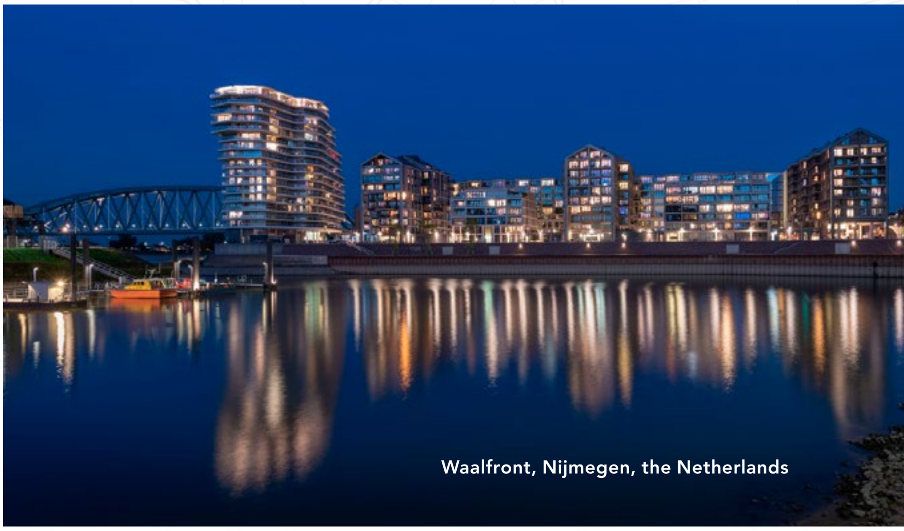
Ingelheimer Gärten, Darmstadt, Germany

Annual Report 2019

Holland Park West, Diemen, the Netherlands



Waalfront, Nijmegen, the Netherlands

bpd

bouwfonds property development

Tramlofts, Nürnberg, the Netherlands

Kwartier Werk, Köln, Germany

Steenbrugge, Deventer, the Netherlands

Annual Report 2019

BPD Europe

bpd
bouwfonds property development

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

Annual Report

2019

BPD Europe

Message from the CEO

2019 turned out to be a special year for BPD Europe. It was a year in which we managed to achieve robust financial and operating results, both in the Netherlands and in Germany. In total, BPD conducted nearly 6,500 residential property transactions in hundreds of property developments and subdevelopments, spread over more than 230 municipalities in the Netherlands and Germany. We have developed more than 356,000 residential properties since 1946, the year in which our organisation was founded.

2019 was a memorable year for BPD for other reasons as well. We were awarded a number of prestigious public procurement tenders in the Netherlands and Germany, but we were also faced with the Dutch Council of State's rulings on **nitrogen pollution (PAS)** and **PFAS soil contamination**. Unfortunately, this resulted in ambiguity and delays in the Dutch **housing market**, which was **heated** enough as it was. Construction output in both countries was exposed to threats that will continue in 2020.

In Germany, this mainly involves limited building capacity and rising construction costs, while cancellation of, and delays in, building plans are causing problems in the Netherlands. More and more objections are being filed against zoning plans. There are virtually no alternatives to increasing construction output and placing more focus on **affordability**. There are simply **not enough locations** on offer for residential construction. And when locations are eventually being offered, their development is subject to a **multitude of ambitions**, which only result in delays or postponement. The latter effectively goes for both the Netherlands and Germany.

The models for increasing urban density proved unsustainable in the past year as well. Complex and protracted zoning procedures and high acquisition and construction costs drive up rental and sale prices such that large groups of potential house buyers are **denied access to the market**. In the Netherlands, more than 50% of potential house buyers are in the market for a property with a purchase price of less than € 270,000 all-in. As it stands, the average purchase price of a new-build is € 390,000 (source: Statistics Netherlands, October 2019). To meet demand, construction output must be scaled up drastically. This means opening options for **larger area developments** similar to those that were decreed earlier in the Dutch Third and Fourth Policy Documents on Spatial Planning.

The **need for** scaling up **construction output of residential properties** has been demonstrated: the numbers of potential house buyers in the Netherlands and Germany have never been higher. The German authorities now acknowledge that the policy of spatial concentration did not meet expectations. A number of large cities, such as Berlin, Hamburg and Cologne, have now opted for building on greenfield land (in German: *bauen auf der Wiese*).

We may be happy with BPD's financial performance in 2019, but we realise all too well that we still have a long way to

Waalfront, Nijmegen, the Netherlands

go. For many, it has become increasingly difficult to find appropriate housing. The pressure on the market has intensified even more over the past year. The term 'housing shortage' has been dusted off in the Netherlands. Middle-income earners, i.e. people earning between once and twice the median household income, especially are being left out in the cold.

But we are working to remedy this. For us, 2019 was characterised above all by the return to our roots and to our mission: providing affordable housing to everyone. We created **BPD Woningfonds** at the end of 2019. We see this unique fund as a platform that will help us develop financial products going forward. We will initially add 15,000 mid-price, sustainable rental properties to the Dutch housing market over the coming years. These will be affordable rental apartments and single-family homes that will remain available to middle-income households for the long term. This will also form the basis for a potential expansion of the fund to Germany in a few years' time.

We see it as our mission to help achieve **structural affordability and availability** of residential properties and will actively pursue this ambition in 2020 as well. BPD Woningfonds is just one expression of our ambition. We will also maintain our focus on **growth in the Netherlands and Germany**, our home markets. In 2020, we will continue tirelessly to work on urban renewal to accommodate the trend of migration to cities. We will continue to operate in urban expansion areas and in outskirts, and are pioneers in sustainable area development. In this process, BPD will harness all digital and technological advances to find adequate and contemporary ways of achieving the residential construction targets for the next few years. We seek to be leading the pack in 2020 as well: in terms of quality, offering, our approach to the market and our sense of social responsibility. This demands a lot from us: expertise, learning capacity and external awareness. Above all, this calls for **partnerships**, between market players and especially between the **government agencies and the private sector**.

The competition for space is intense: agriculture, housing, climate, the energy transition and nature are all vying for a slice of the available space. It is up to politics to make **fundamental spatial choices**.

We will continue to focus on creating inclusive living environments. We develop residential properties that encompass physical, spatial and social dimensions. BPD has built up the required capacity to accomplish that major spatial planning ambition. We will increasingly take control of fully serviced area developments.

In the years ahead, we will continue to build vigorously on what we have achieved in recent years. Our performance would not have been possible without the tremendous commitment of all our staff. I would like to take this opportunity to thank them wholeheartedly for their great enthusiasm and boundless energy.

The world has recently fallen victim to an outbreak of the coronavirus (COVID-19). The fallout of this outbreak was an unknown factor when this Annual Report went to press. There is no doubt that the health crisis will have an adverse effect on our financial results as well as on the global economy. That said, BPD has built up sufficient reserves to weather this storm. That is why I look forward to 2020 with confidence.

Walter de Boer
CEO BPD

BPD Europe in 2019

Key data

Profit for the year	€ 116 million
Return on equity	12%
Number of residential property transactions	6,471

Hollandpark West, Diemen, the Netherlands

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 (Director of Legal & Compliance).

W.P. (Walter) de Boer
CEO

J.C. (Carl-Jan) Kreikamp
CFRO

G. (Gea) Voorhorst
Directeur Legal & Compliance

A group-wide management team has been formed for the Dutch operations. This team consists of the members of the Managing Board, the regional directors and the BPD corporate support services directors.

With effect from 1 January 2019, the Germany operations have been headed up by Mr F.-J. (Franz-Josef) Lickteig (*Geschäftsführer/Sprecher*), Mr R. (Raymond) van Almen (*Geschäftsführer*) en Mr A. (Alexander) Heinzmann (*Geschäftsführer*).

Delegated General Meeting of Shareholders

- Mr. J.L. (Jan) van Nieuwenhuizen
- Mr. J.J. (Jan) Bos

Outside advisers

- Ms. C.M. (Cindy) van de Velde-Kremer
- Mr. H. (Hans) de Jonge

About BPD

BPD, which stands for Bouwfonds Property Development, is the largest area developer of new residential areas in the Netherlands and Germany. Since our establishment in 1946 under the name of Bouwspaarkas Drentsche Gemeenten, BPD has facilitated the construction of about 356,000 houses. We are proud to say that, today, more than 1 million people live in residential areas that we have helped to develop. We operate based on our social belief that everyone is entitled to a comfortable home in a pleasant living environment. We will continue to pursue our ambition of providing affordable and comfortable housing for many generations to come. BPD works from more than 20 offices in the Netherlands and Germany. We lead the market in both countries.

Our operations are based on three pillars:

1 We develop fully serviced areas

The 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 houses. It is BPD's ambition to create high-quality residential environments.

Building density in urbanised areas and transformation of occupied and vacant properties will continue to play a key role in achieving the housing mission over the coming period. It does not go without saying that these solutions will be sufficient to meet the demand for housing. Thanks to continuous applied market research and in-depth client contacts, 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 and in the countryside. We can only meet this demand if we develop fully serviced areas, in which the social mission, the common interest and individual housing requirements come together. Together with our partners, we always seek to strike a balance between all those individual interests so as to achieve the best overall result. Given today's vast and complex building landscape, we believe that our fully serviced approach offers the best opportunities for the successful development of cities and areas.

2 We are committed to sustainable and responsible development

Long-term vision

BPD's ambition is to contribute to making society more sustainable. The energy transition, the circular economy, climate change adaptation and health and well-being in the built environment are our guiding principles, both in transforming urban areas and in developing new-builds. Sustainable area development requires a broad, all-encompassing and expert perspective. Our continuous focus is on how the customer ultimately plans to use the property. That is why BPD works in close collaboration with municipal authorities to come up with climate-proof solutions. We link sustainable product applications to personal gains for residents, such as lower housing costs thanks to 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 urbanised areas. We see it as our social mission to provide affordable housing and to ensure that housing remains affordable, both now and in the future. That is why we created BPD Woningfonds at the end of 2019. The fund invests in sustainable, affordable apartments and single-family homes for middle-income earners.

Through BPD Woningfonds, we actively contribute to the ambitions of municipalities and housing associations to give more people access to affordable housing. That is more important now than ever before, because more and more people are moving to the city. This trend towards urban living is not only prevalent in the Netherlands and Germany, but it is visible in the rest of Northwest Europe as well. Demographic and economic trends have caused demand for housing to exceed supply, which has far-reaching consequences for the affordability of housing. Germany has now embraced a conglomeration policy, thereby creating physical space for further development. By contrast, the Netherlands is pursuing a concentration policy, which has highly adverse effects on prices, the supply volume and, above all, lead times.

Organisation chart at 31 December 2019

BPD Europe B.V.

- BPD Ontwikkeling B.V.
- BPD RCF Fundmanagement B.V.
- BPD Immobilienentwicklung GmbH

The Netherlands

BPD Ontwikkeling B.V.

4 regional offices +

1 local office

Head office in **Amsterdam**

Year of establishment: 1946

Germany

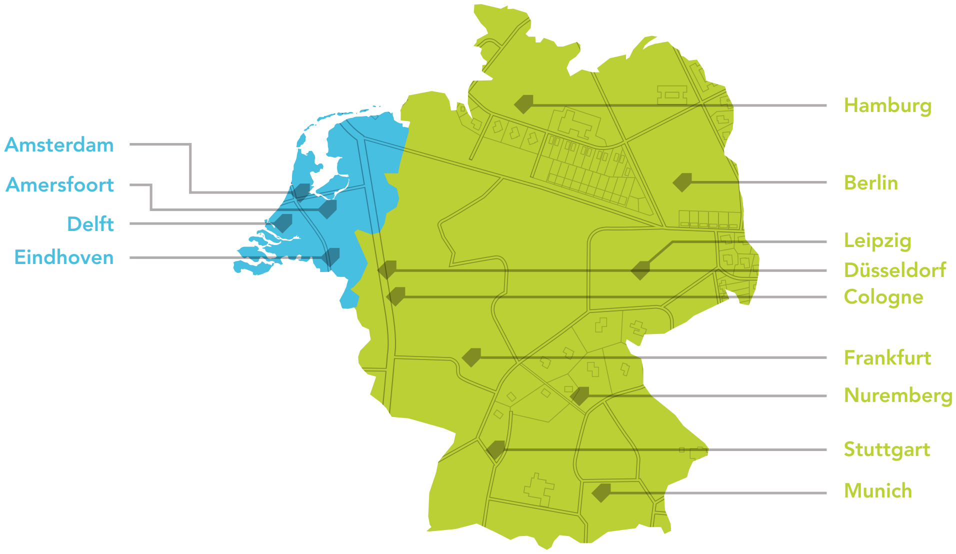
BPD Immobilienentwicklung GmbH

9 regional offices +

6 local offices

Head office in **Frankfurt**

Year of establishment: 1993



The Netherlands

BPD Ontwikkeling B.V.

Northwest Region
Amsterdam
Mr. H.H. (Harm) Janssen, Regional Director

Northeast & Central Region
Amersfoort & Zwolle
Mr. F.A. (Frans) Holleman, Regional Director
Mr. N.J.T. (Niels) Bossink, Regional Director

Southwest Region
Delft
Mr. PMr .B.J.M. (Patrick) Joosen, Regional Director
Mr. W.K. (Wim) de Haas, Regional Director

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

BPD RCF Fundmanagement B.V.
Mr. T.H. (Tak) Lam, Funddirector
Mr. S.S. (Stanley) Slatérus, Director of Finance and Risk

Germany

BPD Immobilienentwicklung GmbH

North Region
Hamburg
Mr. M. (Marko) Pabst, Regional Director

East Region
Berlin
Mr. C. (Carsten) Hartwig, Regional Director

Saxony-Thuringia Region
Leipzig
Mr. D. (Dirk) Seidel, Regional Director

North Rhine-Westphalia Region
Düsseldorf & Cologne
Mr. J. (Joachim) Siepmann, Regional Director
Mr. C. (Carl) Smeets, Regional Director

Central Region
Frankfurt
Mr. I. (Ingo) Schilling, Regional Director

Franconia Region
Nuremberg
Mr. G. (Günter) Schenk, Regional Director

Southwest Region
Stuttgart
Mr. A. (Antonius) Kirsch, Regional Director

Southeast Region
Munich
Ms. S. (Samira) Akhlaghi, Regional Director

Key figures

		2019	2018
Statement of profit or loss			
Profit for the year	in millions of euros	**116**	240
Revenue	in millions of euros	**1,259**	1,364
Cost-to-Income ratio (C/I)	%	**44**	34
Statement of financial position			
Equity	in millions of euros	**1,040**	927
Total assets	in millions of euros	**2,663**	2,422
Return on equity	%	**12**	30
Solvency ratio	%	**39**	38
Output			
residential property transactions (including third-party property developments)	number	**6,471**	10,142
– The Netherlands		**4,485**	5,470
– Germany		**1,986**	2,117
– France		**-**	2,555
Development portfolio			
Residential properties	number	**75,000**	70,000
Headcount			
FTEs	number	**655**	593
– The Netherlands		**376**	332
– Germany		**279**	261

Financial policy and performance

Financial policy

Partly with a view to providing a good service to clients, 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 fleshes out strategic objectives, which feed into strategic, operational and financial targets. These targets focus on value creation and cover the budget year plus the subsequent four years.

