Huysackers, Veldhoven, the Netherlands

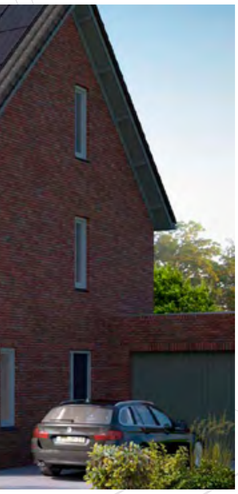
Annual Report 2020

Hyde Park, Hoofddorp, the Netherlands

Fleur de Berlin, Berlin, Germany

Elix, Zeist, the Netherlands

bpd
bouwfonds property development




Bilk on Top, Düsseldorf, Germany


World Food Center, Ede, the Netherlands

Reeve, Kampen, the Netherlands

Annual Report 2020

BPD Europe

bpd
bouwfonds property development

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BPD Europe

Message from the CEO

BPD Europe can look back on a strong year in which we delivered another robust financial and operational performance in both the Netherlands and Germany. In total, BPD conducted more than 8,900 residential property transactions in hundreds of developments and subdevelopments, spread over about 250 municipalities in the Netherlands and Germany. We have developed more than 365,000 residential properties since 1946, the year in which our organisation was founded.

The COVID-19 pandemic had a limited impact on our Dutch and German operations in the past year, mainly in that it forced our people to work from home. Surprisingly, the public health crisis did not affect sales of residential properties in the Netherlands. This was attributable to the huge shortage of residential units, which is expected to rise to 400,000, i.e. 5% of the total Dutch housing stock, in 2022. To make matters worse, we are also seeing increasing delays in planning procedures. The not-in-my-backyard effect is becoming widespread, at least in the most densely populated areas in the Netherlands. Unfortunately, this tends to lead to legal battles in the Netherlands, which are sometimes fought up to the Council of State, the highest Dutch general administrative court. The average lead time of legal proceedings at this court is now between three months to a year. Meanwhile, the shortage of affordable housing in particular continues to rise. Housing is in danger of becoming unattainable for growing numbers of people.

In both the Netherlands and Germany, BPD's minimum inventory position allowed us to continue to grow strongly over the past year. We will keep strengthening our market position by vying for prestigious tenders in both countries and making purchases that will shore up our position in large-scale area development. To illustrate: we joined forces with Snippe Projecten in the reporting period to develop Hyde Park in Hoofddorp, the Netherlands. Hyde Park is an exceptional development due to its size. It offers approximately 3,800 residential units. The BPD Woningfonds, which was founded at the end of 2019, got off to a flying start in 2020. The Fund is working to increase the number of mid-price rental units in dozens of appealing localities in the Netherlands. More than 600 mid-price units have now been let, 400 are under construction and about 1,700 are in the process of being acquired. As a result, the BPD Woningfonds is well on its way to developing more than 15,000 energy-efficient, sustainable new-build rental properties for middle-income earners, i.e. people earning between once and twice the median household income. We see this unique fund as a platform that will help us develop financial products going forward.

The models for increasing urban density again proved unsustainable in the reporting period. Fewer new-build residential units were completed in 2020 than in 2019. Fewer still are expected to be completed in 2021 (source: Statistics Netherlands (CBS)). Complex and protracted zoning procedures and high acquisition and construction costs drive up rentals and sale prices such that large groups of potential house buyers are denied access to the market.

To meet demand, construction output will have to be scaled up drastically. This calls for strict control and strong government action for large area developments, similar to developments that were completed earlier in the context of the Dutch Third and Fourth Policy Documents on Spatial Planning. While the problems in the Dutch housing market are much-talked-about, there is little action in terms of financial support and output management of numbers and completion times.

We may be happy with BPD's financial performance for 2020, but we realise all too well that we still have a long way to go. For many, it has become increasingly difficult to find housing that suits them. The pressure on the housing market has intensified even more over the past year. That is worrisome. Middle-income earners in particular are being left out in the cold.

That is why we see it as our mission to improve the affordability and availability of residential units on a structural basis. At BPD, we are committed to fulfilling this mission and will work hard to achieve it in 2021 too. The 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 2021, 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. In doing so, BPD will harness any available digital and technological advances to find adequate and contemporary ways of achieving the residential construction targets for the next few years.
This is how we intend to keep leading the pack in 2021 in terms of quality, supply, market approach and social responsibility. This demands a lot from us: expertise, learning capacity and awareness of our environment. It calls for partnerships, not only between market players but also – and more importantly so – between the public and the private sectors.

The outlook for 2021 is undoubtedly optimistic, both for BPD and for the entire housing sector. That said, it will continue to be difficult for house hunters to find affordable housing for the next three to five years, whether they are looking to rent or to buy. More than 50% of middle-income earners now no longer have access to the housing market, either as tenants or buyers.

In 2021, the year of our 75th anniversary, we will keep focusing on what was our original mission: creating inclusive living environments that encompass the physical, spatial and social dimensions of housing. We cannot fulfil this social mission without partnering up with local authorities and housing associations.

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 and persistence of all our staff. At the end of 2020, BPD was named a 'Top Employer' by MonitorGroep after we had conducted a job satisfaction survey among our Dutch staff base. Our people gave BPD excellent ratings for job satisfaction and work enjoyment. As a result, BPD has now joined the top 5% of Dutch companies with the happiest workforce. That makes me especially proud.

I would like to take this opportunity to thank everyone at BPD for their endless enthusiasm and energy, particularly in this challenging COVID-dominated year, in which we were forced to work from home most of the time. It is because of this that I look forward with confidence to 2021, our anniversary year.

Walter de Boer
CEO

BPD Europe in 2020

Key data

Profit for the year	€ 162 million
Return on equity	16%
Number of residential property transactions	8,901

Binckhorst, The Hague, 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).

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

Drs. J.C. (Carl-Jan) Kreikamp
CFRO

Mr. G. (Gea) Voorhorst
Director of Legal & Compliance

The Netherlands

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 (see page 10) and the following corporate support services directors:

- M.A.F.W. (Maarten) Janssen,
  Director of Human Resources
- A. (Anoeska) van Leeuwen,
  Director of Marketing & Communications
- D.J.M. (Desirée) Uitzetter,
  Director of Area Development
- J.M. (Jessie) Wagenaar,
  Director of Sales & Area Marketing

Germany

The German operations are headed up by:

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

Delegated General Meeting of Shareholders

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

Outside advisers

- Drs. Ing. C.M. (Cindy) van de Velde-Kremer
- Prof. Ir. H. (Hans) de Jonge

About BPD

BPD, which stands for Bouwfonds Property Development, is a large area developer of attractive new residential areas in the Netherlands and Germany. BPD was established in 1946 under the name of Bouwspaarkas Drentsche Gemeenten. Since our establishment 75 years ago, we have facilitated the construction of about 365,000 residential units. We are proud to say that, today, more than 1 million people live in residential areas that we have helped to develop. Taking an integrated approach to every area development, we are committed to affordability and sustainability, so that we create inclusive living environments with a comprehensive focus on physical, spatial and social dimensions. We operate based on our social belief that everyone is entitled to a comfortable home in a pleasant living environment. 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 full serviced areas

