other related parties on the other.

	Year	Sold to related parties	Purchased from related parties	Receivable from related parties	Payable to related parties
Related parties					
Rabobank*	2022	-	29	49	1,384
Rabobank*	2021	-	22	80	1,138
Joint ventures	2022	31	78	102	4
Joint ventures	2021	42	60	87	10
Other related parties**	2022	137	-	2	-
Other related parties**	2021	59	-	1	-

* The amounts presented in the columns 'sold to' and 'purchased from' Rabobank relate to interest income and expense on loans and receivables from Rabobank. In addition to the above amounts, € 100 million in dividend was paid to Rabobank in 2022 (2021: € 100 million).

** Other related parties include affiliated property companies and various Rabobank associates, such as Achmea, and the BPD Residential Core Fund.

40 Events after the reporting date

No events with an impact on the financial statements 2022 have taken place after the reporting date.
With effect from 1 July 2023, J.C. Kreikamp, CFRO BPD Europe will leave BPD after 30 years of service. The search for a successor has now begun. Mr Kreikamp will hand over his duties to the other members of the Managing Board.

41 Profit appropriation for 2022

The profit of € 126 million (2021: € 169 million) has been added to equity.

Company financial statements

Accounting policies

The company financial statements of BPD have been prepared in accordance with the statutory provisions of Part 9 of Book 2 of the Dutch Civil Code. BPD prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The same accounting policies have been applied in the company financial statements as in the consolidated financial statements, in accordance with the option provided by Section 362.8 of Part 9 of Book 2 of the Dutch Civil Code.

Subsidiaries and entities over which joint control is exercised (together referred to as 'group companies') are stated at net asset value, which is determined based on IFRS as endorsed by the EU. Pursuant to the option provided in Section 402, Part 9 of Book 2 of the Dutch Civil Code, BPD has published a condensed statement of profit and loss in its company financial statements

Basis of preparation

The financial statements are presented in euros, rounded to the nearest million, unless stated otherwise. The euro is BPD's reporting and functional currency.

Company statement of profit and loss

(in € millions)	*Year ended 31 December* 2022	2021
Share of profit/(loss) of associates after tax	**135**	179
Other profit/(loss) after tax	**(9)**	(10)
Profit/(loss) for the year	**126**	**169**

Company statement of financial position (before profit appropriation)

(in € millions)	Note	2022	2021
		At 31 December	
Non-current assets			
Property, plant and equipment		**1**	1
Associates	A	**814**	819
Right-of-use assets		**9**	9
Long-term loans and receivables	B	**1,719**	1,417
Deferred tax assets		**2**	2
		2,545	**2,248**
Current assets			
Prepayments and accrued income		**-**	1
Cash and cash equivalents	C	**-**	12
		-	**13**
Total assets		**2,545**	**2,261**
Equity	D		
Share capital		**23**	23
Share premium reserve		**468**	468
Statutory reserve for associates		**80**	104
Other reserve		**398**	305
Available for profit appropriation		**126**	169
		1,095	**1,069**
Non-current liabilities			
Non-current liabilities	E	**763**	716
Lease liabilities		**7**	8
Long-term provisions		**5**	4
		775	**728**
Current liabilities			
Current liabilities	E	**630**	406
Short-term provisions		**-**	-
Lease liabilities		**2**	2
Current tax liabilities		**38**	42
Other current liabilities		**5**	14
		675	**464**
Total liabilities		**1,450**	**1,192**
Total equity and liabilities		**2,545**	**2,261**

Notes to the company statement of financial position

A Associates

Movements in the carrying amount of associates and joint ventures were as follows:

(in € millions)	2022	2021
Associates (asset item)	**819**	759
Associates (recognised within provisions for joint ventures)	**(1)**	-
At 1 January	**818**	**759**
Investments	**-**	-
Divestments	**-**	-
Profit/(loss)	**135**	179
Dividends/return of capital	**(139)**	(120)
Changes during the year	**(4)**	**59**
Consisting of:		
Associates (asset item)	**815**	819
Associates (recognised within provisions for joint ventures)	**(1)**	(1)
At 31 December	**814**	**818**

B Long-term loans and receivables

This item comprises all receivables from group companies that have a term of more than one year. At year-end 2022, an amount of € 1,719 million had been provided to group companies in the form of loans (2021: € 1,417 million). The loans are subject to a floating rate of interest.
The average interest rate for 2022 was 0.75% (2021: 1.16%). Given the floating market interest rate on the loans, the fair value corresponds to the carrying amount.