Financial performance

Profit for 2019 amounted to **€ 116 million** (2018: € 240 million). BPD achieved its highest profit ever in 2018, which was mainly attributable to the sale of BPD Marignan, our French subsidiary. Another reason for the drop in earnings from 2018 was the lower number of residential property transactions in 2019.

Risks and uncertainties

As mentioned in the outlook of the Annual Report 2018, several factors led to some delays in the award and sale of new property developments in 2019. These included environmental factors and changes in market conditions, such as the increase in construction costs and delays in issuing building permits by municipal authorities, as well as the shortage of manpower at official authorities. The relatively small scale of property developments and obstacles to expanding them also led to backlogs at the official authorities and they still do. Urban transformations often pose a challenge; they tend to have longer lead times because of the involvement of many stakeholders. The sector also experienced additional delays in the award and sale of new residential property developments in 2019 due to issues involving nitrogen pollution (PAS) and PFAS soil contamination in the Netherlands.

Aside from these factors, developments in operating profit were in line with the outlook expressed in the Annual Report 2018.

- In 2019, BPD conducted 4,485 residential property transactions in the Netherlands (2018: 5,470).
- The number of residential property transactions in Germany totalled 1,986 in 2019 (2018: 2,117).
- No residential property transactions were conducted in France in 2019 due to the sale of BPD Marignan (2018: 2,555).

Cash flows and financing requirements

Cash flows from operating and investing activities fell from positive € 456 million in 2018 to positive € 6 million in 2019. This was primarily due to a drop in income from continuing operations in 2019 and the sale of BPD Marignan in 2018.
However, since cash flows from financing activities soared from negative € 517 million in 2018 to positive € 79 million in 2019, total cash flows increased by € 142 million from the previous reporting period (from negative € 61 million to positive € 81 million). The increase in cash flows from financing activities was attributable to the fact that the proceeds from the sale of BPD Marignan were used to repay loans in 2018.

BPD can use the Rabobank credit facility for any financing requirements. This facility stood at to € 1.6 billion at 31 December 2019. Of this amount, € 0.9 billion had been drawn down at 31 December 2019. At 39%, the solvency ratio at year-end 2019 was slightly higher than at year-end 2018 (38%).

Supervision

General Meeting of Shareholders
BPD Europe is a 100% owned subsidiary of Rabobank. The Managing Board of Rabobank has assigned the supervision of BPD Europe to a delegated General Meeting of Shareholders (GMS) made up of Mr J.L. (Jan) van Nieuwenhuizen and Mr J.J. (Jan) Bos. This GMS is advised by two external experts who have specific real estate expertise. They are Ms C.M. (Cindy) van de Velde-Kremer and Mr H. (Hans) de Jonge. The members of the GMS and the external advisers have not changed from 2018.

The GMS held four routine meetings and one additional meeting in 2019. During the meetings, which were held in the presence of the Managing Board of BPD, the GMS addressed a range of issues. The GMS is periodically informed of market developments and the status of BPD's strategy. An important topic of discussion was the launch of BPD Woningfonds, which will have a portfolio of 15,000 new, energy-efficient, mid-price rental properties going forward. This initiative was also discussed by the Rabobank Managing Board. The fund will meet a sorely felt need among many newcomers, families and senior citizens in the Netherlands: affordable housing. But it will contribute to the Dutch housing market as a whole. BPD Woningfonds was established in November 2019.

The additional meeting of the GMS was held specifically to elaborate on Growth21, BPD's strategic programme, and the associated initiatives to change the organisation. The routine meetings also served to discuss market conditions and the general situation at BPD. The financial and risk reports for the period in question came up for discussion as well; BPD's CFRO elaborated on these reports. The effects of the rulings on nitrogen pollution (PAS) and PFAS soil contamination on the number of transactions conducted by BPD were addressed on several occasions.

The Annual Report 2018 and the report by the external auditor were also discussed at length.
Rabobank's internal auditors and the BPD Compliance Officer attended the meetings that covered the quarterly reports of Audit & Compliance. They were present so that they could contribute to the discussion and provide an explanation of the annual plan and the quarterly reports. The Director of Legal & Compliance elaborated on the periodic litigation reports.

The variable remuneration of the members of the Managing Board and senior management was discussed at the GMS in the presence of the HR Director. An additional elaboration was given on trends in the German housing market, the business plan and developments in the German operations.

Real Estate Investment Committee
In addition to the delegated GMS, BPD has a Real Estate Investment Committee (REIC). This Committee approves BPD's property development proposals in accordance with the approval framework. Mr J.L. Van Nieuwenhuizen and Mr J.J. Bos are also on the Real Estate Investment Committee; the third member of the Committee is Mr A.P.M. van der Weijden, a Rabobank risk officer. Property development proposals that fall outside the scope of authority of the Real Estate Investment Committee are also submitted to the Managing Board of Rabobank.

The Real Estate Investment Committee is supported by the same two external real estate experts who advise the GMS (for their names, see above). The Committee met ten times in 2019 to discuss investment proposals, revision proposals and other current projects and property developments. At the meetings of the Real Estate Investment Committee, the Managing Board and the representatives of the regions elaborate on the investment proposals. The Managing Board also provides an overview of its decisions and the weekly reports. Changes were made to the approval framework in 2019; these changes were also discussed in the Real Estate Investment Committee.

Market developments in 2019 and market outlook for 2020

The Netherlands: tight housing market in 2019; supply of new-builds lagging behind

Conditions on the housing market kept getting tighter in 2019. The supply of new-builds was too small to meet the growing demand for housing. This was one of the reasons why sale prices of new-builds and existing properties continued to rise. It has now become virtually impossible for large numbers of people to find affordable housing: people looking to trade up are stuck and newcomers have a tough time entering the housing market.

These difficult conditions on the housing market in 2019 were exacerbated by the effects of the Council of State's rulings on nitrogen (PAS) pollution and PFAS soil contamination on the construction sector. They put an additional spanner in the works for new-builds. The new rules led to delays in issuing permits and they even caused a temporary building freeze in some areas.

The number of residential property transactions in 2019 as a whole came in at 218,595, about the same number as in 2018.[1] However, while the average sale price of a property was about € 288,000 in 2018, this price rose to € 308,000 on average in 2019, i.e. a 7% increase. Although the soaring of house prices started in Amsterdam and the other three major Dutch cities (i.e. Rotterdam, The Hague and Utrecht) and their outlying areas in 2015, prices did not rise as fast in these cities in 2019. By contrast, in the provinces of Flevoland and Drenthe, sale prices rose faster than in the provinces of Noord-Holland and Zuid-Holland,[2] where the large urban centres are.

Based on data from NVB Bouw, the Dutch Association for Developers & Building Contractors, no more than 30,000 new-builds were sold throughout 2019, which is fewer than forecast earlier (32,000) and no less than 12% lower than in 2018 and a staggering 18% lower than in 2017.

Based on figures from Statistics Netherlands, 71,000 new-build residential properties were added to the housing stock in 2019 (both in the rental and owner-occupied categories). The building permits for these property developments had been issued years earlier. The permits that were issued in 2019 will fill the construction pipeline for the coming years. Looking at the figures, we are anything but optimistic. Just over 57,000 permits for new-build residential properties were issued in 2019 as a whole. A number of years ago, 70,000 permits were issued annually.

The main problem on the Dutch housing market is the severe housing shortage. Based on a study conducted by ABF Research, a research agency, there was shortage of no fewer than 300,000 houses at year-end 2019. In view of this, a large number of new-builds need to be added to the housing stock over the next few years so as to meet the huge current and future demand for housing and to alleviate the major shortage.

Housing shortage: the topic in 2020

All developments combined have led to the Dutch media now reporting about a housing crisis. The discrepancy on the housing market has become a growing social problem, with major economic and social implications. Drastically increasing the number of new-builds would be the best way out of this problem. In addition, we need to make sure that the Dutch housing market becomes accessible and affordable again for everyone. The call for strict government regulation of this market is stronger than ever. In 2019, NEPROM, the Association of Dutch property developers, and NVB Bouw, the Dutch Association for Developers & Building Contractors, called upon politicians to develop policy for a fair and equitable solution to the housing shortage. This calls for a vision on area development at national level. Such a vision must be broad and offer solutions for both urban and rural areas. Solutions for urban areas include transformation, densification and restructuring. Rural areas can be built-up in the future if a considerable number of new, large areas are designated as development sites.

1 Source: Dutch Land Registry
2 Source: Statistics Netherlands (CBS)

Germany: continually high demand for housing, fall in supply; effect: further price increases, call for government intervention

The demand for housing in Germany continues to rise. This is due to economic prosperity and immigration on the one hand and to billions of euros being invested in real estate on the other. BPD estimates that around 265,000 new-builds were completed in 2019. The annual demand for housing in Germany ranges from 350,000 to 400,000 houses.

Construction output is too low for the following reasons:

- There are not enough development sites. This is attributable to strict requirements for the development of new housing locations on the outskirts of cities and to the fact that there are hardly any city-centre locations left to develop for housing, especially in large urban centres.
- Municipal planning and construction resources have been exhausted. Procedures for new zoning plans take five to ten years to process.
- Land with planning permission tends to be in the hands of speculators. It is repeatedly resold, without actually being developed.
- There is an utter lack of available contracting capacity, which is causing construction costs rise to onerous levels.

For the above reasons, we do not expect more than 265,000 houses to be built in 2020.

It is not just metropolitan areas such as Munich, Berlin, Hamburg and Frankfurt that are experiencing a huge shortage of new-builds. Large and medium-sized cities such as Nuremberg, Koblenz, Osnabrück and Augsburg are feeling the effects as well. The German Federal Government and many municipalities are calling it a crisis situation, because low and middle-income earners in cities can no longer afford to buy or rent property.

Rental properties

The non-subsidised rental sector in Germany is considerably larger than in the Netherlands: 50% of the total German housing stock is non-subsidised versus 14% in the Netherlands.[3] Given that social housing accounts for just 10% of the total German housing stock, people on relatively low incomes are forced to rent a non-subsidised unit as well. In regions where the housing market is tightest, i.e. in Munich, Frankfurt, Hamburg and Berlin, the government is trying to intervene by taking drastic measures, including a rent freeze in the non-subsidised sector for at least five years.

In Berlin, the left-wing city council is threatening to expropriate properties owned by investors. These political measures may cause even fewer new-builds to be constructed.

Price developments

Absolute selling prices are showing large regional differences. The average price of a new-build apartment ranges from € 5,200 per square meter in Nuremberg to € 11,000 per square meter in Munich. Prices in Berlin (€ 6,400), Hamburg (€ 6,500) and Frankfurt (€ 7,900) hover between this bandwidth. The price for a town house in the Munich area is approximately € 1,200,000, while in the Berlin, Hamburg and Frankfurt areas, a town house fetches between € 640,000 and € 830,000.[4]

The increase in rents seems to have maxed out, since rents are now nearing the limits of affordability. Investors are buying property developments accepting an initial yield of 2.7% to 3.2%.

Housing market in 2020 – outlook

In 2020, we expect a slight increase in sale prices, especially in medium-sized cities (population of 100,000 to 500,000) and a stabilisation of rent levels. The discussion about affordability of housing will continue to heat up, as a result of new government measures aimed at price-lowering effects and subsidies. Rising construction costs are a major cause for concern due to lack of capacity on the one hand and new regulations on the other. The tight housing market in cities will lead to more suburbanisation. Many regions do not have a spatial planning policy to regulate this development.

Coronavirus outbreak

For more about the coronavirus (COVID-19) outbreak, we refer to the Message from the CEO and the outlook. The outlook for 2020 described above does not make allowance for the effects of the coronavirus outbreak, which are unknown as of yet.

3 Source: BPD DuNeFra study, 2016

4 Source: Trimag-Püschel-Wolf Gbr, Delphi-Committee, 4. Quartal 2019

Internal developments

Organisation
The Financial Control departments, which used to be decentralised for the four Dutch regions, were centralised in 2019 in order to achieve process harmonisation and efficiency improvements. In this context, a Shared Service Center was created to centralise all accounting and financial control duties.

A Dutch MT was formed in the spring of 2019. The members of the Dutch MT are the members of the Managing Board, the regional directors and the corporate support services directors. They meet once a month. This helps to facilitate collaboration between the centralised and decentralised and/or regional divisions at BPD. It also allows for direct information-sharing, which aids in the implementing process of policies and decisions.

Collective labour agreement
A new collective labour agreement started to be negotiated at the end of 2019. The negotiations were completed early in 2020. The result was a three-year collective labour agreement for BPD for 2020-2022.

One of the agreed conditions was a 3% salary increase per year. The variable remuneration of new employees in pay scale 11 and below was cut by 50% to align it to customary practices at other companies in the general labour market. To compensate, they are now offered a higher training budget. Supplementary childbirth leave has become an option since January 2020. Employees taking this type of leave will be paid up to 80% of their salary.

New strategy
BPD has fleshed out its strategy until 2021 in Growth21. Growth21 focuses on growth, in terms of quality and quantity and as an organisation.

Südmole, Mainz, Germany

Growth21 has three priorities**.**

- The first priority is *access to affordable **housing***. People take centre-stage: everyone should have access to an affordable home.
- The second priority is BPD's ***coordinating role in area development***. We are firmly committed to taking on that responsibility. It allows us to bring area transformation, restructuring and new housing developments to the best possible conclusion.
- The third priority is about BPD as a *learning organisation*: 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 Woningfonds

BPD Woningfonds was created in the autumn of 2019 with the goal to alleviate the serious shortage of rental housing for middle-income earners. Demand for housing continues to grow due, in part, to population growth and the increasing number of one-person households. In view of these developments, BPD and Rabobank took the initiative to build up a portfolio of mid-price rental housing. Rabobank will be the first investor in BPD Woningfonds, which is managed by BPD RCF Fundmanagement B.V., a division of BPD Europe B.V.