Need for coherence

BPD develops areas and districts where people can lead happy, healthy and fulfilling lives. These are vibrant areas: they are easily accessible by bicycle, car and/or public transport and designed for different target groups, offering affordable and energy-efficient homes. It is BPD's ambition to create high-quality residential environments. Building density in urbanised areas and the transformation of occupied and vacant properties will continue to play a key role in achieving the housing mission over the coming period. What is not self-evident is that these solutions will adequately cover the demand for housing. Thanks to continuous applied market research and in-depth interaction with clients, we know exactly what people want in a home. Our research tells us that not everyone is interested in urban living. We are also seeing demand for housing on the outskirts of cities or in the countryside. 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 individual interests in order 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. That is why, last year, we reviewed our sustainability strategy and formulated concrete KPIs to go with it (for details, see the chapter on internal developments). Sustainable area development requires a broad, all-encompassing and expert perspective. What we focus on in this process is how the client ultimately plans to use the property. For this reason, BPD works in close collaboration with local authorities to devise climate-proof solutions at the area level. We link sustainable product applications to personal benefits for residents, such as lower housing costs through energy efficiencies.

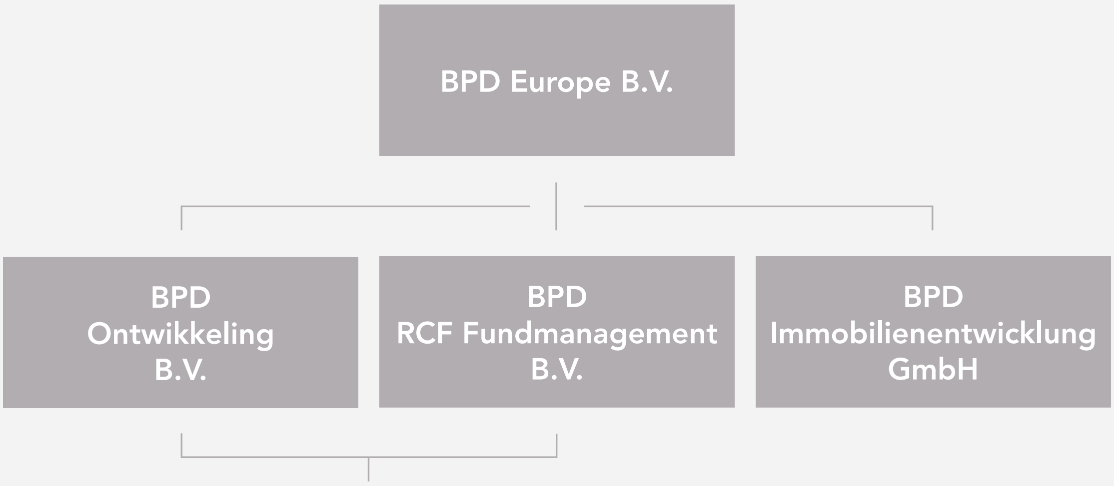
3

We develop affordable housing

Housing availability

BPD believes that housing should be available and remain attainable for all, whether in or outside 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 the BPD Woningfonds at the end of 2019. The Fund invests in sustainable, affordable apartments and single-family homes for middle-income earners. Through the BPD Woningfonds, we actively contribute to the ambitions of local authorities and housing associations to give more people access to affordable housing. This matters now more than ever because more and more people are moving to the city. The trend towards urban agglomeration can be seen in the Netherlands and Germany, as well as in the rest of Europe. Demographic and economic trends have caused demand for housing to exceed supply, which has far-reaching implications for the affordability of housing.

Organisation chart at 31 December 2020



The Netherlands

BPD Ontwikkeling B.V.

4 regional offices +

1 local office

Head office in **Amsterdam**

year of establishment **1946**

Germany

BPD Immobilienentwicklung GmbH

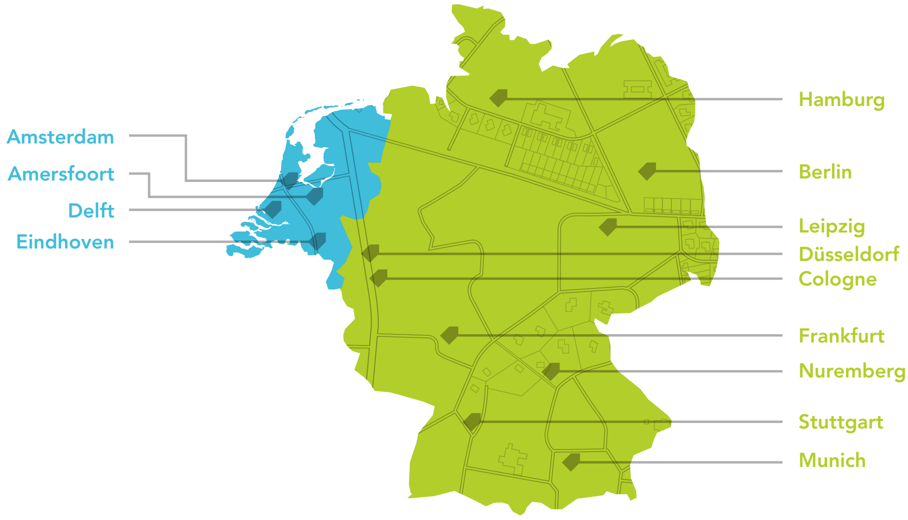
9 regional offices +

6 local offices

Head office in **Frankfurt**

year of establishment **1993**

Offices at 31 December 2020



The Netherlands

BPD Ontwikkeling B.V.

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

North - East & Central
Amersfoort & Zwolle
F.A. (Frans) Holleman, Regional Director
N.J.T. (Niels) Bossink, Regional Director

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

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

BPD RCF Fundmanagement B.V.
T.H. (Tak) Lam, Fund Director

Germany

BPD Immobilienentwicklung GmbH

North
Hamburg
M. (Marko) Pabst, Regional Director

East
Berlin
C. (Carsten) Hartwig, Regional Director

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

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

Central
Frankfurt
I. (Ingo) Schilling, Regional Director

Franconia
Nuremberg
G. (Günter) Schenk, Regional Director

Southwest
Stuttgart
A. (Antonius) Kirsch, Regional Director

Southeast
Munich
S. (Samira) Akhlaghi, Regional Director

Key figures

		2020	2019
Statement of profit or loss			
Profit/(loss) for the year	in millions of euros	**162**	117
Revenue	in millions of euros	**1,431**	1,259
Cost-to-Income Ratio (C/I)	%	**37**	44
Statement of financial position			
Equity	in millions of euros	**1,001**	1,040
Total assets	in millions of euros	**2,666**	2,663
Return on equity	%	**16**	12
Solvency ratio	%	**38**	39
Output			
Residential property transactions (including third-party developments)	number	**8,901**	6,471
– The Netherlands		**6,375**	4,485
– Germany		**2,526**	1,986
Development portfolio			
Residential properties	number	**75,000**	75,000
Headcount			
FTEs	number	**719**	655
– The Netherlands		**407**	376
– Germany		**312**	279

Financial policy and performance

Poortmeesters, Delft, the Netherlands

Financial policy

In the context of wanting to provide 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 inform strategic, operational and financial targets. These targets are aimed at value creation and cover the budget year plus the subsequent four years.