C Cash and cash equivalents

Cash and cash equivalents comprise all legal tender including foreign currencies that are freely available.

D Equity

At 31 December 2022, there is a statutory reserve for associates of € 80 million (2021: € 104 million) for positive results from associates and direct capital gains for which distribution cannot be achieved.

Profit appropriation

Ahead of the adoption of the financial statements by the General Meeting of Shareholders, the Managing Board proposes to add the profit for 2022 of € 126 million to the general reserve and to distribute a dividend of € 100 million from the other reserves.

Movements in equity can be broken down as follows:

(in € millions)	Share capital	Share premium reserve	Available for profit appropriation	Statutory reserve for associates	Other reserves	Total equity
At 1 January 2022	**23**	**468**	**169**	**104**	**305**	**1,069**
Added to profit/(loss)	-	-	(169)	-	169	-
Profit/(loss) for the year	-	-	126	-	-	126
Other comprehensive income after tax	-	-	-	-	-	-
Total comprehensive income for the year	**23**	**468**	**126**	**104**	**474**	**1,195**
Dividend distribution*	-	-	-	-	(100)	(100)
Other changes	-	-	-	(24)	24	-
At 31 December 2022	**23**	**468**	**126**	**80**	**398**	**1,095**
At 1 January 2021	**23**	**468**	**162**	**43**	**304**	**1,000**
Added to profit/(loss)	-	-	(162)	-	162	-
Profit/(loss) for the year	-	-	169	-	-	169
Other comprehensive income after tax	-	-	-	-	-	-
Total comprehensive income for the year after tax	**23**	**468**	**169**	**43**	**466**	**1,169**
Dividend distribution*	-	-	-	-	(100)	(100)
Other changes	-	-	-	61	(61)	-
At 31 December 2021	**23**	**468**	**169**	**104**	**305**	**1,069**

*The dividend payment per share in 2022 was € 2,221 (2021: €2,221).

E Current and non-current loans

These items mainly comprise loans from group companies. The average interest rate on these loans in 2022 was 1.53% (2021: 2.04%). No securities have been provided.

F Commitments and contingencies

The company is a member of the tax group for corporate income tax and VAT purposes that is headed up by Rabobank. Under the Dutch Collection of State Taxes Act (*invorderingswet*), the company and its fellow members of the tax group are jointly and severally liable for any taxes payable by the tax group.

G Events after the reporting date

No events with an impact on the financial statements 2022 have taken place after the reporting date.
With effect from 1 July 2023, J.C. Kreikamp, CFRO BPD Europe will leave BPD after 30 years of service. The search for a successor has now begun. Mr Kreikamp will hand over his duties to the other members of the Managing Board.

Principal group companies

Unless otherwise stated, BPD wholly owns the group companies

BPD's principal group companies are listed below:

BPD Ontwikkeling B.V., Amsterdam, the Netherlands
BPD Immobilienentwicklung GmbH, Frankfurt am Main, Germany

A complete list of all group companies as prescribed in Sections 379 and 414, Part 9 of Book 2 of the Dutch Civil Code has been filed with the Chamber of Commerce.

Pursuant to Section 403, Part 9 of Book 2 of the Dutch Civil Code, a significant number of BPD's Dutch group companies are exempt from filing their financial statements with the Chamber of Commerce. General guarantees have been issued for these group companies.

Amsterdam, 8 May 2023
BPD Europe B.V.

Original signed by:
Ir. W.P. de Boer, CEO
Drs. J.C. Kreikamp, CFRO (until 30 June 2023)
Mr. G. Voorhorst, COO

Independent auditor's report

To: the general meeting of BPD Europe B.V.

Report on the financial statements 2022

Our opinion

In our opinion:

- the consolidated financial statements of BPD Europe B.V. ('the Company') give a true and fair view of the financial position of the Company and the Group (the company together with its subsidiaries) as at 31 December 2022, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code.
- the company financial statements of BPD Europe B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2022 and its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2022 of BPD Europe B.V., Amsterdam, the Netherlands ('the company'). The financial statements comprise the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the following statements for 2022: the consolidated statement of profit and loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2022;
- the company statement of profit and loss for the year then ended;
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of BPD Europe B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence

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regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Information in support of our opinion

We designed our audit procedures with respect to fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, such as our findings and observations related to the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Audit approach 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 BPD Europe B.V. and its environment and the components of the internal control system. This included the Managing Board's risk assessment process, the Managing Board's process for responding to the risks of fraud and monitoring the internal control system. We refer to section 'Risk Management' paragraph "Fraud Risk" of the management report for the Management Board's fraud risk assessment.