The ambition is for the fund to develop into a residential fund with 15,000 mid-price sustainable rental units in ten years' time. With this in mind, a fund management organisation has been created to manage the portfolio. BPD is delighted with this new activity and hopes that, with the fund, BPD and Rabobank, its shareholder, can help to remedy the shortage of mid-price rental housing.

Sustainability

BPD wants to be at the forefront of sustainable area development. We contribute to a sustainable society by accepting our corporate social responsibility to help shape a worthwhile future. Our sustainability strategy focuses on four priorities: energy transition, climate change adaptation, circularity and health and well-being in the built environment. We approach these priorities as a coherent whole, always looking at three levels: the property, the district and the region.

We aim high: our objective is for all our property developments to do better than the statutory minimum and we want our sustainable property development goals to be progressive and ambitious. In 2019, we continued to fine-tune our sustainability strategy and worked on property developments with unique sustainability features.

We believe that the basis for sustainability lies in facilitating and mobilising local residents. To translate our sustainability ambitions into feasible projects, we need to know how people feel locally. That is why, in 2019, we conducted a large-scale survey among 1,200 customers to ask them about their sustainable living ambitions. The survey told us that, although consumers are willing to invest in sustainable solutions, they are confused and uncertain about their options, the benefits and the cost recovery period. To clarify this, we need to support them better throughout the customer journey. By matching consumer requirements with our offering, we want to offer them even better solutions in the coming years – for properties, areas and cities.

In the Netherlands, we measure our sustainability KPIs using the Business Balanced Scorecard. This helps us monitor the implementation of our sustainability ambitions:

- Energy Performance Coefficient (EPC): 0.26 on average
- Environmental Building Performance (EBP): < 0.8
- In 80% of our property developments, water storage has been disconnected from sewage water discharge

Using the Business Balanced Scorecard, the KPIs have been encrypted to the four regions in the Netherlands: they feed into the policy the region will pursue for the next two years. It is a means of demonstrating to the public what our national and regional sustainability objectives are.

In 2020, we will continue to work on the measurability of our sustainability performance, for instance by measuring the sustainability performance of our property developments and safeguarding our sustainability ambitions within our decision-making processes on a structural basis.

We have also entered into the partnerships that are required for sustainable area development, not just at area level, but also with supply chain partners, to ensure the technological and financial feasibility of sustainable solutions in houses and neighbourhoods. Our partnerships encompass the social, technological and financial realm and help us support the development of innovative products and services. Examples include the application of materials passports in our property developments and the expansion of heat networks.

Examples of sustainable property developments

1

Circular building
KOMST Zeeburgereiland, Amsterdam, the Netherlands.

This is a unique development because of the project-based approach by which old building materials were incorporated into the design. Six architects were selected, based on their experience using recycled materials, to design the 19 town houses. The buyers were also challenged and encouraged to reuse recycled building materials in their interior design. Each type of unit comes with a convenient materials passport with visuals. This passport also tells the occupants what the actual effects of circular building practices are by comparing the environmental impact of conventional building materials with the circular materials used in their home.

2

Climate change adaptation
Steenbrugge, Deventer, the Netherlands.

In the context of climate change adaptation, the public space was designed to cope with the effects of climate change (heat, flooding). In addition, we are actively engaging with the municipal authorities and local businesses to green up the private gardens of the houses in the new district. Local residents were educated about the benefits of having a green garden and they were shown examples of climate-adaptive garden designs.

3

Health
Stadhouderspark, Vught, the Netherlands

In redeveloping the site of the former army barracks in Vught into the new Stadhouderspark district, we made sure to preserve the existing green structures and trees in its green setting. This enabled various species of birds and bats to keep their habitat. This type of nature-inclusive property development contributes to greater biodiversity in the area.

4

Energy

Binck Kade, The Hague, the Netherlands.

BPD is one of the first area developers in the Netherlands to apply SmartWindows in apartments
The residential properties at the former Binckhorst industrial estate will be fitted with windows equipped with power modules (solar cells), sensors and integrated blinds. This will result in an additional energy-saving of 15%.

Abuse reporting portal

In the past, BPD had a number of channels to report any internal abuses, including the external confidential counsellor (a former Rabobank officer). Rabobank has had an abuse reporting portal for some time now, so that the external confidential counsellors have become redundant. BPD introduced its own portal in the third quarter of 2019. This portal allows employees to report abuses, anonymously or using their name. BPD Europe's Confidential Committee will investigate any reports.

Dilemma and privacy & information security sessions

BPD's Compliance & Privacy department organises biannual sessions for all employees in each office. The first session serves to discuss the principal integrity risks BPD incurs based on dilemmas. Every employee is asked to participate in the sessions by using an electronic voting tool.

In the second session, the employees are joined by an information security specialist from the IT-IM department. This session focuses on refreshing basic skills for treating personal data with due care and elaborates on developments in information technology, information security and what employees can do to keep information safe and secure.

Audit

The independent internal audit function (which comes under the responsibility of Rabobank) performed a number of audits in 2019. An audit plan is drawn up annually. The reports were discussed with the management of BPD and explained in greater detail at the GMS. Any areas for improvement identified during the audits were addressed.

Risk

Risk management

All echelons of the BPD organisation acknowledge that risk management is key in safeguarding sound business practices. Both in the Netherlands and Germany, BPD is structured such that the CEO bears final responsibility for general management, the CFRO for financial and process control, and the Director of Legal & Compliance for operational risk.

BPD operates on the basis of delegated powers in the countries and regions in which it is active. Investments in property developments are assigned to five different phases of the development process: acquisition, feasibility, 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. The Real Estate Investment Committee has been set up to take major investment decisions.

With a view to providing a 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 attaching to the processes operated by BPD are identified and controls are implemented to mitigate them. We regularly test the effectiveness of these controls. The procedure for doing so is described in the Business Control Framework (BCF). BPD has implemented this framework with the goal to be in control.

Reports on the effectiveness of the controls are written every quarter. Where needed, these controls are adjusted to reflect changes in business practices. Adjustments to the BCF are driven by continuous improvements on the one hand and by growth or contraction of the organisation and the centralisation or decentralisation of risk management responsibilities within BPD on the other.

Risk appetite

The Risk Appetite Statement (RAS) of Rabobank Group defines the level of risk that BPD is willing to accept in order to achieve its objectives. This risk appetite is based on a risk strategy that is in line with the corporate strategy. It has been fleshed out 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.

> **With a view to providing a good service to clients, BPD seeks to achieve a competitive return that is appropriate to the risk profile Rabobank has defined**

BPD's risk appetite must be in line with Rabobank's risk appetite. Within the confines of the RAS, BPD will act in a socially responsible manner, while keeping a close eye on the interests of the different stakeholders.

Risk categories

We have identified the following risk categories:

- *Integrated risk:* general risks associated with attaining the corporate strategy.
- *Credit risk:* the risk that a counterparty will default on its payment obligations.
- *Balance sheet risk:* interest rate, currency and liquidity risks.
- *Market risk:* the risk of changes in the value of a property development on the property market.
- *Risk of strategic land holdings:* the risk associated with land holdings that are not expected to be designated for residential purposes for some time.
- *Risk of properties in operation on the statement of financial position:* the risk of such properties being too expensive to keep on a bank's statement on financial position due to the associated capital requirement.
- *Non-financial risk:* a category with a broad scope, including such risks as operational risks, information security risks, IT risks, risks associated with business continuity and compliance, and legal risks.

Campina waterkant, Eindhoven, the Netherlands

Market risk is the risk of changes in market variables as a result of changes in the general economic climate will lead to gains or losses on exposures.

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 property under management. At 31 December 2019, these 'direct' property holdings amounted to € 1,755 million (2018: € 1,642 million). The impact on BPD's figures is potentially major if market risk shows negative developments and/or the value of the properties drops.

Every quarter, the BPD Managing Board and the Real Estate Investment Committee receive a report outlining whether the company has operated within the limits of the RAS indicators. If these limits are exceeded, the BPD Managing Board is expected to take mitigating measures. The RAS is assessed annually and adjusted where necessary.

No RAS limits were exceeded in 2019.

As explained in the section on events after the reporting date, the coronavirus (COVID-19) outbreak and measures taken by various governments to contain the virus have not yet had any adverse effect on our operations. We do not know what the longer-term implications, if any, will be. Although the scale and duration of the pandemic continue to be uncertain, we expect the health crisis to have a limited impact on our operations.

The principal risks associated with the current uncertainties related to COVID-19 are:

- Continuation of the credit facility with Rabobank. Based on meetings with Rabobank, our lender and shareholder, we have no reason to assume that the credit facility will be restricted. No covenants have been agreed for this credit facility.
- A decline in sales of land holdings and/or residential properties resulting in a fall in revenue, profitability and cash.
- Impairment losses on property inventory due to delays in residential property developments.
- Lack of the right resources, both in terms of materials and people, in the supply chain for building residential properties.

Outlook

Outlook
We are happy with our financial performance for 2019: 6,471 transactions resulted in € 124 million in income from continuing operations. The main reason for the drop in sales and earnings from 2018 was the public debate on nitrogen (PAS) pollution and PFAS soil contamination in the Netherlands. This led to significant delays in starting the construction and sale of new property developments. Although these issues will potentially have a similar effect on the lead times of new property developments in 2020, we will team up with all our partners to minimise this impact, for instance by making the most effective use of new policy developments.

Our priorities: affordability and accessibility
Over the next few years, BPD will continue to focus on the affordability and accessibility of housing. More and more people are migrating to cities, not just in the Netherlands and Germany, but worldwide. Demand for housing in urbanised areas is greater than supply, which has a considerable impact on affordability.

House prices in popular cities will continue to rise. That is why increasing building density in urban centres is key. Building high-rises is one of the scenarios for meeting the demand for urban living. This is how more affordable houses can be built in the most sought-after locations. We do, however, have to make allowance for the housing preferences of people in the Netherlands and Germany. A study conducted by BPD and Rabobank shows that 'a place where they feel at home' is the most important criterion for them. Remarkably, this is not so much about a property itself as it is about the living environment, i.e. the look and feel and the living experience.

Building on the outskirts
BPD believes that building on the outskirts of cities is just as important as building in cities. Land should be made available for building on the outskirts based on smart choices, such as access to public transport, sun-facing properties and a different approach to parking. Total expenditure will fall, which will make for affordable houses, because the costs of mobility, water, energy and waste can be kept low in our area developments.

BPD Woningfonds offers perspective
As explained above, BPD Woningfonds will invest in mid-price rental properties over the coming years. In due course, the fund plans to have 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.

Full-service approach
Area development is by definition a long-term ambition. 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 houses. We can only deliver on this ambition if we take a full-service approach to housing, 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 will focus on the efficiency of the organisation, the optimisation of the qualitative and quantitative development of our staff, and on improving the exchange and use of knowledge and expertise among employees, the ultimate goal being an efficient organisation that is ready to face the future with confidence.

Coronavirus outbreak
The Dutch and German economies are expected to be hit hard by the corinavirus (COVID-19) outbreak. At the time of preparing this Annual Report, it was too early to pinpoint the effects on BPD's financial performance for 2020 as a whole. At this time, BPD has not yet experienced any effects of the health crisis. To date, property developments in the selling stages have hardly been delayed or postponed, if at all. No property developments under construction were discontinued due to lack of

Hollandpark West, Diemen, the Netherlands

supply of building materials or lack of availability of qualified staff.

If measures to contain the COVID-19 virus stay in place for a prolonged period, this could have an effect on sales of residential properties and hence on BPD's revenue and profitability. This may also impact the measurement of our property inventory due to a shift in time of land holdings available for development. Our credit risk exposure is limited because sold properties are paid using escrow accounts. We expect an impact on our cash flows from operating activities due to delays in the sale of residential properties. At this point, we do not anticipate any liquidity shortages despite this impact.

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BPD Europe

Consolidated statement of profit or loss

(in € millions)	Note	*Year ended 31 December* 2019	2018
Revenue	3	**1,259**	**1,364**
Impairment/(impairment reversal) of property inventory	4	**(13)**	(88)
Impairment/(impairment reversal) of contract assets	5	**-**	6
Cost of raw materials, consumables and work contracted out	6	**988**	1,116
Personnel costs	7	**81**	77
Operating expenses	8	**32**	31
Amortisation and depreciation	12, 13, 14	**11**	5
Operating expenses		**1,099**	**1,147**
Operating profit/(loss)		**160**	**217**
Finance income	9	**9**	12
Finance costs	9	**(23)**	(26)
Share of profit/(loss) of associates accounted for using the equity method	15, 29	**21**	30
Profit/(loss) before tax		**167**	**233**
Income tax expense	10	**(42)**	(56)
Profit/(loss) after tax from continuing operations		**125**	**177**
Income/(loss) after tax from discontinued operations	11	**(8)**	64
Profit/(loss) for the year		**117**	**241**
Attributable to non-controlling interest		**1**	**1**
Attributable to equity holder of the company		**116**	**240**

Consolidated statement of comprehensive income

(in € millions)	Note	*Year ended 31 December* 2019	2018
Profit/(loss) for the year (realised)		**117**	**241**
Other comprehensive income			
Items subsequently reclassified to profit or loss after tax		**-**	-
Items not subsequently reclassified to profit or loss after tax		**-**	-
Total comprehensive income for the year		**117**	**241**
Attributable to:			
Equity holder of the company		**116**	**240**
Non-controlling interest		**1**	1
Total comprehensive income for the year Attributable to equity holders of the company, broken down by:			
Continuing operations		**124**	176
Discontinued operations		**(8)**	64
Total		**116**	**240**

Consolidated statement of financial position

(in € millions)	Note	2019	At 31 December 2018 *restated
Non-current assets			
Property, plant and equipment	12	**9**	7
Right-of-use assets	13	**23**	-
Investment property	14	**199**	257
Associates accounted for using the equity method	15	**54**	50
Financial assets at fair value	16	**1**	2
Long-term loans and receivables	17	**96**	100
Deferred tax assets	18	**-**	-
Total non-current assets		**382**	**416**
Current assets			
Property inventory	19	**1,456**	1,385
Contract assets	20	**374**	252
Trade receivables	21	**96**	80
Short-term loans and receivables	22	**62**	162
Current tax assets	23	**16**	15
Prepayments and accrued income	24	**75**	81
Cash and cash equivalents	25	**98**	31
Assets held for sale	11	**104**	-
Total current assets		**2,281**	**2,006**
Total assets		**2,663**	**2,422**

*For details on the reclassification of the comparative figures, see Note 2.3 to the consolidated financial statements.