Financial performance

Profit for 2020 amounted to € 162 million (2019: € 116 million). The increase in profit was attributable to a higher number of residential property transactions at a higher average margin in 2020 than in 2019 and a gain of € 45 million on the sale to the BPD Woningfonds of the properties in operation held in the Internal Investment Portfolio (IBP).

Risks and uncertainties

As anticipated in the outlook of the Annual Report 2019, several factors led to some delays in the award and sale of new property developments in 2020. These included environmental factors and changes in market conditions, such as the increase in construction costs and delays in issuing building permits by local authorities, as well as the shortage of manpower at official authorities. The relatively small scale of property developments and obstacles 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. So far, the COVID-19 pandemic has not significantly affected BPD's financial performance. Aside from these factors, developments in operating profit were in line with the outlook expressed in the Annual Report 2019.

- In 2020, BPD conducted 6,375 residential property transactions in the Netherlands (2019: 4,485).
- The number of residential property transactions in Germany amounted to 2,526 in 2020 (2019: 1,986).

Cash flows and financing requirements

Cash flows from operating activities were up from negative € 31 million in 2019 to positive € 208 million in 2020. Cash flows for 2020 consisted mainly of operating profit. BPD invested € 175 million in working capital (including paid and refunded income tax) in 2019, while the change in 2020 related to an investment of € 16 million.

Cash flows from investing activities decreased from positive € 37 million in 2019, to negative € 31 million in 2020, this was mainly because of higher repayments on issued loans in 2019 (€ 131 million in 2019 compared to € 72 million in 2020).
BPD distributed a dividend of € 200 million to its shareholder in 2020 (2019: nil). This largely explains the decrease in cash flows from financing activities from positive € 79 million in 2019, to negative € 222 million in the reporting period. We also repaid € 22 million on balance on borrowings in 2020. In 2019, BPD reduced borrowings for an amount of € 79 million on balance.
BPD can use the Rabobank-provided credit facility for any potential financing requirements. This facility stood at € 1.6 billion on 31 December 2020. Of this amount, € 0.9 billion had been reduced on 31 December 2020. At 38%, the solvency ratio at year-end 2020 was about the same as at year-end 2019 (39%).

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), whose members are Ms M.P.J. (Mariëlle) Lichtenberg 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 membership of the GMS changed halfway through the reporting period, in that Ms Lichtenberg took over as chair from Mr J. van Nieuwenhuizen, because of his leaving Rabobank.

The GMS held four routine meetings in 2020. There was one additional meeting, which related to the sale of the IBP portfolio (of rental properties) to the BPD Woningfonds, allowing the Fund to hit the ground running. During the meetings, which were held in the presence of the Managing Board of BPD, the GMS addressed a range of issues. The fallout of the COVID-19 pandemic was covered in three of the four meetings. The first meeting of the year was held in January 2020, when the outbreak of COVID-19 was still confined to Asia. The impact of the pandemic on BPD's operating profit was difficult to predict in the spring. Over the next few months, however, it turned out that housing sales continued unabated. We also established that our staff was able to continue their work as usual, while mainly working from home. Many meetings with buyers, business partners, local authorities and other stakeholders were held online.

The routine meetings also consistently served to discuss market conditions and the general situation at BPD, addressing BPD's strategy and the implementation of that strategy. The GMS also discussed the effectiveness of the Dutch MT, which was created in 2019. The financial and risk reports for the period came up for discussion as well; BPD's CFRO elaborated on these reports. At the April meeting, PwC, the external auditor, elaborated on their Board Report, which described the findings from their audit of the financial statements. The Annual Report 2019 was approved at the same meeting. This meeting also adopted the resolution to distribute a dividend to the shareholder. BPD's Medium-Term Plan was discussed and approved at the last meeting of the year.

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. In this process, the Director of Legal & Compliance elaborated on the periodic litigation reports.

In the context of continuing education, the operation of the BPD Business Control Framework was explained to the members of the GMS. The GMS also took on board the outcomes of a reputation survey among local authorities, housing associations, builders/developers and other stakeholders. The staff integrity survey and the job satisfaction survey were addressed as well at the end of 2020. The outcomes of these surveys were presented early 2021.

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. The members of the Real Estate Investment Committee are Ms M.P.J. Lichtenberg (from 1 September 2020 onwards; Mr J. Van Nieuwenhuizen chaired the REIC until then), Mr J.J. Bos, and Mr A.P.M. van der Weijden, a Rabobank risk officer. After Mr Van der Weijden had announced in the second half of the year that he would step down, Ms C. Dekkers took over, starting from the last two meetings in 2020. Property development proposals that fall outside the mandate 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. The Committee met eight times in 2020 to discuss investment proposals, revision proposals and updates of ongoing developments that had been referred to the Committee in accordance with the approval framework. The Committee was also given a presentation about the governance and investment strategy of BPD Woningfonds and BPD's new sustainability strategy.

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.

Market developments in 2020 and outlook for 2021

Dutch housing market
We all know that 2020 turned out to be a completely different year than we had expected on the first of January. When the pandemic hit in the spring, it was impossible to predict what its effects on the housing market would be. From a macroeconomic perspective, it was clear that several indicators in the Netherlands were different than during previous crises, such as the financial crisis of 2008. With extremely high demand for housing and a limited supply of new-builds and existing residential properties, the housing market continued to experience significant pressure, even during the pandemic. There is not enough mobility in the market. Finding affordable housing seems impossible for many. What we have learned from this year, in which everyone was asked to work from home as much as possible, is that having a comfortable home and a pleasant living environment is more important to people than ever. Throughout 2020, 235,511 existing residential properties were sold, a 7% increase compared to 2019[1]. Also, the average selling price of property rose by 7.8% in 2020, landing at € 334,488. There are differences in price increases of existing residential properties across regions. At the provincial level, the smallest price increase was seen in Noord-Holland (6.5%), while the greatest increases were recorded in Groningen (10.4%) and Flevoland (9.5%)[2]. Looking at the four largest cities in the Netherlands (i.e. Amsterdam, Rotterdam, The Hague and Utrecht), the housing market was tightest in Utrecht, where prices increased by 9.4% and the number of residential property transactions inched up by just 1.6%. The prices of new-builds continued to rise as well. In the third quarter of 2020[3], the price increase was as high as 10% year-on-year. According to WoningbouwersNL, an association of residential construction specialists, over 35,000 new-builds were added to the owner-occupier market in 2020[4], 5,000 more than in 2019. This was attributable, in part, to the fact that, in 2019, housing output stagnated due to nitrogen pollution and PFAS soil contamination.
Statistics Netherlands (CBS) has said that the housing stock grew by 69,300 residential units in 2020 thanks to new-builds being completed for both the rental and the owner-occupied markets. In total, there were nearly 75,000 more residential units in the Netherlands in 2020 than in 2019, not just because of changes in housing stock due to new-builds, but also because of existing properties being demolished, divided, combined or transformed. Building permits for these properties were issued years ago. The permits that were issued in 2020 will, for their part, fill the pipeline for residential construction in the years to come. Nearly 66,000 permits for new-build residential properties were issued in 2020. Although this is 8,600 more than in 2019, it is not nearly enough to resolve the housing shortage over the coming years.
The main issue in the Dutch housing market continues to be the huge housing shortage. In the long run, the COVID-19 pandemic will have little effect on population growth. A study by ABF Research showed that the housing shortage had soared to no fewer than 331,000 homes at year-end 2020.
The Primos population forecast demonstrates that the shortage will keep rising to reach 418,000 by 2025. Because of this, a large number of new-builds need to be added to the housing stock over the next few years to meet the huge current and future demand for housing *and* to alleviate the major shortage.