We evaluated, with regards to the risk of material misstatement due to fraud, the design and implementation of internal controls, including the Managing Board's fraud risk analysis as part of the Systematic Integrity Risk Analysis (hereinafter: SIRA) prepared by the Managing Board, the Code of Conduct, registration compliance notifications and Business Partner Due Diligence registration, and to the extent we considered necessary for our audit, tested the operation of these internal control measures.

We have requested information from members of the Managing Board, the directors of BPD Ontwikkeling B.V. and of BPD Immobilienentwicklung GMBH, the Compliance Department and Group Finance as to whether they are aware of any actual, alleged or suspected fraud. This did not result in signals of actual, alleged or suspected fraud that may lead to a material misstatement..

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. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Identified fraud risks

The risk of management override of controls.
Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. That is why, is all our audits, we pay attention to the risk of management override of controls.

In this respect, we gave specific consideration to:
- the appropriateness of journal entries and other adjustments made in the preparation of the financial statements;
- possible bias in estimates made by the Management Board; and
- significant transactions, if any, that are outside the normal course of business for the Company.

Our audit work and observations

Where relevant to our audit, we evaluated the design and implementation of internal control measures that are intended to mitigate the risk of management override of controls and tested the operational effectiveness of the controls in the processes of generating and processing journal entries, accounting estimates. We also paid attention to the access safeguards in the IT system and the possibility of them leading to breaches of segregation of duties. We concluded that we could rely on the internal control procedures relevant to this risk as part of our audit.

We selected journal entries based on risk criteria and performed specific audit procedures on these entries.

With regard to the potential management bias in making estimates, we paid specific attention to the valuation of the building sites inventory and specifically with regard to unjustified non-reversed impairments of the building sites inventory. A specific fraud risk has been identified for this purpose. As part of the risk of fraud in revenue recognition, we paid specific attention to the estimates underlying the over-time revenue recognition of full-service projects.

We did not identify any significant transactions outside the ordinary course of business.

Our work did not reveal any indications of fraud or suspicions of fraud with respect to management override of controls.

Identified fraud risks

The risk of fraud in revenue recognition due to under-recognised revenue in a cut-off period in the Netherlands and inaccurate recognised revenue in Germany.

As part of our risk assessment and based on the presumption that there are risks of fraud in revenue recognition, we evaluated which revenue transactions give rise to a risk of fraud in revenue recognition.

Revenue is a key variable in budget realisation. We related this to the economic situation during the year and the outlook. On this basis, we concluded that the management of BPD Ontwikkeling B.V. could have a tendency to delay revenue recognition until 2023. This fraud risk relates specifically to revenue from split purchase/contracting agreement for construction-only (in Dutch: GKA).

In Germany, BPD has mainly full-service projects. 'Overtime' revenue is recognised for this. Project progress is based on the costs incurred compared to the total
development costs. This is a significant estimate which creates a risk of fraude in revenue recognition by the management for BPD Immobilienentwicklung GmbH.

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Our audit work and observations

Where relevant to our audit, we evaluated the design and implementation of internal control measures and tested the effective operation of those measures with respect to revenue recognition. We also paid attention to the access safeguards in the IT system and the possibility of them leading to breaches of segregation of duties. We concluded that we could rely on the internal control procedures relevant to this risk as part of our audit.

For BPD Ontwikkeling B.V., we tested for a sample of GKA revenue the timing of revenue recognition by reconciling to the underlying transport documentation. We also investigated whether credit notes in the current financial year give an indication of a possible shift in sales to 2023.

On the manual revenue entries, we specifically performed data analysis to identify anomalous revenue entries in the last period of the financial year, focusing on journal entries with a revenue reducing effect. These journal entries may be indicative of revenue shifting to 2023. In addition, we performed data analysis on the manual journal entries in January 2023 with a revenue-increasing effect. We reconciled identified manual journal entries to underlying transport documentation.