(in € millions)	Note	2019	*At 31 December* 2018 *restated
Equity	26	**1,037**	921
Non-controlling interest		**3**	6
Group equity		**1,040**	**927**
Non-current liabilities			
Long term loans	27	**605**	451
Lease liabilities	28	**21**	-
Provisions	29	**91**	88
Deferred tax liabilities	18	**42**	39
Total non-current liabilities		**759**	**578**
Current liabilities			
Short term loans	30	**534**	566
Lease liabilities	28	**14**	-
Contract liabilities	31	**93**	121
Provisions	29	**1**	1
Trade payables		**36**	71
Current tax liabilities	32	**105**	95
Other current liabilities	33	**77**	63
Liabilities held for sale	11	**4**	-
Total current liabilities		**864**	**917**
Total liabilities		**1,623**	**1,495**
Total equity and liabilities		**2,663**	**2,422**

*For details on the reclassification of the comparative figures, see Note 2.3 to the consolidated financial statements.

Consolidated statement of changes in equity

(x € 1 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 2019 (before changes in accounting policies)	**23**	**468**	**240**	**190**	**921**	**6**	**927**
Changes in accounting policies by virtue of IFRS 16*	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 1 January 2019 (after changes in accounting policies)	**23**	**468**	**240**	**190**	**921**	**6**	**927**
Added to profit/(loss)	-	-	(240)	240	-	-	-
Profit/(loss) for the year (realised)	-	-	116	-	116	1	117
Other comprehensive income after tax	-	-	-	-	-	-	-
Total comprehensive income for the year	**23**	**468**	**116**	**430**	**1,037**	**7**	**1,044**
Dividend distribution	-	-	-	-	-	-	-
Equity contribution including transaction costs	-	-	-	-	-	(4)	(4)
At 31 December 2019	**23**	**468**	**116**	**430**	**1,037**	**3**	**1,040**

* For details on the changes in accounting policies, see Note 2.4 to the consolidated financial statements.

(x € 1 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 2018 (before changes in accounting policies)	**23**	**468**	**151**	**15**	**657**	**2**	**659**
Changes in accounting policies by virtue of IFRS 9 and IFRS 15	**-**	**-**	**-**	**24**	**24**	**-**	**24**
At 1 January 2018 (after changes in accounting policies)	**23**	**468**	**151**	**39**	**681**	**2**	**683**
Added to profit/(loss)	-	-	(151)	151	-	-	-
Profit/(loss) for the year (realised)	-	-	240	-	240	1	241
Other comprehensive income after tax	-	-	-	-	-	-	-
Total comprehensive income for the year	**23**	**468**	**240**	**190**	**921**	**3**	**924**
Dividend distribution	-	-	-	-	-	-	-
Equity contribution including transaction costs	-	-	-	-	-	3	3
At 31 December 2018	**23**	**468**	**240**	**190**	**921**	**6**	**927**

Consolidated statement of cash flows

		Year ended 31 December	
(x € 1 millions)	**Note**	**2019**	**2018**
Profit/(loss) for the year from continuing operations		**125**	**177**
Income/(loss) after tax from discontinued operations		**(8)**	**64**
Adjustments for:			
– Income tax	10	**42**	56
– Amortisation and depreciation	12, 13, 14	**11**	5
– Impairment of inventory	4, 5	**(13)**	(82)
– Impairment of financial assets	29	**-**	1
– Gain/(loss) on sale of BPD Marignan	11	**8**	(58)
– Share of profit/(loss) of associates	15, 29	**(21)**	(31)
Interest received	9	**9**	12
Changes in working capital – net		**(144)**	(104)
Cash generated from operations		**9**	**40**
Interest paid	9	**(23)**	(26)
Income tax paid	18, 32	**(22)**	(39)
Income tax received	18, 32	**5**	137
Net cash from/(used in) operating activities		**(31)**	**112**
Purchases of property, plant and equipment	12	**(5)**	(5)
Disposals of property, plant and equipment	12	**-**	5
Purchases of investment property	14	**(64)**	(55)
Investments in associates	15, 29	**(3)**	(6)
Disposals of associates	15, 29	**17**	14
Dividends received from associates	15, 29	**7**	7
Disposals of other financial assets	16, 17, 22	**93**	24
Payments on/proceeds from sale of BPD Marignan	11	**(8)**	360
Net cash from/(used in) investing activities		**37**	**344**
Proceeds from loans	27, 30	**252**	49
Loan repayments	27, 30	**(173)**	(566)
Net cash from/(used in) financing activities		**79**	**(517)**
Net cash and cash equivalents at 31 December	25, 30	**57**	(24)
Net cash and cash equivalents at 1 January	25, 30	**(24)**	37
Increase/(decrease) in cash and cash equivalents		**81**	**(61)**

The net cash position can be broken down as follows:

		2019	2018
Cash and cash equivalents	25	**98**	31
Call money and callable credit balances	30	**(41)**	(55)
Net cash and cash equivalents at 31 December		**57**	**(24)**
Cash and cash equivalents	25	**31**	88
Call money and callable credit balances	30	**(55)**	(51)
Net cash and cash equivalents at 1 January		**(24)**	**37**

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 Trade Register of the Chamber of Commerce under number 08024283. The consolidated financial statements 2019 include the financial information of BPD Europe B.V. and its subsidiaries, its equity interests in jointly controlled entities, its equity interests in associates over which significant influence is exercised and its other equity interests (hereinafter jointly referred to as 'BPD' or 'the group'). The group operated in the Netherlands and Germany in 2019; its French operations were sold at the end of 2018. Coöperatieve Rabobank U.A. of Amsterdam (hereinafter referred to as '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 or 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 on the basis of historical cost, unless otherwise indicated in the accounting policies.

These financial statements have been prepared based on the company's ability to continue as a going concern.

The Managing Board prepared and approved these financial statements on 28 April 2020.

2.2 Impact of COVID-19 virus outbreak on our operations

For details on the impact of the COVID-19 virus outbreak on our operations, we refer to the section on events after the reporting date.

2.3 Comparative figures/changes in presentation

The comparative figures have not been restated from last year, except for:

Statement of financial position:

- Reclassification from property inventory to investment property of temporarily let properties pending development or redevelopment based on current use.
- Offsetting assets of joint ventures against provisions for joint ventures] within the same structure (limited partnership/private limited company).

The restatements have retroactive effect to 1 January 2018. The changes in the statement of financial position did not result in changes in revenue, costs and earnings.

The reclassifications in 2018 can be broken down as follows:

Financial position	31 December 2018 before restatement	Reclassification	31 December 2018 after restatement
Non-current assets (reclassification of investment property and joint ventures)	319	97	416
Current assets (reclassification of property inventory)	2,121	(115)	2,006
Total assets	**2,440**	**(18)**	**2,422**
Equity	927	-	927
Non-current liabilities (reclassification of provisions for joint ventures)	596	(18)	578
Current liabilities	917	-	917
Total equity and liabilities	**2,440**	**(18)**	**2,422**

2.4 New standards applicable in 2019

IFRS 16, Leases

This section describes the impact of IFRS 16, Leases on the group's financial statements. The standard is effective for accounting periods beginning on or after 1 January 2019 and has been applied to the opening statement of financial position as at 1 January 2019 based on the modified retrospective approach. The comparative figures for 2018 have not been restated. For this reason, the reclassifications and restatements arising from the new leasing rules have been recognised in the opening statement of financial position as at 1 January 2019. For details on the new accounting policies, see Note 2.17.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases that had previously been classified as operating leases under the principles of IAS 17, Leases. In addition, on adopting IFRS 16, the group has recognised, with effect from 1 January 2019, lease liabilities under ground leases of investment property and property inventory.

Right-of-use assets under ground leases are presented in the financial statements as investment property or property inventory given that they are inextricably linked to the property in question.

Liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019. The lessee's weighted average incremental borrowing rate, including the risk premium, that was applied to lease liabilities at 1 January 2019 was 4.59% for properties, 4.03% for cars and 3.73% of ground leases.

Practical expedients

In its first-time adoption of IFRS 16, the group used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of operating leases with reasonably similar characteristics.
- Continuing to recognise operating leases with an end date scheduled within one year of 1 January 2019 based on the accounting policies for operating leases for their remaining term.
- Excluding initial direct costs at the date of initial application.
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

It was decided not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, BPD relied on its assessment made in applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease.*

Rconciliation between lease liabilities at 1 January 2019 and commitments and contingencies at 31 December 2018 applied in the opening statement of financial position as at 1 January 2018

Operating lease liabilities at 31 December 2018	34
(Less): discounted liabilities at incremental borrowing rate	(7)
(Less): short-term leases not recognised as lease liabilities	(6)
(Less): low-value leases not recognised as lease liabilities	(1)
Add/(less): contracts reassessed as leases (ground lease liabilities)	15
Operating lease liabilities at 1 January 2019	35

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

Adjustments recognised in the statement of financial position as at 1 January 2019

The effects of the changes in accounting policies were included in opening equity at 1 January 2019. The changes in accounting policies affected the following items in the statement of financial position:

Equity	-
Right-of-use assets	23
Investment property	4
Property inventory	11
Lease liabilities (non-current)	(31)
Lease liabilities (current)	(4)
Prepayments and accrued income	(3)

Lessor accounting

The group did not need to change its accounting policies for the assets it holds as a lessor under operating leases as a result of the adoption of IFRS 16.

2.5 Foreign currency translation

The financial statements are presented in euros. Receivables, debts and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the reporting 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 or loss.

2.6 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 equal 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 include the presentation of temporarily let properties pending development or redevelopment based on current use (see Note 14), the presentation of ground leases as investment property or property inventory (see Note 2.17), the designation of ground lease liabilities as qualifying assets (see Note 2.17), the decision whether or not to consolidate jointly controlled entities (see Note 2.8) and – for joint arrangements in which BPD is not the lead contractor – estimates of financial information for missing period reports (see Note 2.9), the net realisable value of property inventory (including strategic land holdings – see Note 2.10) and interim recognition of gains and losses on sold property developments (see Note 2.22).

Due 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 on the assumptions and techniques used, see the accounting policies and the notes.

2.7 New and amended standards and proposed changes

There are no IFRS standards or IFRIC interpretations that have been in effect from 1 January 2020 that are applicable to BPD and will have a material impact on the group.

2.8 Basis of consolidation

Subsidiaries and acquisitions
Subsidiaries are all entities in which BPD has decisive control. BPD has decisive control if, as an investor, it is exposed to, or is 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 or 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 jointly controlled entities and associates 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.

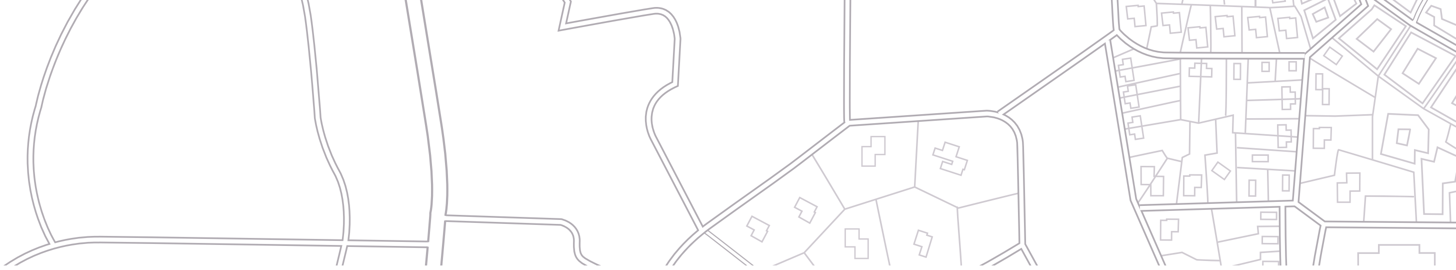
Discontinued operations
A discontinued operation is a component of a group whose activities and cash flows are clearly distinct from those of the rest of the group and that:

- 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 designated as a discontinued operation, it will be presented on a separate line both in the statement of profit or 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 or 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 income or loss from discontinued operations.

Associates and jointly controlled entities
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.

Joint ventures are generally accounted for using the equity method, while joint operations are recognised based on BPD's share of the assets, liabilities, income and expenses. After initial measurement at acquisition price, BPD's share of profit or loss of joint ventures is recognised in the statement or profit or loss (based on BPD's own accounting policies) within 'Share of profit/(loss) of associates accounted for using the equity method'. BPD's proportional share of joint operations is recognised in the different items disclosed in its statement of financial position and statement of profit or loss based on BPD's own accounting policies.

Material joint ventures and 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.

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.

The financial information of joint arrangements in which BPD is not the lead contractor is recognised based on quarterly reports provided by the lead contractor. 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 and forecasts.

2.9 Revenue

Revenue consists of contract revenue from property development and rentals. Contract revenue is made up of income from property development activities. 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 property 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 a 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) 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*

Control is transferred to the buyer and revenue is recognised when the notarial deed is executed.

- *Development and sale of a plot with buildings*

In the Netherlands, by far the majority of developments are carried out on a construction-only basis. This leads to a transfer of control when the notarial deed is executed, so that revenue is recognised on this date using the point-in-time method. 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. Recognition is 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. Recognition is based on the percentage-of-completion method.

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 property 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.

Billing for full-service property developments and other services takes place at contractually agreed times based on the percentage-of-completion method. Payment is due within 14 days, unless otherwise agreed.

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 property inventory

This item comprises impairment losses arising from lower net realisable value or the reversal of such impairment losses. For details on the accounting policies for changes in the value of property inventory, see Note 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 premiums 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 earned 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 or 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 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 or 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 determine the recoverable amount.