German housing market
The COVID-19 pandemic has hardly affected the German housing market. It seems that, for Germans, their home has become of even greater emotional value. Because of the lockdown, people spend a lot more time at home. Large and small investors are increasingly considering residential properties as a reliable investment; the alternatives are not as attractive. The impact of the pandemic on the economy has been limited thanks to the Federal Government's support packages. The rate of unemployment was stable.
Demand for new-builds continued to outstrip supply and, because of the pandemic, the planning pace, which was slow to begin with, slowed down even more in

1 Source: Dutch Land Registry
2 Statistics Netherlands (CBS)
3 Source: Statistics Netherlands (CBS), figures for Q4 unavailable at this time
4 Source: WoningBouwersNL. Based on issued completion bonds by Woningborg, SWK and Bouwgarant.

Fleur de Berlin, Berlin, Germany

many localities. There was no opportunity for in-person meetings with developers and representatives of local authorities for many months. Public consultation procedures were relegated to being held online. Zoning plans and permit procedures were delayed because of poor or – in some instances – non-existent IT facilities.
The nature of the demand for housing seems to be changing a little. People are increasingly moving to the suburbs, because that is where they can still find affordable housing, whether in the form of a single-family home or an apartment. Since the pandemic broke out, many people have not been coming to the office five days a week and this is not expected to change after the lockdown has been lifted. House prices in large urban centres also rose sharply because of the low number of building sites in the surrounding areas, partly driven by spatial planning.
About 290,000 residential units are estimated to have been completed in 2020, while demand hovers between 350,000 and 400,000 units every year. Based on information from the German Federal Statistics Office (Destatis), we estimate that building permits for just over 270,000 residential units were issued in 2020 (November 2020: 241,521). This represents a 10% decrease compared to 2019. We do not expect more than 250,000 residential units to be built in 2021 (source: BPD Market Research, Frankfurt).
Rentals and sale prices have risen sharply in nearly all metropolitan areas and medium-sized cities due to pressure on the housing market. The supply of affordable housing has fallen to a record low. Government agencies are increasingly taking new action, both at federal and local level. Up to 50% of the new-build output portfolio of developers is expected to be made up of social and low-cost housing. Rent control (in German: *Mietendeckel*) and expropriation of commercial landlords are causing returns to be weighed down. Housing output in these cities continues to decline as a result.
There are major regional differences in absolute sale prices: the average price of a new-build apartment is € 11,500/m^2 in Munich, € 8,000/m^2 in Hamburg, € 8,150/m^2 in Frankfurt, € 7,200/m^2 in Berlin and € 6,000/m^2 in Nuremberg. Prices increased by some 10% to 15% from 2019. The price of a townhouse in the Munich area is approximately € 1,100,000, whereas in the Berlin, Hamburg and Frankfurt areas, a townhouse fetches between € 600,000 and € 750,000.[5]
The increase in rent, which is higher than € 19/m² in the large metropolitan areas, seems to have hit the ceiling because units will no longer be affordable if they become any more expensive and demand for them is falling[6].
We expect a slight increase in sale prices and a stabilisation of rent levels in 2021.
The German federal elections will be on 26 September 2021. The housing market is a priority for nearly every political party. The political debate about the affordability of housing will intensify, with new subsidy policies, tighter rent control and more power for local authorities to exert their influence on scarce building sites (preferential right).

5 Source: Trimag-Püschel-Wolf Gbr, Delphi-Committee, Q1 2021
6 Source: Trimag-Püschel-Wolf Gbr, Delphi-Committee, Q1 2021

Housing shortage – solutions

Everyone with an interest in the housing market and politicians are now in agreement: substantial investments are required to accelerate the construction of new-builds. The view that the government should take the lead, exert more control and formulate a clear housing vision at federal level gained broad support in 2020. The solution is thought to lie in constructive partnerships between the market, the public sector and other partners such as housing associations.

New-builds will have to meet the housing requirements of different target groups and living environments. On the one hand, city living must be kept affordable in the face of rising complexity and construction costs. This calls for swift official decision-making and productive teamwork between everyone involved. On the other hand, it is important that we know exactly whether and how property developments meet the qualitative and quantitative requirements of prospective buyers and tenants before we start the construction process. This will allow us to build superb, sustainable and new housing that offers a comfortable living environment for all.

The housing market in 2021 – outlook

What will 2021 have in store for us in terms of the housing market? It is safe to assume that a number of factors will play a role in the housing market in the new reporting period. First of all, the extreme housing shortage will persist with construction output lagging behind because of the limited number of issued building permits. The housing market will continue to be tight as a result. It has become easier for buyers under the age of 35 to get on the property ladder because they are exempt from stamp duty and interest rates remain very low. These factors combined drive up prices. That said, certain sectors have been hit hard by the pandemic. This will lead to a fall in income for people working in those sectors so that they are unlikely to have the means to buy property in the near future. The effect at a macro level is impossible to predict at this time. All in all, RaboResearch still expects house prices to rise in 2021, although less sharply than in recent years.

We are hearing from different sides (Dutch Association of Real Estate Agents (NVM), Land Registry) that, since the pandemic, there seems to be a tendency towards people wanting to move to the country for a more spacious, greener environment. Property portals, for instance, saw a significant increase in the number in the number of searches for properties with a garden. The Dutch Land Registry recorded an uptick in interest in rural living as early as 2015. At this point, however, it is too early to tell whether this is a departure from the trend that is due to the pandemic. At the same time, RaboResearch is also finding evidence to the contrary: city living is still proving to be immensely popular. But the increasing lack of affordability of properties in urban areas might well cause a shift to more rural living.

In short: it is a near-impossible task to make any reliable predictions in these exceptional times. That said, there is no doubt that we have to keep building residential properties in large volumes at a time to alleviate the housing shortage, both in cities, e.g. through densification, restructuring and transformation, and in suburban and rural areas. At the end of the day, everyone deserves to live in a suitable and affordable home.


Hsk20, Zwolle, the Netherlands

Internal developments

COVID
The year 2020 was largely dominated by the COVID-19 pandemic. Working from home became the 'new normal' overnight. After a few relatively minor changes, BPD's IT infrastructure proved to be equipped to allow all employees to work from home at the same time.

At BPD, our managers and middle managers in particular focused heavily on the health and well-being of our people. Tools and guidelines were made available to managers and a crisis team sent relevant updates to all outlining the consequences for BPD after every government announcement. After the first lockdown, all our offices were made fully corona-proof so that our people could continue to come into the office, albeit on a limited scale.