For BPD Immobilienentwicklung GmbH's,we reconciled a selection of revenue journal entries to underlying records. In doing so, we assessed the reasonableness of the total cost estimate to reach project completion and evaluated the revenue accounted for against project progress. We, among others, used delivery documents, substantiation for costs incurred and cost projections related to the projects.

Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to the revenue recognition.

Identified fraud risks	Our audit work and observations
The risk of fraudulent financial reporting as a result of unjustified non-reversal of cumulative impairments of building sites inventory. Impairment losses on inventory arise because the net realisable value is lower than the capitalised costs. The net realisable value of building sites is an estimate based on various assumptions that are subjective in nature. Management is in a unique position to influence the outcome of the estimated value. This fraud risk relates specifically to unjustified non reversal of cumulative impairments on building sites.	Where relevant to our audit, we evaluated the design and implementation of internal control measures and tested the effective operation of those measures with respect to the valuation of the building sites inventory. We also paid specific attention to access security in IT systems. We performed specific audit procedures on the significant assumptions in the valuation of building sites inventory. For a risk-based selection of impaired building sites, we tested the acceptability of the assumptions used to determine impairment. We have involved our internal real estate valuation experts in the assessment of the significant assumptions. Our work did not result in any specific evidence of fraud or suspicions of fraud in respect of unjustified non-reversal of cumulative impairments on building land.

We incorporated an element of unpredictability into our audit. We also took note of lawyers' letters and remained alert to indications of fraud during the audit. We also assessed the outcome of other audit procedures and considered whether there were any findings indicative of fraud or non-compliance with laws and regulations. Whenever we identify any indications of fraud, we re-evaluate our fraud risk assessment and its impact on our audit procedures.

Audit approach to going concern

As disclosed in the section '2.2 Going concern' on page 48 of the consolidated financial statements, the Managing Board has carried out its going concern assessment for at least 12 months from the date of preparation of the financial statements and has not identified any events or circumstances that may cast reasonable doubt on the entity's ability to continue as a going concern (hereinafter: going concern risks).

Our procedures to evaluate the Managing Board's going concern assessment includes:

- Considering whether the managing board's going concern assessment contains all relevant information of which we are aware as a result of our audit and inquiring with Management Board regarding its most important assumptions and judgements.
- Evaluating the budgeted operating results and related cash flows for at least 12 months from the date of preparation of the financial statements taking into account industry developments such as increased interest rates and inflation and transaction and sales price expectations and all relevant information of which we are aware as a result of our audit.

- Analysing whether the current and required funding to continue the entire business is secured, including compliance with relevant covenants.
- Performing inquiries of the Management Board as to their knowledge of going concern risks beyond the period of Management Board’s assessment.
- Our procedures did not result in outcomes contrary to management’s assumptions and judgments used in the application of the going concern assumption.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor’s report thereon.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains all the information regarding themanagement report and the other information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our 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 such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Managing Board

The Managing Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and 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 frameworks 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 in the financial statements any event and circumstances that may cast significant doubt on the Company’s ability to continue as a going concern.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They 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 the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Utrecht, 8 May 2023
PricewaterhouseCoopers Accountants N.V.

Original Dutch version signed by:
T.M.B. van de Lagemaat RA

Appendix to our auditor's report on the financial statements 2022 of BPD Europe B.V.
In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements.
We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

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

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Managing Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Provisions in the Articles of Association governing profit appropriation

The provisions in the Articles of Association governing profit appropriation read as follows:

Article 7.3 Profit and loss

The General Meeting of Shareholders is authorised to appropriate the profit as disclosed in the financial statements and to decide on the payment of any dividends, in so far as the equity exceeds the reserves that must be maintained by law. In calculating the amount to be distributed on each share, allowance will be made only for the amount of the compulsory payments on the nominal value of the shares.

The General Meeting may resolve to depart from the provisions of the first sentence of this paragraph.
A resolution to distribute the profit will have no effect until approved by the Managing Board.
The Managing Board will withhold its approval only if it knows or should reasonably foresee that such distribution will prevent the company from continuing to pay its debts.

Colophon

Published by
BPD Europe B.V.

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This is the annual report of BPD Europe B.V.
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Disclosure
After adoption, the Dutch version of the 2022 financial statements, the management report and the other information will be filed with the Business Register of the Chamber of Commerce under number 08024283.