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

2.15 Income from discontinued operations

If a line of business is qualified as a discontinued operation, the comparative figures in the statement of profit or 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 'Income/(loss) 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 or 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 or 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 to 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

Up to and including the financial year 2018, leases of property, plant and equipment and ground leases of property inventory were classified as operating leases (see Note 2.4). Since 1 January 2019, leases have been recognised as a right-of-use asset 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, country 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. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or 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 measured at cost, comprising the following:

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. 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 classify as qualifying assets (assets that necessarily take a substantial period of time to get ready for their intended use or sale). As a result, contrary to the accounting policies for ground lease obligations described above, the associated finance costs and impairment losses are not recognised through profit or 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 or loss. Short-term leases are leases with a 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 and a parking garage, is not occupied by BPD itself. Some properties qualifying as investment property (mainly the parking garage) are held for long-term rental yields. Others are commercial properties that are part of a property development and have been let pending development or redevelopment (see Note 14 – Investment property). Investment property is recognised as a long-term investment and recognised at cost, net of accumulated depreciation and impairment losses. Investment property is depreciated on a straight-line basis over 40 years, making allowance for the residual value of each property.

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 is usually determined by a certified external expert every year.

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.

Assets held for sale are presented separately from the other assets in the statement of financial position. Liabilities held for sale are presented separately from the other liabilities in the statement of financial position.

A disposal group qualifies as a discontinued operation if it forms a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

Income from discontinued operations is presented separately in the statement of profit or loss. Gains or losses from individual assets held for sale are not presented separately in the statement of profit or 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

Loans and 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 or loss comprise financial assets that, on initial recognition, are classified as financial assets at fair value through profit or 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

Loans 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 on 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 or 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 or loss.

Interest accrued or payable on financial assets and liabilities is recognised within 'Finance income and costs' in the statement of profit or 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 fleshed out 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). 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 approach.

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 current 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 or 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.

Employee benefits
Jubilee and post-retirement benefits, including contributions to health insurance, leave schemes for older employees, mortgage interest reductions and benefits

paid to inactive employees, are calculated based on 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 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 or 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. Costs directly related to the restructuring are included in the provision only.

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 disclosed 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.

2.28 Leases where BPD is the lessor

Operational lease contracts under which BPD is the lessor mainly relate to investment property. For more details, see Note 14 (Investment property). These are contracts in which the resulting rewards are retained by BPD. Income from Operational leases is recognised as rental income through profit or loss by reference to the term of the lease. BPD has no finance lease contracts.

3 Revenue

Revenue can be broken down as follows:

	2019	2018
Residential properties (including building sites)	**1,188**	1,225
Commercial properties	**45**	117
Total contract revenue from property development (revenue from contracts with buyers)	**1,233**	**1,342**
Rental income from investment property	**18**	13
Other	**8**	9
Total revenue	**1,259**	**1,364**

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
2019	**502**	**686**	**34**	**11**	**536**	**697**	**1,233**
2018	**594**	**631**	**116**	**1**	**710**	**632**	**1,342**

At year end, BPD's contractual performance obligations were worth approximately € 951 million.
These obligations can be broken down as follows:

Future sales value properties	Residential		Commercial properties		Total contractual performance obligations		
	NL	GE	NL	GE	NL	GE	Total
2020	47	529	42	-	89	529	**618**
2021	5	190	42	-	47	190	**237**
2022	-	54	41	-	41	54	**95**
After 2022	-	1	-		-	1	**1**
Total	**52**	**774**	**125**	**-**	**177**	**774**	**951**

4 Impairment of property inventory

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

	2019	2018
By type of property:		
Residential properties (including building sites)	**(11)**	(75)
Commercial properties	**(2)**	(11)
Services	**-**	(2)
Total changes in value due to changes in NRV	**(13)**	**(88)**

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

5 Impairment of asset contracts

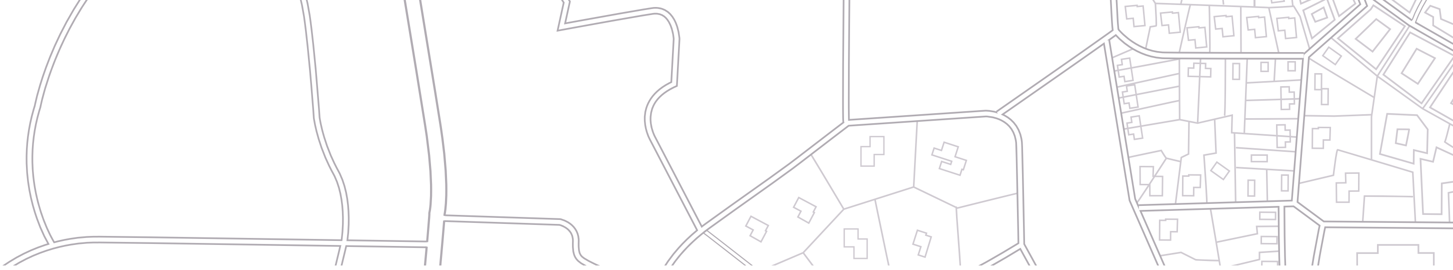
Changes in value can be broken down as follows:

	2019	2018
By type of property:		
Residential properties (including building sites)	**-**	(3)
Commercial properties	**-**	9
Services	**-**	-
Total changes in value	**-**	**6**

6 Cost of raw materials, consumables and work contracted out

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

	2019	2018
Residential properties (including building sites)	**943**	1,006
Commercial properties	**45**	110
Other	**(5)**	(3)
Total cost of property development	**983**	**1,113**
Operating expenses associated with investment property	**5**	3
Total cost of raw materials, consumables and work contracted out	**988**	**1,116**



7 Employee benefits expense

The employee benefits expense can be broken down as follows:

	2019	2018
Salaries and wages (including variable remuneration and other pay)	**56**	53
Pension costs	**6**	5
Social security contributions	**8**	7
Insourced staff	**4**	4
Other personnel expenses	**7**	8
Total employee benefits expense	**81**	**77**
Number of employees (internal/FTEs)	**578**	553
Number of insourced staff (external/FTEs)	**77**	40
Total headcount (FTEs)	**655**	**593**

Of the total headcount, 279 FTEs worked outside the Netherlands in the reporting period (2018: 261).

8 Operating expenses

Other operating expenses can be broken down as follows:

	2019	2018
Housing expenses	**2**	7
Office expenses	**2**	2
IT expenses	**8**	7
Selling and advertising expenses	**2**	2
Third-party services	**6**	4
General and administrative expenses	**10**	9
Allocation to provisions	**2**	-
Total other operating expenses	**32**	**31**

Of other operating expenses, € 4 million concerned related parties (2018: € 4 million).

9 Finance income and costs

Finance income and costs can be broken down as follows:

	2019	2018
Interest income	**9**	12
Total finance income	**9**	**12**
Interest on lease liabilities	**(1)**	-
Interest expense	**(22)**	(26)
Total finance costs	**(23)**	**(26)**

Of interest income, € 4 million concerns related parties (2018: € 5 million). Of interest expense, € 21 million concerns related parties (2018: € 24 million).

10 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 2019 and 2018:

	2019	2018
Profit/(loss) before tax	**167**	**233**
At nominal tax rate of 25.0% (2018: 25.0%)	**42**	58
Effect of different tax rates in other countries*	**3**	5
Effect of deferred tax (unrecognised)	**2**	-
Effect of prior-year tax	**(2)**	-
Income (non-taxable)	**-**	(5)
Expense (non-deductible)	**-**	-
Other	**(3)**	(2)
Total income tax expense	**42**	**56**
Effective tax rate	**25.1%**	**24.0%**

* The effect of different tax rates in other countries relates to the higher tax rates in Germany in both 2019 and 2018.

	2019	2018
Current tax		
Reporting period	**41**	53
Prior years	**(2)**	-
Deferred tax	**3**	3
Total tax liability (continuing operations)	**42**	**56**
Tax on discontinued operations	**-**	4
Total tax liability (including discontinued operations)	**42**	**60**

11 Discontinued operations

Discontinued operations in 2019

In 2019, BPD and Rabobank teamed up to create a mutual fund for investors in developed and yet to be developed properties to meet the demand for mid-price rental units in the Netherlands. Rabobank will initially be the sole participant and investor in this fund, which has been named BPD Woningfonds. All residential property investments held by BPD in its Internal Investment Portfolio will be transferred to this fund in the first half of 2020; property developments under construction on the transfer date will also be transferred to BPD Woningfonds as of that date.

In view of the intention of BPD's Managing Board (MB) to sell the properties in operation held in the Internal Investment Portfolio to BPD Woningfonds, these residential developments must be presented as held for sale in the statement of financial position (IFRS 5.6). The properties comply with the requirements of IFRS 5 given that:

- The properties in their current form are available for immediate sale (IFRS 5.7);
- The sale is highly probable since BPD's MB and Rabobank have committed to a plan to sell (IFRS 5.8);
- The properties are expected to be sold to a third party within 12 months (IFRS 5.8);
- The shareholder (i.e. Rabobank) has agreed to the sale of the properties; the Managing Board of Rabobank has approved the creation of BPD Woningfonds (IFRS 5.8).

In addition to the sale of the properties in operation, the transaction will also involve the sale of the bank accounts of these properties, their outstanding receivables, payables and accruals and deferrals.

Discontinued operations in 2018

The item 'Income/(loss) after tax from discontinued operations in 2018' includes the operating profit and the gains on the sale of BPD Marignan S.A.S. BPD sold its 100% equity interest in BPD Marignan S.A.S. on 14 November 2018. Given that BPD Marignan S.A.S. was an independently operating subsidiary of BPD with its own activities and operating in its own line of business and that all its assets, liabilities and cash flows were separately identifiable, the sale caused BPD's share of profit for 2018 to be recognised within 'Income/(loss) from discontinued operations'.

Assets and liabilities held for sale can be broken down as follows:

	2019	2018
Investment property	**100**	-
Right-of-use assets	**3**	-
Cash and cash equivalents	**1**	-
Total assets held for sale	**104**	**-**
Lease liabilities	**3**	-
Other current liabilities	**1**	-
Total liabilities held for sale	**4**	**-**
Assets and liabilities held for sale – net	**100**	**-**

Revenue	**-**	405
Operating expenses	**-**	393
Operating profit/(loss)	**-**	**12**
Finance income and costs	**-**	(3)
Profit/(loss) before tax	**-**	**9**
Share of profit/(loss) of associates	**-**	1
Tax on operating profit/(loss)	**-**	(4)
Gains/(losses) on sale by BPD Europe B.V.	**(8)**	58
Tax on gains/(losses) on sale by BPD Europe B.V.	**-**	-
Income/(loss) after tax from discontinued operations	**(8)**	**64**

The item 'Gains/(losses) on sale by BPD Europe B.V.' relates to deferred corporate income tax on the sale of BPD Marignan S.A.S.

Cash flows from/(used in) operating activities	**(8)**	75
Cash flows from/(used in) investing activities	**-**	(6)
Cash flows from/(used in) financing activities	**-**	-
Total cash flows from/(used in) discontinued operations	**(8)**	**69**

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:

	2019	2018
Cost	**19**	28
Accumulated depreciation	**(12)**	(18)
At 1 January	**7**	**10**
Purchased	**5**	5
Sold	**-**	(5)
Depreciated	**(3)**	(3)
Changes during the year	**2**	**(3)**
Cost	**24**	19
Depreciated	**(15)**	(12)
At 31 December	**9**	**7**

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:

	2019	2018
At 1 January before changes in accounting policies	**-**	**-**
Changes in accounting policies by implementation of IFRS 16*	**23**	-
At 1 January after changes in accounting policies	**23**	**-**
Purchased	**5**	-
Sold	**(1)**	-
Depreciated	**(4)**	-
Changes during the year	**-**	**-**
At 31 December	**23**	**-**

* For details on the changes in accounting policies, see Note 2.4 to the consolidated financial statements.

The carrying amount of right-of-use assets was as follows at 31 December 2019:

- Leases of office buildings 19
- Car leases 4

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

	2019	2018
Depreciation of leases of office buildings	**3**	-
Depreciation of car leases	**1**	-
	4	**-**

14 Investment property

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

	2019	2018
Cost	**279**	109
Accumulated depreciation	**(22)**	(19)
At 1 January before changes in accounting policies	**257**	**90**
Changes in accounting policies by implementation of IFRS 16*	**4**	-
Reclassified from property inventory (see notes)	**-**	46
At 1 January after changes in accounting policies and reclassification	**261**	**136**
Purchased	**76**	124
Sold	**-**	-
Depreciated	**(4)**	(3)
Reclassified from investment property under development to property inventory	**(34)**	-
Reclassified to assets held for sale	**(100)**	-
Changes during the year	**(62)**	**121**
Cost	**222**	279
Accumulated depreciation	**(23)**	(22)
At 31 December	**199**	**257**

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

Investment property held for future property development income	**127**	115
Investment property held for future operating and investment income	**72**	142

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

Rental income from investment property	**18**	13
Operating expenses associated with investment property	**(5)**	(3)

* For details on the changes in accounting policies, see Note 2.4 to the consolidated financial statements.

Fair value and valuations

The fair value of investment property stood at € 227 million at year-end 2019 (2018: € 184 million). On 31 December 2019, 44% of the investment property portfolio had been valued by an external expert. All investment property held for more than six months was valued by an external expert in 2018. The investment property was valued by independent professionally qualified external parties; the valuations were carried out in accordance with the RICS valuation standards or other equivalent valuation standards.

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.

A discount rate of between 6% and 7% was used in 2019 (2018: between 5% and 7%). BPD conducted sensitivity analyses of its investment property portfolio in 2019. These showed that a change in discount rate of 0.25% (2018: 0.25%) will have an effect of € 6 million on the appraised value (2018: € 3 million).

Operational leases

At 31 December 2019, the investment property mainly consisted of commercial properties and a parking garage. The budgeted annual rental income from investment property is € 14 million (2018: € 9 million).

Reclassification of assets to held for sale

For more details on the reclassification of investment property to assets held for sale, see Note 11 (Discontinued operations).

Reclassification of property inventory

In June 2019, the European Securities and Markets Authority (ESMA) issued a ruling in which it fleshed out the classification of properties held for development or redevelopment. ESMA concluded that temporarily let properties pending their development or redevelopment must be presented as investment property based on their current use. BPD used to recognise such properties within property inventory based on their intended use. The properties in question have been reclassified from property inventory to investment property with retroactive effect to 1 January 2018. The effect for BPD was € 46 million at 1 January 2018. Following investments of € 69 million and € 12 million in 2018 and 2019 respectively, the total effect at 31 December 2019 was €127 million. The effect on earnings was limited to a reclassification of impairment losses on property inventory to impairment losses on investment property. This effect would be approximately € 1.8 million for 2019 as a whole. Given the minor impact, earnings for 2018 and 2019 have not been reclassified.