BPD Studio
BPD Studio was created in the spring. BPD Studio is a team of specialists in such fields as urban planning, architecture, landscape architecture and concept development. They support development teams in creating initiative plans and concepts for complex area challenges. BPD Studio is responsible for the conceptual design of urban tenders, initiative plans and planning. In BPD Studio, we have created a nationwide platform for area concepts for urban acquisition and complex area development. BPD Studio is tasked with developing broad, integrated concepts (plan and design). The Area Marketing department became redundant as a result and has been disbanded. Its duties have been divided over BPD Studio and Sales.

Digitalisation
BPD hired a Digital Transformation Officer in 2020. We also created a Digital Board, which meets periodically. BPD invests heavily in digitalisation, in terms of staffing, software and systems. We believe that, to maintain our position as a market leader and to keep growing, we need to be able to capitalise on technological advancements. The digital sales process was our first litmus test. But we still have much more to gain from the digital transformation of our core processes. Our ambition is to keep playing a coordinating role in area developments by taking a digital first approach and deeply embedding this method in our core business.

The related strategic framework rests on four pillars:

- Digital supply chain management, aimed at streamlining area development through innovative partnerships.
- An innovative customer journey, aimed at engaging as much as possible with concession grantors *and* private individuals (buyers and tenants).
- A data-driven organisation, focused on creating maximum value and new perspectives by enriching data to become management information.
- Digital culture and digital working methods, aimed at aligning the business and IT, thereby allowing them to reinforce each other.

Online presence
BPD's Dutch website (www.bpd.nl) was renewed in the last quarter of 2020. The new website showcases our developments, our staff and our partners. On it, we also share our knowledge and expertise on relevant themes such as affordability and sustainability of housing and full-scope area development. We highlight the BPD Woningfonds and all important facts and figures about the organisation are conveniently listed. Because the website has been SEO-optimised for Google, we are now much easier to find for our government clients and business associates.

Integrity and privacy protection
There were many compliance-related initiatives in 2020 and Compliance worked on further reinforcing the compliance structure. Integrity surveys, dilemma sessions, focus on the Code of Conduct, the annual Systematic Integrity Risk Assessment (SIRA) and monitoring activities contribute to BPD's sound and ethical business operations. In the first half of 2020, Compliance & Privacy organised dilemma sessions for everyone at BPD. These sessions served to discuss the principal integrity risks BPD incurs by looking at dilemmas. The sessions are meant to raise our staff's awareness of these risks and of the importance of culture and conduct. Following on from these sessions, integrity surveys were conducted at the Dutch and German organisations at the end of 2020. The outcomes have been discussed with the Managing Board, which will communicate the outcomes to the organisation and announce follow-up actions early in 2021.

To prevent BPD from doing business with parties that could harm our reputation, we implemented the revised Business Partner Due Diligence (BPDD) Policy at the start of 2020.

Where privacy issues are concerned, the shareholder performed an analysis of BPD's procedures for protecting personal data. The analysis showed that there is room for improvement. BPD has bundled the suggestions for improvement in a privacy programme, which Compliance & Privacy has started to implement from the end of 2020. After the suggestions have been implemented, other privacy-related aspects will be addressed in 2021.

The business performed the annual SIRA in 2020. Compliance played a facilitating and coordinating role in this assessment. The risks identified in the SIRA have been included as an integral part of the annual compliance plan. They are subject to monitoring.

Collective labour agreement

A new three-year collective labour agreement for BPD (2020-2022) was negotiated early in 2020. 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. Staff taking this type of leave will be paid up to 80% of their salary.

Work enjoyment and job satisfaction

MonitorGroep conducted a job satisfaction survey among all BPD staff in the Netherlands in December 2020. The response rate was 93%. The results make us proud: the job satisfaction rating was 7.9; the work enjoyment rating was 7.6. The employee net promoter score, which is a yardstick for whether our staff would recommend BPD to others as an employer, was 72%. This is a really good result, given that the national average in the Netherlands is as low as 30%. Thanks to these excellent ratings, we are now ranked among the best 5% of employers in the Netherlands with the happiest workforce.

Growth21

BPD has fleshed out its strategy until 2021 in Growth21. As the name implies, this strategy focuses on growth, both in terms of quantity and quality and as an organisation. Growth21 has three priorities:

- *Priority 1:* BPD want to provide access to affordable housing. People take centre-stage: everyone should have access to an affordable home.
- *Priority 2:* BPD takes on a coordinating role in area development. We are firmly committed to owning that role. It allows us to bring area transformation, restructuring and new housing developments to the best possible conclusion.
- *Priority 3:* BPD is 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.

These strategic pillars informed the following initiatives in the reporting period:

Innovation in Project Management

Growth is a way for BPD to contribute to the goal that affordable housing should be available to all. If we change and streamline our processes, we can achieve growth without having to hire a corresponding number of new staff. We can make our working methods smarter by harmonising them, introducing more fixed structures and standard models, exchanging knowledge on a greater scale and facilitating more effective support by our corporate support departments. The Innovation in Project Management programme has been launched to make this happen. Everyone is invited to provide input on how to achieve innovation and improve our efficiency in the property development process. The programme has already yielded several suggestions for improvement, which we will start to implement in 2021.

Master classes on property development and site management (Area Development Academy)

At BPD, we need to demonstrate leadership if we want to take on and keep fulfilling a coordinating role in area development. That is why we have invested in creating master classes on property development and site management. The master classes focus on gaining new knowledge and fine-tuning the participants' competencies. The master classes on property development fall in line with the Innovation in Project Management programme. The Area Development Academy for site management helps to address new challenges so that we can condition areas faster, which will allow us to accelerate our plans and improve the quality of our developments.

BPD Online Tour

We have introduced an online onboarding programme for

Ringerskwartier, Alkmaar, the Netherlands

new hires: the BPD Online Tour. The programme offers a number of basic and in-depth e-learning modules and tells new hires what BPD stands for, how we are organised and how we have structured our primary processes, including our strategies for client interaction, corporate social responsibility, sustainability and market research. The in-depth e-learning modules address such topics as construction management, construction-only developments (in Dutch: GKA), land development (in Dutch: GREX), integrity and legal issues. This platform allows us to share more knowledge, with new *and* current employees.

BPD College Tour

BPD wants to be a learning organisation. In this context, we have introduced a new online knowledge initiative: the BPD College Tour, which takes the form of a series of monthly town hall meetings where a relevant topic is presented in the form of a video and an interview. By asking 'how?' every single time, the sessions make complex, usually abstract issues, more concrete and manageable. Employees are given the tools to address the themes and BPD experts are given the opportunity to share their knowledge with the rest of the organisation. The past sessions have been about nearly zero-energy buildings (BENG), affordability, mobility and sustainability. All sessions are recorded and can be watched on demand. Relevant reports, models and documents are added to the case files.

BPD Woningfonds

2020 was the first full year in which the BPD Woningfonds was active. The Fund had a successful year despite the pandemic. In April, it acquired the IBP portfolio from BPD Ontwikkeling, which had built up this portfolio over recent years. The value of the portfolio increased by 3% in 2020. At year-end, the Fund had 600 rental properties in operation and 400 were under construction. The Fund collaborated successfully with BPD Ontwikkeling's regional offices: the property development pipeline grew by nearly 1,700 residential units, including those covered by tenders awarded in Diemen, Breda and Oosterhout in the Netherlands.

The BPD Woningfonds did not go unnoticed by key players in the Dutch housing market either. The launch of the Fund was met with particular enthusiasm by local authorities facing a major shortage of affordable rental housing. BPD Ontwikkeling's regional offices have teamed up with the BPD Woningfonds, which seems to be resulting in more successful business development.

Now that the vaccination campaign has started, there seems to be light at the end of the tunnel of the COVID-19 pandemic. The fundamental factors that drive the major shortage in the Dutch housing market will not change for the time being. These are a growing population, a stagnating supply of new-builds and the government's urge to impose even stricter regulations on the housing market, which only creates further imbalances. The regulatory increase is reflected mainly in the uptick in the rate of stamp duty on rental investment property from 2% to 8%, starting in 2021.

Worth mentioning is the successful pilot with Rabo HuurSparen (saving up rent) in the new Stationspark Triangel development in Waddinxveen. This new product lets tenants set aside part of their wages to go towards the purchase of property later. Rabobank will pay them a bonus once they have reached a certain target amount and are in the position to buy. This initiative will be followed up in 2021. BPD will also team up with Rabobank frequently in the new year to develop new initiatives. All in all, we foresee further growth in our property inventory pipeline for 2021.

Sustainability

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

In the past year, we continued to plot a course towards developing sustainable and well-balanced areas and buildings by recalibrating our sustainability strategy. In doing so, we aim to address the social and urgent challenge of climate change and offer the answers that area development can provide.

Health and social cohesion are important core values. We want our developments to serve as a meeting place for people, a place where children can play safely and go to school locally, where people can pursue their hobbies, where elderly and sick people can be cared for in their own home, and where everyone can enjoy a green, healthy and water-abundant environment with plenty of room for plants and animals. The living environments we create are climate change-proof. They boost biodiversity, use renewable energy sources and are aimed at smart, sustainable mobility. In short, they are conducive to sustainable and healthy living.

BPD creates sustainable living environments by providing coherent solutions based on four sustainability pillars: Climate & Landscape, Energy, Circularity and Mobility. Rather than being separated, these pillars are interconnected. Sustainable area development calls for integration and connection of available knowledge and solutions. That is why we assess any options for sustainability improvements in cohesion. We transpose them into a full-scope sustainability concept. How we interpret this may differ from area to area. It may, for instance, take the form of green areas to allow for water storage and recreation or of an innovative heat grid in combination with surface water.

In the Netherlands, we measure our sustainability KPIs using the Business Balanced Scorecard. This helps us monitor the implementation of our sustainability ambitions for our four regions in the Netherlands. The KPIs inform the policies each region will pursue for the next two years. They are a means of demonstrating to the public what our national and regional sustainability goals are. We document our performance on a quarterly basis and report our performance to Rabobank.
The following KPIs were achieved for 2020:
- Energy Performance Coefficient (EPC): 0.23 on average
- Environmental Building Performance (EBP): 0.74 on average
- Water storage disconnected from sewage water discharge: 86% of developments

In 2020, we continued to work on the measurability of our sustainability performance. We used a baseline measurement to map out the sustainability performance of our developments. Our sustainability ambitions have now been structurally embedded in our decision-making processes.

We have also entered into the partnerships that are required for sustainable area development and an efficient supply chain, to ensure the technological and financial feasibility of sustainable solutions in homes and neighbourhoods. For this purpose, BPD has entered into new partnerships in the social, technological and financial realms, which help us support the development of innovative products and services. Examples include the application of materials passports in our property developments, the expansion of heat grids, research into new sanitation systems and affiliation with City Deals such as Circular & Conceptual Construction and Smart City.

BPD is also an active participant in the KAN platform for climate-adaptive building with nature-based solutions. We share knowledge about climate-adaptive and nature-inclusive property developments on this platform together with the Association of Dutch Property Developers (NEPROM), local authorities, housing associations, investors, other property developers and builders. We are also looking for innovation initiatives outside the field of property development. These initiatives are undertaken in collaboration with the BPD Culture Fund. In 2020, for instance, we developed and co-financed a circular/bio-based pavilion called The Exploded View at Dutch Design Week.

Highlighted: BPD's sustainable property developments

1

Choosing to live differently

Proeftuin Erasmusveld, The Hague, the Netherlands

Proeftuin Erasmusveld is an urban district that is equipped to meet all the current and future needs of the people living in it, whether it concerns energy, mobility, nature, health, raw materials or interacting with neighbours. Proeftuin Erasmusveld breathes sustainability, is highly energy-efficient and has a high sustainability rating (in Dutch: GPR). Waste is separated based on sustainable waste flows.

The Leyhof building is climate-adaptive thanks to its green roofs and water collection capacity. Nesting boxes for bats and birds will be incorporated into green wall sections. A number of shared facilities such as communal tool shed and car-sharing, will encourage neighbours to meet as well as making the building socially inclusive. Bioswales (water buffering and infiltration facilities that are designed for stormwater runoff) will be built on the outskirts of the housing development. The full-scope approach to

Proeftuin Erasmusveld, The Hague, the Netherlands

Proeftuin Erasmusveld started way before the actual construction phase with experiments with sustainable forms of living. The final design incorporates the lessons that were learned while experimenting.

2

Living on the first climate-proof dike in the Netherlands

Reeve, Kampen

BPD and the City of Kampen have teamed up to build Reeve, a new village with 600 residential units on a 'super dike' along a new waterway connecting the IJssel river and the Drontermeer lake. Reeve will be the first village in the Netherlands to be built on a climate-proof dike.
The new Reevediep waterway has been dug out in the past few years as part of the Room for Rivers programme. This bypass will help to keep the water level of the IJssel river manageable in case of heavy rains and keep the feet of the residents of Kampen and the surrounding area dry. The climate-proof dike is of unprecedented proportions: it is 130 metres wide and two kilometres long. The robust structure is designed to withstand the effects of climate change, such as flooding. But its exceptional width also offers room for housing, recreation and a new natural area. What has been created here is a win-win-win; the Dutch flood defences go hand-in-hand with nature development and new housing. Reeve shows that, if we go about things smartly, area development can combine diverging interests.

Reeve, Kampen, the Netherlands

Elix, Zeist, the Netherlands

3

Sustainable, healthy and communal

Elix, Zeist, the Netherlands

In the green Kerckebosch area in Zeist, BPD has teamed up with future residents to co-create a unique new housing project by the name of Elix. Everything in the new development is about social and environmental sustainability, health and community.
The residents of Elix are people who want to live in harmony with nature.

The highly sustainable, circular homes will fit seamlessly into the green, wooded environment because they are built using as many natural materials as possible. They are constructed from cross-laminated timber, supplemented with wood-framing. Bamboo fronts give the houses a beautiful, natural look. A wooden house is comfortable to live in; it has a pleasant indoor climate. Wood is sustainable, healthy and circular. Residents will be free to decide where they want to place the interior partitions. The homes will be energy-efficient to help residents cut down on their utility bill and high demands will be made of their overall sustainability performance. All homes will be equipped with solar panels and a heat pump. Elix is a circular community because it will be built using natural, reused and recyclable materials. This is how its residents will contribute to the ecological circle and the homes will retain as much value as possible for the future.