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:

	2019	2018**
At 1 January	**50**	**49**
Purchased	**3**	10
Sold	**(17)**	(14)
Share of profit/(loss)*	**18**	20
Dividends	**(7)**	(7)
Other	**7**	(8)
Changes during the year	**4**	**1**
At 31 December	**54**	**50**

* Share of profit/(loss) consists entirely of income from continuing operations. There was no income from discontinued operations.
** The reporting period saw a reclassification of the provision for joint ventures with retroactive effect to 1 January 2018. The reclassification amounted to € 22 million at 1 January 2018. This provision dropped by € 4 million in 2018, meaning that the net reclassification at 31 December 2018 was € 18 million (see Note 2.3 – Comparative figures).

Associates and joint ventures

A separate legal entity is created for each joint venture. The individual scale of these joint ventures was not material to BPD in 2019 and 2018.

16 Financial assets at fair value

Financial assets at fair value with changes through profit or loss consist of equity interests of less than 5% in Nationale Maatschappij tot Restaureren en Herbestemmen van Cultureel Erfgoed B.V. (trade name: BOEi).

17 Long-term loans and receivables

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

	2019	2018
Property development loans	**100**	144
Provision for loan losses	**-**	(6)
At 1 January	**100**	**138**
Loans granted	**11**	7
Repayments received	**(4)**	(30)
Impaired loans	**-**	(11)
Tax provision released/(utilised)	**-**	6
Interest capitalised	**3**	-
Reclassified	**(14)**	(10)
Other	**-**	-
Changes during the year	**(4)**	**(38)**
Property development loans	**96**	100
Provision for loan losses	**-**	-
At 31 December	**96**	**100**

Of long-term loans and receivables, € 67 million is receivable from related parties (2018: € 52 million).

The loans, which mainly fall due in more 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 € 50 million has been provided in the form of securities on the loans (2018: € 43 million).

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities for 2019 can be allocated to the following items:

	1 January 2019		Changes in 2019		31 December 2019	
	Assets	Liabilities	Through profit or loss	Through equity and other changes	Assets	Liabilities
Property inventory/contract assets	-	39	3	-	-	42
Capitalised tax losses	-	-	-	-	-	-
Total	**-**	**39**	**3**	**-**	**-**	**42**

In accordance with IFRS 16 Leases, BDP recognised deferred tax assets and liabilities (net) for right-of-use assets (€ 6 million) and lease liabilities (€ 6 million) at 31 December 2019. The balance of deferred tax assets and liabilities at 31 December 2019 was nil.

Deferred tax assets and liabilities for 2018 can be allocated to the following items:

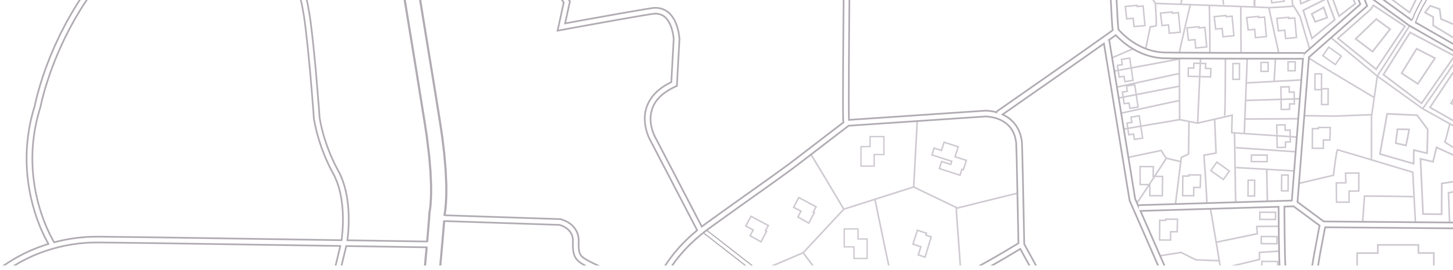
	1 January 2018		Changes in 2018		31 December 2018	
	Assets	Liabilities	Through profit or loss	Through equity	Assets	Liabilities
Property inventory/contract assets	5	22	(1)	(21)	-	39
Capitalised tax losses	15	-	(1)	(14)	-	-
Total	**20**	**22**	**(2)**	**(35)**	**-**	**39**

- 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.
- At year-end 2019, a cumulative amount of € 26 million in tax losses had not been capitalised (2018: € 9 million).
- Of this amount, € 11 million can be utilised for more than five years (2018: € 8 million).
- Of the changes in property inventory/contract assets through equity in 2018, € 19 million related to the restatement recognised by virtue of the changes in accounting policies by virtue of IFRS 15. The remaining changes in property inventory/contract assets through equity (€ 2 million) and in capitalised tax losses (€ 14 million) related to the sale of BPD Marignan S.A.S.

19 Property inventory

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

	2019	2018
ASSETS		
Building sites and equalisation funds	**1,675**	1,496
Impairment losses on building sites	**(374)**	(411)
	1,301	**1,085**
Work in progress	**201**	299
Impairment losses on work in progress	**(59)**	(28)
	142	**271**
Finished goods	**18**	33
Impairment losses on finished goods	**(5)**	(4)
	13	**29**
Total property inventory	**1,456**	**1,385**



Impairment losses are due to the fact that the net realisable value is lower than capitalised costs.
Movements in impairments were as follows in 2019:

	At 1 January 2019	Additions/release (through profit or loss)	Withdrawals/ other changes	At 31 December 2019
within property inventory				
Building sites and equalisation funds	411	(14)	(23)	374
Work in progress	28	(1)	32	59
Finished goods	4	1	-	5
	443	**(14)**	**9**	**438**

Impairment losses are due to the fact that the net realisable value is lower than capitalised costs.
Movements in impairment losses were as follows in 2018:

	At 1 January 2018	Additions/release (through profit or loss)	Withdrawals/ other changes	At 31 December 2018
Recognised within property inventory				
Building sites and equalisation funds	536	(71)	(54)	411
Work in progress	44	(14)	(2)	28
Finished goods	8	(3)	(1)	4
	588	**(88)**	**(57)**	**443**

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

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

	2019	2018
ASSETS		
Plots ready for development	**417**	549
Current land developments	**205**	183
Other land subject to zoning plan	**8**	9
Land not subject to zoning plan (< 5 years)	**549**	217
Land not subject to zoning plan (5-10 years)	**127**	126
Land not subject to zoning plan (> 10 years)	**5**	7
Equalisation funds	**(10)**	(6)
Total recognised within property inventory	**1,301**	**1,085**

Of current land developments, € 11 million consists of right-of-use assets for ground leases recognised within property inventory. These assets have not been impaired.

Net work in progress can be broken down as follows:

	2019	2018
ASSETS		
Residential properties in preparation and under construction	**140**	249
Commercial properties under development	**2**	22
Total recognised within property inventory	**142**	**271**

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 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 the accounting policies for property inventory).

On balance, € 3 million of the provision for work in progress was released in 2019 (2018: € 17 million).

An amount of € 17 million was allocated to interest and capitalised on work in progress in 2019 (2018: € 18 million). The interest rate used to determine the interest expense to be capitalised is between 1.0% and 6.0% (2018: between 1.0% and 6.0%).

Net finished goods can be broken down as follows:

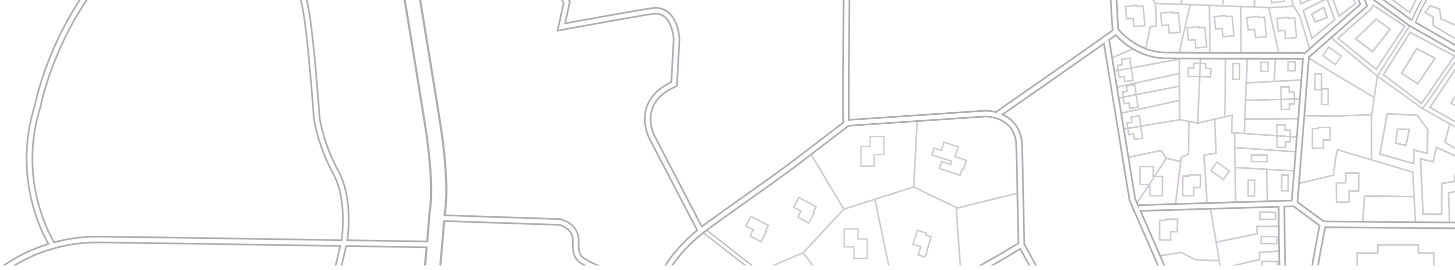
	2019	2018
ASSETS		
Residential property developments	**9**	24
Commercial property developments	**4**	5
Total recognised within property inventory	**13**	**29**

20 Contract assets

Contract assets can be broken down as follows

	2019	2018
Residential properties (including building sites)	**374**	252
Commercial properties	**-**	-
Services	**-**	-
Total contract assets	**374**	**252**

Contract assets as at 31 December 2019 are all expected to fall due within one year. No provisions were considered necessary at 31 December 2019 (2018: nil).



21 Trade receivables

Trade receivables consist of receivables from buyers of residential and commercial properties in the sum of € 98 million (2018: € 83 million). Receivables from construction-only debtors are ultimately settled upon legal transfer of the property, so that no collateral is deemed necessary.

Contract guarantees apply to full-service and commercial debtors, so that no collateral is considered necessary for these debtors either. The provision for bad debts amounted to € 2 million at year-end 2019 (2018: € 3 million).

22 Short-term loans and receivables

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

	2019	2018
Property development loans	**162**	159
Provision for loan losses	**-**	(4)
At 1 January	**162**	**155**
Loans granted	**27**	87
Repayments received	**(126)**	(89)
Impaired loans	**-**	-
Capitalised interest	**1**	1
Tax provision released/(utilised)	**-**	-
Reclassified	**(3)**	3
Other	**1**	5
Changes during the year	**(100)**	**7**
Property development loans	**62**	162
Provision for loan losses	**-**	-
At 31 December	**62**	**162**

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 € 41 million has been furnished in the form of securities on the loans (2018: € 120 million). At year-end 2019, no provisions for bad debts had been formed for short-term loans and receivables (2018: nil).

Of short-term loans and receivables, € 51 million is receivable from related parties (2018: € 94 million).

23 Current tax assets

Current tax assets can be broken down as follows:

	2019	2018
Income tax	**4**	1
VAT	**12**	14
Total current tax assets	**16**	**15**

The Dutch tax group headed up by BPD is part of the tax group by Rabobank. The current income tax asset is expected to be set off against income tax on future profits, with settlement taking place via Rabobank.

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.

24 Prepayments and accrued income

Prepayments and accrued income can be broken down as follows:

	2019	2018
Interest receivable	**1**	1
Other prepayments and accrued income	**74**	80
Total prepayments and accrued income	**75**	**81**

25 Cash and cash equivalents

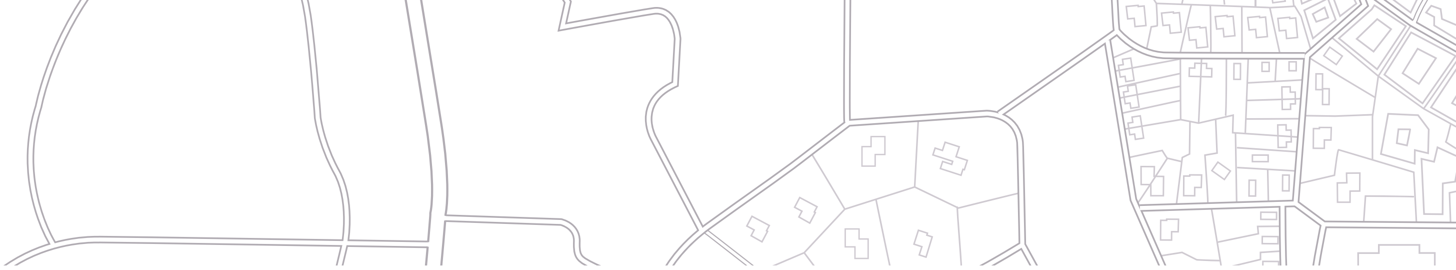
Cash and cash equivalents comprise all legal means of payment including foreign currencies that are freely available. This relates exclusively to current account balances totalling € 98 million (2018: € 31 million).

All cash and cash equivalents are freely available. Of cash and cash equivalents, € 81 million concerns intercompany balances (2018: € 24 million).

26 Equity

The share capital amounts to € 22,510,500 (2018: € 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, please consult the notes to the separate financial statements.



27 Borrowings (non-current)

This item can be broken down as follows:

	2019	2018
Term deposits	**549**	412
Land purchase obligations	**13**	12
Other non-current liabilities	**43**	27
Total borrowings (non-current)	**605**	**451**

Of term deposits, € 516 million concerns borrowings from related parties, i.e. Rabobank (2018: € 406 million). The total credit facility for term deposits provided by Rabobank amounts to € 1.6 billion (2018: € 1.7 billion). Of this amount, € 931 million (current and non-current) had been withdrawn at year-end 2019 (2018: € 841 million).

An amount of € 110 million has a remaining term to maturity of more than five years (2018: € 175 million). Loans falling due in less than one year are recognised within current liabilities. The average interest rate on non-current borrowings was 2.2% in 2019 (2018: 2.4%). No securities have been provided for the term deposits and other loans.

28 Lease liabilities

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

	2019	2018
At 1 January before changes in accounting policies	**-**	**-**
Changes in accounting policies by virtue of IFRS 16*	**35**	**-**
At 1 January after changes in accounting policies	**35**	**-**
Increases	**3**	-
Decreases	**(4)**	-
Interest	**1**	-
Changes during the year	**-**	**-**
At 31 December	**35**	**-**

Lease liabilities were recognised as follows at year-end 2019:

Current liabilities (falling due in less than 1 year)	**14**	-
Non-current liabilities (falling due in more than 1 year)	**21**	-

* For details on the changes in accounting policies, see Note 2.4 to the consolidated financial statements.