All in all, Elix marks a new step for BPD: from circular building to circular area development, with an articulated ambition for sharing, mobility, health and nature. Prospective residents will determine the layout of the common areas together. The homes will be tailored to their own particular living requirements. To achieve this, we organise work sessions with the entire Elix project team.

4

A sustainable village

Huysackers, Veldhoven, the Netherlands

Huysackers is a sustainably built community in Veldhoven. It has the random structure of a traditional local town: a green centre with a relatively high building density and larger plots the further out you get. About 450 new homes are being built on the edge of the town with respect for the landscape, which has been inhabited for centuries. The new homes are sustainable, so that people can live there comfortably, now and in the future.

The properties will be heated using heat pumps, which provide heating in winter and – depending on the system – cooling in the summer. The homes will be energy-neutral thanks to solar panels. The rainwater runoff system is sustainable: the streets will be built such that excess rainwater is transported to collection facilities in the park, such as bioswales, ponds and streams.

The energy-generating and energy-saving measures will considerably reduce the residents' utilities bill. That is important because, besides sustainability, affordability is also a priority at Huysackers. The development will offer rental properties (landlords: Bouwinvest, housing association 'thuis and the BPD Woningfonds) and owner-occupied properties for high, medium and low-income earners.

Huysackers, Veldhoven, the Netherlands

Holland Park West, Diemen, the Netherlands

5

Green urban living

Holland Park West, Diemen, the Netherlands

As part of the Xplore zoning plan, 706 residential units are being built in Holland Park West, a new section of the Holland Park district in Diemen. Of these, BPD is responsible for building 212 rental units for the social housing stock and 170 mid-priced rental units.

Xplore has been designed to create meeting places for residents of all ages: at school, in the park or in the public spaces between the buildings. As part of this, an area with four complexes built in courtyard form will be closed off to cars. This will create a sense of intimacy and security. Strategically located facilities and a school with daycare will bring liveliness to the green heart of the district.

The area has been designed with a focus on biodiversity and circularity. Lumber is reused and the area's biodiversity will improve. The landscape is green and climate-adaptive and the buildings will be energy-neutral.

Holland Park West is pedestrian-orientated. The area is criss-crossed with footpaths that invite people to wander around and discover its surrounding areas. There are bike paths for cyclists as well. Cars will only be allowed along the outer edges, so they can easily reach the two parking structures, which will be half-recessed and hidden from view by greenery. This will give the district the feel of a pleasant, green pedestrian area.

Risk management

This chapter addresses BPD's risk profile and its internal risk management system. Risk management involves defining risk categories and the controls that have been implemented to mitigate the impact of the risks, if deemed necessary.

Risk profile

BPD's core business is creating new living environments in the Netherlands and Germany. BPD also serves as the fund manager of the BPD Woningfonds.

Property development

The property business requires a high level of invested capital on average. That is why the return on investment needs to be high as well. The capital requirement is greatly dependent on the conditions under which BPD can acquire, develop and resell its development holdings. The investment horizon for strategic development holdings is generally long. The lead time for exercising acquired development rights is generally short. The time factor plays an important role in the risk profile of these activities. BPD mainly invests in new property holdings that will be developed within five years. We have classified the risk profile for such holdings as moderate. Existing property holdings with a longer horizon come with more uncertainty about development options and potential returns. That is why these holdings have been classified as higher-risk.

Third-party fund management

BPD has served as the fund manager of the BPD Woningfonds since 2020. As a division of Rabobank, the BPD Woningfonds qualifies as a related party. The fund management risks have been classified as low because of the low capital requirement.

Risk management

General

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

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

Procedures have been created for acquiring new developments to ensure that developments that involve irresponsible risks are ruled out. Several procedures are in place for the investment strategy and the governing and primary processes that are designed to help BPD take structured and informed investment decisions.

Business Control Framework

The Business Control Framework (BCF) is made up of five primary processes and four supporting processes. Risks have been identified for both the primary and the supporting processes, and internal controls have been implemented to mitigate them. We regularly test the design, presence and effectiveness of these controls. The risk management method is described in the BCF, which is based on the COSO framework. BPD has implemented this framework because it seeks to be in control.

The BCF links up BPD's own risk management processes to statutory regulations such as the Dutch Civil Code, the rules for financial statements, tax legislation (VAT, transfer tax, corporate income tax, payroll tax, etc.), and the rules for public procurement rules and compliance (including GDPR). The BCF has also been aligned to Rabobank's risk appetite and top risk assessment.

The BCF links up statutory regulations to the following processes at BPD:

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

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

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

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

The tests are performed by independent officials and the outcomes, which are reported to the RMC, serve as input for the BCF report that is prepared by the CFRO. The BCF report and the report prepared by Compliance are integrated into the quarterly financial and risk report that is submitted to the Managing Board. The outcomes are also shared with Rabobank as well as BPD's external auditor. The RMC performed the annual risk assessments and tests in 2020. This included reviewing a risk assessment of a process in each meeting (this is referred to as a reassessment session) and an analysis of performed tests. Tests can be fine-tuned based on the outcomes of these sessions. They did not lead to any major adjustments in 2020.
The integration of the tax control framework, which was set up in 2020, into the BCF is scheduled for 2021.

Risk appetite
BPD's Risk Appetite Statement (RAS) defines the level of risk that it is willing to accept in order to achieve its objectives. 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.

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. 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.

Every quarter, the 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 Managing Board will take mitigating measures. The RAS is reviewed annually and adjusted where necessary.

The RAS limits were not exceeded in 2020. The early warning levels for two indicators were exceeded in the fourth quarter of 2020; they are expected to return back to their normal levels early in 2021. Based on these outcomes, no mitigating measures were required in 2020. The COVID-19 pandemic seems to have only a limited effect on the Dutch housing market. Market sales are slowing down in Germany. The pandemic did not impact BPD's operating results. The number of property transactions was as budgeted for 2020; there were more transactions than in 2019. The average margin per unit was higher than budgeted and higher than in 2019. COVID-19 did not result in a key personnel risk for BPD. After a small increase in capacity, BPD's IT structure proved to be equipped to allow all employees to work from home at the same time.
COVID-19 did not lead to BPD exceeding its RAS limits or early warning levels.

Risk categories
BPD has identified a number of risk categories. They are outlined below, illustrated by a few risk indicators:
- ***Integrated risk:*** general risks associated with attaining the corporate strategy expressed in the return of the company.
  Indicator: Commercial Return on Invested Capital (CROIC)
- ***Credit risk:*** the risk that a counterparty will no longer be able to meet its payment obligations.
  Indicator: funding level of partners

- ***Balance sheet risk:*** interest rate, currency and liquidity risks.
  Indicators: external assets, unused credit lines and bank guarantees, equity duration
- ***Market risk:*** the risk that changes in market variables as a result of changes in the general economic climate will lead to gains or losses on positions.
  Indicators: properties under construction, unsold properties, total investment in building sites, properties in operation
- ***Risk associated with strategic land holdings***: the risk arising from land holdings that are not expected to be designated for residential purposes for the time being.
  Indicator: land without a designated use whose designation is not expected to be changed within five years
- ***Risk of properties in operation in statement of financial position:*** the risk of such properties declining in value.
  Indicator: 'properties in operation' item in statement of financial position
- ***Non-financial risk:*** a category with a broad scope, including the risk of operational incidents, risks associated with business continuity management (BCM), information security risks, the risk of fraud, compliance risks and business conduct risks.
  Indicators: losses resulting from, and frequency of, operational incidents, reported or identified fraud cases, staff compliance with registration requirements dictated by code of conduct

The table below provides an overview of the risks BPD has identified and an estimate, for each risk, of the probability of it materialising and its impact. More details about each category are provided below.