The following items have been recognised for lease liabilities in the statement of profit or loss:

	2019	2018
Interest on lease liabilities	1	-
Short-term leases not recognised as lease liabilities	6	-
Low-value leases not recognised as lease liabilities	1	-
	8	-

29 Provisions

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

	2019	2018
Provisions for joint ventures	42	45
Provision for land holdings and property developments	31	25
Provision for employee benefits	3	3
Warranty fund	14	14
Other provisions	1	1
Total long-term provisions	**91**	**88**
Restructuring provision	1	1
Total short-term provisions	**1**	**1**
Total provisions	**92**	**89**

Movements in the carrying amount of other provisions were as follows in 2019:

	Employee benefits	Joint ventures	Land holdings and property developments	Warranty fund	Re-structuring	Other	Total
At 1 January	3	45	25	14	1	1	89
Allocated and charged against profit	-	-	-	4	1	-	5
Released to profit	-	(4)	(3)	(1)	-	-	(8)
Withdrawn/changes in group composition	-	-	-	(3)	(1)	(1)	(5)
Other changes	-	1	9	-	-	1	11
At 31 December	3	42	31	14	1	1	92

Movements in the carrying amount of other provisions were as follows in 2018:

	Employee benefits	Joint ventures*	Land holdings and property developments	Warranty fund	Re-structuring	Other	Total
At 1 January	**7**	**60**	**12**	**16**	**2**	**9**	**106**
Allocated and charged against profit	-	-	3	4	1	-	8
Released to profit	-	(10)	-	(1)	-	(3)	(14)
Withdrawn/changes in group composition	(4)	(1)	10	(4)	-	-	1
Other changes	-	(4)	-	(1)	(2)	(5)	(12)
At 31 December	**3**	**45**	**25**	**14**	**1**	**1**	**89**

* The reporting period saw a reclassification of € 18 million of associates accounted for using the equity method with retroactive effect to 1 January 2018.

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.

Provision for employee benefits

This provision relates to post-retirement benefits other than pension rights and to facilities qualifying as fringe benefits.

Provision for warranty fund

Owners of residential property 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 remaining term of this provision is five years. Given that the warranty tends to be issued by the contractor, the warranty fund is in run-off.

Restructuring provision

This provision relates to decisions to scale back activities, strategic review and the relocation of the head office. This provision is generally utilised within one year.

Other provisions

This item mainly includes provisions for claims and legal disputes. The term of these provisions is uncertain.

30 Short term loans (current)

This item can be broken down as follows:

	2019	2018
Money market deposits	**427**	441
Call money and callable credit balances	**41**	55
Other current liabilities	**66**	70
Total borrowings (current)	**534**	**566**

Of money market deposits, € 416 million consists of borrowings from related parties, i.e. Rabobank (2018: € 441 million). Other current borrowings from related parties amounted to nil at year-end 2019 (2018: € 5 million). No securities were provided for current liabilities.

31 Contract liabilities

Contract liabilities can be broken down as follows:

	2019	2018
Residential properties (including building sites)	**66**	101
Commercial properties	**27**	20
Services	**-**	-
Total contract liabilities	**93**	**121**

Contract liabilities amounted to € 121 million at 1 January 2019. The full amount was recognised as contract revenue in the statement of profit or loss for 2019. Contract liabilities as at 31 December 2019 are all expected to fall due within one year.

32 Current tax liabilities

Current tax assets can be broken down as follows:

	2019	2018
Income tax	**93**	69
VAT	**10**	24
Other taxes	**2**	2
Total current tax assets	**105**	**95**

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:

	2019	2018
Interest payable	**11**	11
Other current liabilities	**66**	52
Total other current liabilities	**77**	**63**

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

34 Commitments and contingencies

For details on commitments and contingencies associated with joint ventures, see Note 15 (Associates accounted for using the equity method). BPD has commitments and contingencies arising from warranties issued and has entered into a number of other commitments in relation to work in progress.

Commitments and contingencies can be broken down as follows:

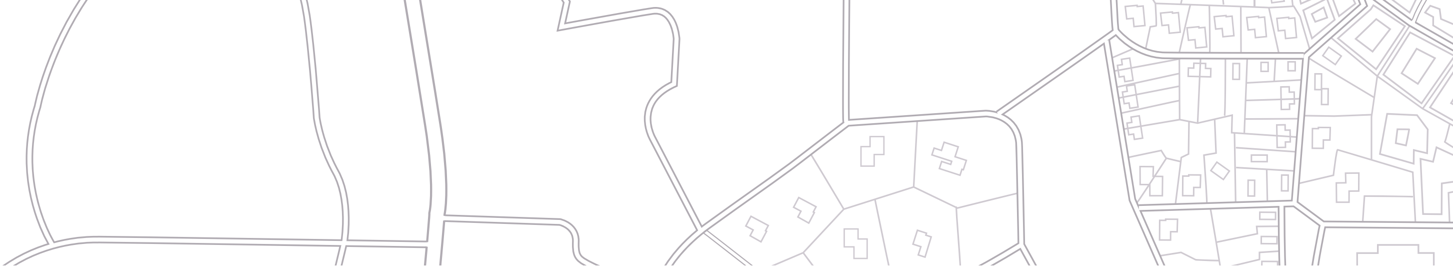
	2019	2018
Contingencies arising from warranties issued	**532**	511
Contingencies arising from group guarantees issued	**208**	395
Contingencies regarding land holdings	**401**	392
Commitments regarding land holdings	**69**	71
Third-party liabilities regarding residential properties	**404**	391
Third-party liabilities regarding commercial properties	**80**	127
Total contingencies	**1,694**	**1,887**

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, legal claims in the sum of € 5 million have been lodged against BDP (2018: € 7 million); the settlement of these claims may result in an outflow of resources, but this is not considered probable.

Commitments and contingencies 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 house. 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 prices reductions granted to buyers under this scheme amounted to € 11 million at year-end 2019.

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 into an orderly transaction between market participants at 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:

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value	1	1	2	2
Long-term loans and receivables	96	96	100	100
Short-term loans and receivables	62	62	162	162
Cash and cash equivalents	98	98	31	31
Total financial assets	**257**	**257**	**295**	**295**

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current liabilities	605	691	451	514
Current liabilities	534	544	566	585
Total financial liabilities	**1,139**	**1,235**	**1,017**	**1,099**

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 has not been 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:

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

Measurement of financial assets and liabilities in 2019:

	Fair value			
	Category I	**Category II**	**Category III**	**Total**
Financial assets at fair value	-	-	1	1
Long-term loans and receivables	-	96	-	96
Short-term loans and receivables	-	62	-	62
Cash and cash equivalents	-	98	-	98
Total financial assets	**-**	**256**	**1**	**257**

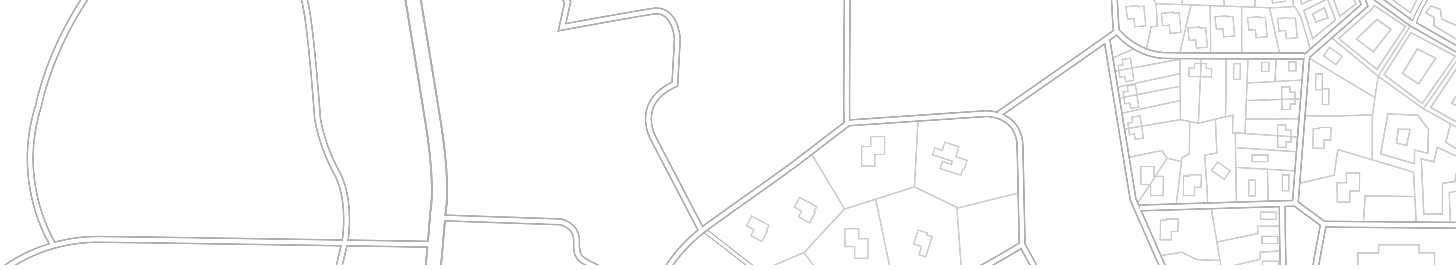
	Category I	Category II	Category III	Total
Non-current liabilities	**-**	**691**	**-**	**691**
Current liabilities	**-**	**544**	**-**	**544**
Total financial liabilities	**-**	**1,235**	**-**	**1,235**

Measurement of financial assets and liabilities in 2018:

	Fair value			
	Category I	**Category II**	**Category III**	**Total**
Financial assets at fair value	-	-	2	2
Long-term loans and receivables	-	100	-	100
Short-term loans and receivables	-	162	-	162
Cash and cash equivalents	-	31	-	31
Total financial assets	**-**	**293**	**2**	**295**

	Category I	Category II	Category III	Total
Non-current liabilities	-	514	-	514
Current liabilities	-	585	-	585
Total financial liabilities	**-**	**1,099**	**-**	**1,099**

The financial assets at fair value in category III 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 € millions)	2019	2018
Audit of financial statements	**825**	925
Other services	**-**	181
Total fees	**825**	**1,106**

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 2019, 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 2019 was € 537,000 (2018: € 479,000); the other member firms of the PricewaterhouseCoopers network charged € 203,000 (2018: € 189,000).

37 Executive remuneration

The names of the managing directors, who jointly qualify as key management, are listed on Page 7 of the Annual Report. In 2019, the remuneration of the members of the Managing Board and its legal predecessors amounted to € 1.9 million (2018: € 1.7 million).

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

(in € millions)	2019	2018
Short-term employee benefits	**1,275**	1,367
Pension plans	**88**	93
Other long-term employee benefits	**541**	214
Total executive remuneration	**1,904**	**1,674**

Other long-term employee benefits have been estimated for the reporting period. The difference between this estimate and actual long-term employee benefits granted to members of the Managing Board is recognised in the employee benefits expense for the subsequent reporting period. No loans have been granted to the members of the Managing Board (2018: 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. In concrete terms, 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. Rabobank Risk Management is also kept informed. BPD's policy and position with regard to the risk categories is described in the following sections.

38.4 Market risk

Market risk is the risk of 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 the market risk on the money and capital market, see Note 38.5 (Interest rate, currency and liquidity risks).

BPD breaks down its exposures to the property market into 'property under development' and 'property 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 Real Estate Investment Committee (REIC). 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 property under management. On 31 December 2019, these 'direct' property holdings amounted to € 1,755 million (2018: € 1,642 million).

Market risk associated with financial assets

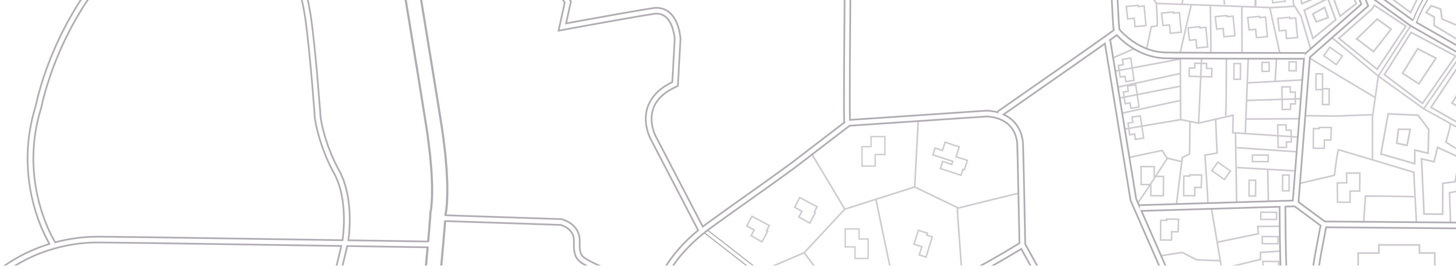
BPD also owns 'indirect' property because, where appropriate, it participates in investment funds with property as collateral. As at 31 December 2019, this portfolio of investments amounted to € 1 million (2018: € 2 million). Participations in funds for which there is no active market are measured based 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 2019 was 1.9 (2018: 1.9).

For the position on 31 December 2019, a parallel rise of 100 basis points in the yield curve would lead to a reduction of € 19 million in the value of equity (2018: € 18 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. BPD's foreign exchange exposures were highly limited at year-end 2019 (the same applied at year-end 2018).

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.

Analysing the refinancing obligation requires an under-standing 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 break-down (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 2019:

Liabilities	Payable on demand	Less than 3 months	3 months to 1 year	1-5 years	More than 5 years	Total
Non-current liabilities	-	-	-	478	127	605
Current liabilities	64	180	290	-	-	534
Total financial liabilities	**64**	**180**	**290**	**478**	**127**	**1,139**

Contractual maturity date of financial liabilities at 31 December 2018:

Liabilities	Payable on demand	Less than 3 months	3 months to 1 year	1-5 years	More than 5 years	Total
Non-current liabilities	-	-	-	276	175	451
Current liabilities	-	301	265	-	-	566
Total financial liabilities	**-**	**301**	**265**	**276**	**175**	**1,017**

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:

	2019	2018
Long-term loans and receivables	**96**	100
Short-term loans and receivables	**62**	162
Total maximum exposure on outstanding loans and receivables	**158**	**262**

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	24	-	72	-	96
Short-term loans and receivables	7	-	55	-	62
At 31 December 2019	**31**	**-**	**127**	**-**	**158**

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	26	-	74	-	100
Short-term loans and receivables	8	-	154	-	162
At 31 December 2018	**34**	**-**	**228**	**-**	**262**

In 2019 and 2018, there were no outstanding loans that had matured but had not been impaired.

The carrying amount of impaired loans before impairment was nil (2018: nil). The fair value of the collateral provided for impaired loans was nil (2018: € 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 on relating to business continuity, 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 every quarter 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. Management reports also address non-financial risks and BPD's non-financial risk appetite.

39 Related parties

BPD's related parties are its subsidiaries, joint ventures, associates and executive directors (see Note 37 – 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 2019 and 2018.

The table below breaks down the transactions that took place in 2019 and 2018, as well as any intercompany balances at year-end 2019 and 2018 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 *	2019	-	25	81	949
Rabobank *	2018	-	28	24	860
Joint ventures***	2019	50	58	130	12
Joint ventures***	2018	60	46	163	11
Other related parties**	2019	-	-	-	-
Other related parties**	2018	-	-	52	-

* The amounts presented in the columns 'sold to' and 'purchased from' Rabobank relate to interest income and expense on loans and receivables from Rabobank.

** Other related parties include affiliated property companies and various Rabobank associates, such as Achmea.

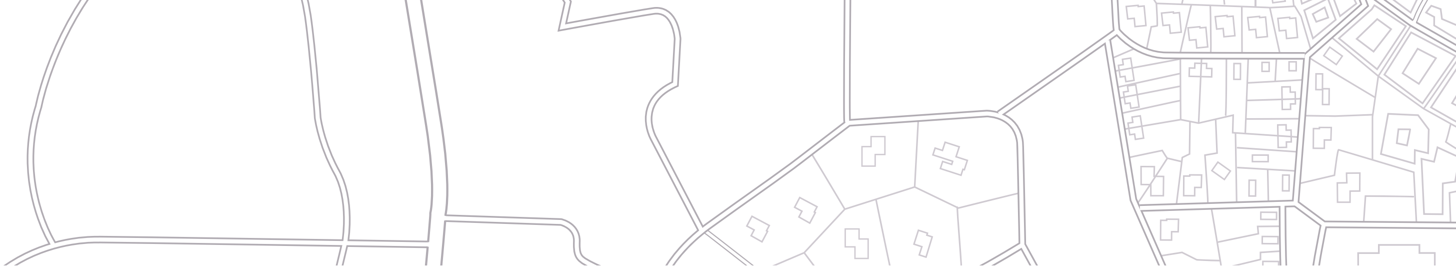
*** With effect from 2019, the amounts presented in the columns 'sold to' and 'purchased from' joint ventures have also included the non-controlling interest in intercompany balances. The comparative figures have been restated accordingly.

40 Events after the reporting date

Effects of COVID-19 outbreak

The COVID-19 virus spread furiously fast across the world in 2020. Measures to contain the virus taken by governments the world over are having a negative effect on economic activities. BPD sees the outbreak of the COVID-19 virus as an event after the reporting date that does not affect the actual situation at year-end 2019. We have taken a number of measures to monitor the COVID-19 virus and to protect the health and safety of our staff, such as encouraging social distancing and allowing them working from home. We will continue to follow the policies and advice of the different national institutions and, at the same time, do our utmost to continue our operations as best and safely as we can without jeopardising the health of our employees.

The Dutch and German economies are expected to be hit hard by the fallout of the COVID-19 outbreak. At the time of preparing these financial statements, it was too early to pinpoint the effects on BPD's financial performance for 2020 as a whole. Up to the time that these financial statements were prepared, the impact on our operations



and earnings was limited. To date, sales have been as forecast and property developments in the selling stages have hardly been delayed or postponed, if at all. What is more, no property developments under construction have been discontinued due to lack of supply of building materials or lack of availability of qualified staff.

If measures to contain the COVID-19 virus stay in place for a prolonged period, this may well have an effect on sales of residential properties and hence on BPD's revenue and profitability. This may also impact the measurement of our property inventory due to a shift in time of land holdings available for development. Our credit risk exposure is limited because sold properties are paid using escrow accounts. The number of unsold residential properties under construction is limited, partly thanks to the presale hurdle we apply before starting the construction of our property developments. If sales start to fall, our cash flows from operating activities will be affected.

The Managing Board seeks to obtain the best possible information to allow it to assess the risks and implement the corresponding appropriate measures. Short-term measures included encouraging our staff to practise social distancing and having them work from home, and communicating with our key stakeholders, including Rabobank, our shareholder.

BPD has built up adequate reserves over the past few years, both in terms of equity and in terms of available liquidity and financing facilities. As a result, we are confident that we have the financial scope to weather this storm and that we can continue as a going concern. The credit facility with Rabobank stood at € 1.6 billion at the reporting date and the available credit line with Rabobank amounts to € 669 million (see Note 27). Rabobank is rated relatively highly by all rating agencies and it is a creditworthy and robust bank. We also have instruments that can help us manage our liquidity position. These include increasing the presale hurdle, implementing cost reductions and postponing investments.

Although things are uncertain, we do not currently believe that the outbreak of the COVID-19 virus will have a material adverse effect on our financial position or our liquidity.

BPD Woningfonds

BPD sold all its investment property qualifying as property in operation to BPD Woningfonds on 1 April 2020. BPD Woningfonds also acquired approved property developments under development on the transfer date. For details, see Note 11 (Discontinued operations).

41 Profit appropriation for 2019

The full profit of € 116 million has been added to equity (2018: € 240 million).

Separate financial statements

Accounting policies

The separate 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 separate 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 or loss in its separate financial statements.

Basis of preparation

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

Separate statement of profit or loss

	Year ended 31 December	
(in € millions)	**2019**	**2018**
Share of profit/(loss) of associates after tax	**131**	244
Other profit/(loss) after tax	**(15)**	(4)
Profit/(loss) for the year	**116**	**240**

Separate statement of financial position (before profit appropriation)

		At 31 December	
(in € millions)	**Toelichting**	**2019**	**2018**
Non-current assets			
Property, plant and equipment		**2**	3
Associates	A	**628**	643
Right-of-use assets		**10**	-
Long-term loans and receivables	B	**1,399**	1,185
Deferred tax assets		**3**	-
		2,042	**1,831**
Current assets			
Short-term loans and receivables		**-**	8
Current tax assets		**-**	4
Prepayments and accrued income		**7**	7
Cash and cash equivalents	C	**43**	3
		50	**22**
Total assets		**2,092**	**1,853**
Equity	D		
Share capital		**23**	23
Share premium reserve		**468**	468
Statutory reserve for associates		**44**	30
Other reserve		**386**	160
Available for profit appropriation		**116**	240
		1,037	**921**
Non-current liabilities			
Non-current liabilities	E	**534**	460
Lease liabilities		**8**	-
Long-term provisions		**3**	3
		545	**463**
Current liabilities			
Current liabilities	E	**415**	440
Short-term provisions		**1**	--
Lease liabilities		**1**	-
Current tax liabilities		**66**	-
Other current liabilities		**27**	29
		510	**469**
Total liabilities		**1,055**	**932**
Total equity and liabilities		**2,092**	**1,853**

Notes to the separate statement of financial position

A. Associates

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

(in € millions)	2019	2018
Associates (asset item)	**643**	628
Associates (recognised within provisions)	**-**	(1)
Changes in accounting policies by virtue of IFRS 15 as of 1 January 2018*	**-**	24
At 1 January	**643**	**651**
Purchased	**-**	-
Sold	**-**	-
Share of profit/(loss)	**131**	244
Dividends/return of capital	**(146)**	(252)
Changes during the year	**(15)**	**(8)**
Consisting of:		
Associates (asset item)	**628**	643
Associates (recognised within provisions)	**-**	-
At 31 December	**628**	**643**

* Following the changes in accounting policies by virtue of IFRS 15, equity saw an increase by € 24 million as at 1 January 2018.

B. Long-term loans and receivables

This item comprises all receivables from group companies falling due in more than one year. At year-end 2019, an amount of € 1,399 million had been granted to group companies in the form of loans (2018: € 1,185 million). The loans are subject to a floating rate of interest. The average interest rate for 2019 was 1.45% (2018: 2.0%). 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 means of payment including foreign currencies that are freely available.

D. Equity

At year-end 2019, the separate financial statements included a statutory reserve for associates of € 44 million for the share of profit of associates and direct capital gains that cannot be distributed (2018: € 30 million).

Profit appropriation

Ahead of the adoption of the financial statements by the Annual General Meeting of Shareholders, the Managing Board proposes to add the profit for 2019 of € 116 million to the general reserve and to distribute a dividend of € 200 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 2019 (before changes in accounting policies)	**23**	**468**	**240**	**30**	**160**	**921**
Changes in accounting policies**	**-**	**-**	**-**	**-**	**-**	**-**
At 1 January 2019 (after changes in accounting policies)	**23**	**468**	**240**	**30**	**160**	**921**
Added to profit/(loss)	-	-	(240)	-	240	-
Profit/(loss) for the year (realised)	-	-	116	-	-	116
Other comprehensive income after tax	-	-	-	-	-	-
Total comprehensive income for the year	**23**	**468**	**116**	**30**	**400**	**1,037**
Dividend distribution	-	-	-	-	-	-
Other changes	-	-	-	14	(14)	-
At 31 December 2019	**23**	**468**	**116**	**44**	**386**	**1,037**
At 1 January 2018 (before changes in accounting policies)	**23**	**468**	**151**	**31**	**(16)**	**657**
Changes in accounting policies	**-**	**-**	**-**	**-**	**24**	**24**
At 1 January 2018 (after changes in accounting policies)	**23**	**468**	**151**	**31**	**8**	**681**
Added to profit/(loss)	-	-	(151)	-	151	-
Profit/(loss) for the year (realised)	-	-	240	-	-	240
Other comprehensive income after tax	-	-	-	-	-	-
Total comprehensive income for the year	**23**	**468**	**240**	**31**	**159**	**921**
Dividend distribution	-	-	-	-	-	-
Other changes	-	-	-	(1)	1	-
At 31 December 2018	**23**	**468**	**240**	**30**	**160**	**921**

** For more details on the changes in accounting policies, see Section 2.4 (New standards applicable in 2019).'.

E. Loans and receivables
These items mainly comprise loans from group companies. The average interest rate on these loans was 1.55% in 2019 (2018: 2.0%). 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, 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
Effects of COVID-19 outbreak
The COVID-19 virus spread furiously fast across the world in 2020. Measures to contain the virus taken by governments the world over are having a negative effect on economic activities. BPD sees the outbreak of the COVID-19 virus as an event after the reporting date that does not affect the actual situation at year-end 2019. We have taken a number of measures to monitor the COVID-19 virus and to protect the health and safety of our staff, such as encouraging social distancing and allowing them working from home. We will continue to follow the policies and advice of the different national institutions and, at the same time, do our utmost to continue our operations as best and safely as we can without jeopardising the health of our employees.

The Dutch and German economies are expected to be hit hard by the fallout of the COVID-19 outbreak. At the time of preparing these financial statements, it was too early to pinpoint the effects on BPD's financial performance for 2020 as a whole. Up to the time that these financial statements were prepared, the impact on our operations and earnings was limited. To date, sales have been as forecast and property developments in the selling stages have hardly been delayed or postponed, if at all. What is more, no property developments under construction have been discontinued due to lack of supply of building materials or lack of availability of qualified staff.

If measures to contain the COVID-19 virus stay in place for a prolonged period, this may well have an effect on sales of residential properties and hence on BPD's revenue and profitability. This may also impact the measurement of our property inventory due to a shift in time of land holdings available for development. Our credit risk exposure is limited because sold properties are paid using escrow accounts. The number of unsold residential properties under construction is limited, partly thanks to the presale hurdle we use before starting the construction of our property developments. If sales start to fall, our cash flows from operating activities will be affected.

The Managing Board seeks to obtain the best possible information to allow it to assess the risks and implement the corresponding appropriate measures. Short-term measures included encouraging our staff to practise social distancing and having them work from home, and communicating with our key stakeholders, including Rabobank, our shareholder.

BPD has built up adequate reserves over the past few years, both in terms of equity and in terms of available liquidity and financing facilities. As a result, we are confident that we have the financial scope to weather this storm and that we can continue as a going concern. The credit facility with Rabobank stood at € 1.6 billion at the reporting date and the available credit line with Rabobank amounts to € 669 million (see Note 27). Rabobank is rated relatively highly by all rating agencies and it is a credit-worthy and robust bank. We also have instruments that can help us manage our liquidity position. These include increasing the presale hurdle, implementing cost reductions and postponing investments.

Although things are uncertain, we do not currently believe that the outbreak of the COVID-19 virus will have a material adverse effect on our financial position or our liquidity.

BPD Woningfonds
BPD sold all its investment property qualifying as property in operation to BPD Woningfonds on 1 April 2020. BPD Woningfonds also acquired approved property developments under development on the transfer date.

Principal group companies

For details, see Note 11 (Discontinued operations).

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, 28 April 2020

BPD Europe B.V.
Original signed by:
W.P. de Boer, CEO
J.C. Kreikamp, CFRO
G. Voorhorst, Director of Legal & Compliance

Independent auditor's report

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

Report on the financial statements 2019

In our opinion:
- The 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 2019, 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;
- BPD Europe B.V.'s company financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of 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 2019 of BPD Europe B.V., Amsterdam. The financial statements include the consolidated financial statements of the Group and the company financial statements.

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

The company financial statements comprise:
- the company balance sheet as at 31 December 2019;
- the company profit and loss account 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 requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Emphasis of matter - uncertainty related to the effects of the coronavirus (COVID-19)
We draw attention to note 40 in the consolidated financial statements and to note G in the company financial statements in which the management board has described the possible impact and consequences of the coronavirus (COVID-19) on the company and the environment in which the company operates as well as the measures taken and planned to deal with these events or circumstances. This note also indicates that uncertainties remain and that currently it is not reasonably possible to estimate the future impact. Our opinion is not modified in respect of this matter.

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

- message from the CEO;
- BPD Europe in 2019;
- market developments 2019 and market outlook for 2020;
- internal developments;
- risk;
- outlook;
- other information

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;
- contains the 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 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 performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the directors' 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 management board
The Managing Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management 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 management board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

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 to be 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.

Amsterdam, 28 April 2020
PricewaterhouseCoopers Accountants N.V.

Original Dutch version signed by S. Herwig
MSc. LLM. RA MRE MRICS

Appendix to our auditor's report on the financial statements 2019 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 management board.
- Concluding on the appropriateness of the management 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 management 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.

The 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 or 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 mandatory 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

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Disclosure
After they have been adopted, the financial statements 2019, the directors' report and the other information will be filed with the Trade Registry of the Chamber of Commerce under number 08024283.

Slachthuis, Haarlem, the Netherlands

Campbell Barracks, Heidelberg, Germany

Nuenen West, Nuenen, the Netherlands

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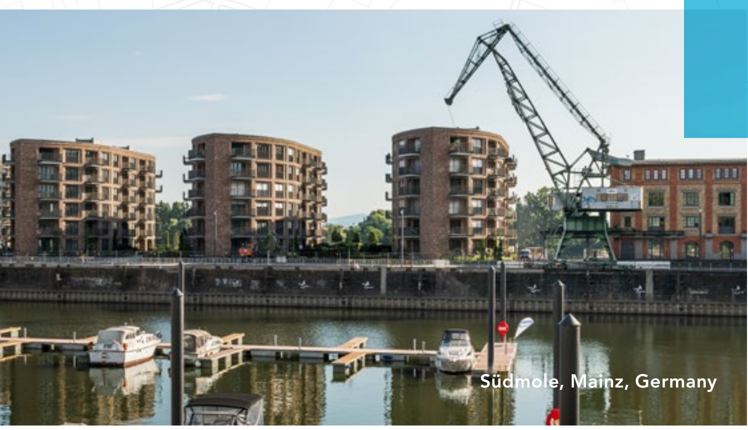

Südmole, Mainz, Germany

Haverleij, Den Bosch, the Netherlands

bpd
bouwfonds property development

A Rabobank company