Integrated risk

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

- Political risks, such as:
  - Statutory regulations and the pace of permit-granting (e.g. nitrogen pollution/PFAS soil contamination, local authorities' ambitions for housing developments)
  - Protracted zoning procedures
  - Developments in climate policy/climate change
- Limited construction capacity at contractors and an increase in costs of materials and labour.
  Housing shortages, particularly for middle-income earners, and affordability for home buyers.
- Availability of building sites. Housing, agriculture, the climate, the energy transition and nature are 'battling for space'.

Risk – medium: these developments present both opportunities and threats for BPD. The court rulings in 2019 on nitrogen pollution (PAS) and PFAS soil contamination are still causing delays in planning and decision-making today and this has been exacerbated since 2020 by uncertainties about the impact of the corona pandemic. The housing shortage has reached such heights in our markets that even the pandemic did not affect house sales for BPD. For details about the effects of these developments on BPD, see the Message from the CEO, the chapter on market developments in 2020 and the outlook for 2021.

Impact – high: decision-making by national and local authorities has a major impact on BPD's activities going forward because this affects available building sites, the

Risk category	Risk probability (high/medium/low)	Impact (high/medium/low)	Risk appetite exceeded in 2020 (Y/N)	Early warning level exceeded in 2020 (Y/N)
Integrated risk	medium	high	N	N
Credit risk	low	low	N	N
Balance sheet risk	low	low	N	N
Market risk	medium	high	N	N
Risk associated with strategic land ownership	medium	high	N	N
Risk of investment properties in statement of financial position	medium	medium	N	N
Non-financial risk	low	low	N	Y

pace of permit-granting and fundamental choices about how to use the limited space.

Credit risk
Risk – low: BPD mainly provides loans to reliable parties such as local authorities or to partners, in which case it demands many underlying securities (joint developments);
Impact – low: BPD has provided relatively few loans.

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

Market risk
Risk – medium: the opportunities and threats associated with integrated risk also apply to market risk and the risk associated with strategic land holdings. For details, see the section on integrated risk.
Impact – high: decreases in the value of properties will affect BPD's direct property holdings and the sale prices of residential properties that are to be developed. This will have a major impact on BPD's financial situation as a result.
BPD's direct property holdings are its land portfolio, unsold properties under construction, unsold but completed properties and properties in operation. Direct property holdings amounted to € 1,781 million on 31 December 2020 (2019: € 1,755 million).

BPD has defined individual risk limits for properties in operation, building sites, land without a designated use whose designation is not expected to be changed within five years, a number of unsold homes under construction and completed, unsold commercial real estate (under construction and completed) in GFA (square metres). No risk limits were exceeded in 2020.
The valuation is reviewed internally every year based on principles defined by the Managing Board.

Risk associated with strategic land ownership
Risk – medium: the opportunities and threats associated with integrated risk also apply to market risk and the risk associated with strategic land holdings. For details, see the section on integrated risk.
Impact – high: a delay or lack of change in zoning plans for land without a residential designation will have a major impact on the value of land holdings.

Risk of properties in operation in the statement of financial position
Risk – medium: properties in operation mainly consist of a parking garage in the Amsterdam city centre. The number of visitors to Amsterdam has fallen sharply due to the COVID-19 pandemic, leading to lower parking revenues.
Impact – medium: BPD has a relatively small financial interest in properties in operation. The drop in parking revenues does, however, impact operating profit.

Non-financial risk
Non-financial risks are divided into the following categories:

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

As operational risks are mitigated by a set of internal controls, we estimate the probability of them materialising to be low. Operational incidents tend to be limited in scale so that their impact is low.
To mitigate the associated risks, internal controls have been implemented for BCM and information security as well as for fraud, compliance and business conduct. We estimate the probability of these risk materialising to be higher than the risk of operational incidents occurring because of external risks such as an IT hack. While such an event might cause reputational and/or financial losses, we estimate that its impact would be low given our operations.

Outlook

Outlook

We are happy with our financial performance for 2020: 8,901 transactions resulted in a profit for the year of € 162 million. The number of transactions was up sharply from 2019. This growth was mainly attributable to the sale and construction of property developments in the first half of the year. The building permits for these developments had been granted in the past five years.

We expect it to take longer for permits to be granted in 2021, also because local residents are increasingly trying to stop developments by going to court, resulting in increasing delays in the output of new-builds. Judging from our financial performance for 2020, the COVID-19 pandemic seems to have little impact on the sale of homes.

The effect of nitrogen pollution and PFAS soil contamination on our operations continues to bring procedural uncertainties.

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 moving to the city, not just in the Netherlands, but around the world. Demand for housing in urbanised areas is greater than supply, which has a considerable impact on affordability.

House prices in urban areas are continuing to rise. That is why we need to increase building density in urban centres. Building high-rises is one of the scenarios for meeting the demand for urban living. This is how more affordable homes 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: not everyone is interested in living in a high-rise apartment.

World Food Center, Ede, the Netherlands

Central und Park, Frankfurt, Germany

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 in suburban areas 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 homes because the costs of mobility, water, energy and waste can be kept low in our area developments.

BPD Woningfonds offers perspective

As explained above, the 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 homes. We can only deliver on our 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 to streamline the organisation so that it is ready to face the future with confidence.

COVID

We referred to the expected impact of the global COVID-19 pandemic on the Dutch and German economies in our Annual Report 2019. What we have found is that the pandemic had little impact on our financial performance in 2020. We do not expect much impact on sales and earnings in the short term either. That said, home sales might be impacted if the measures that have been taken to contain the spread of the virus continue to be in effect for a long time. This may well weigh down BPD's revenue and profitability. The current measures have not had that effect so far, however.

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BPD Europe

Consolidated statement of profit or loss

(in € millions)	Note	Year ended 31 December 2020	2019
Revenue	3	**1,431**	**1,259**
Other income	3	**45**	**-**
Total revenue and other operating income		**1,476**	**1,259**
Impairment/(impairment reversal) of property inventory	4	**8**	(13)
Impairment/(impairment reversal) of contract assets	5	**-**	-
Cost of raw materials, consumables and work contracted out	6	**1,118**	988
Employee benefits expense	7	**88**	81
Other operating expenses	8	**27**	32
Amortisation and depreciation	12, 13, 14	**13**	11
Operating expenses		**1,254**	**1,099**
Operating profit/(loss)		**222**	**160**
Finance income	9	**8**	9
Finance costs	9	**(28)**	(23)
Share of profit/(loss) of associates accounted for using the equity method	15, 29	**23**	21
Profit/(loss) before tax		**225**	**167**
Income tax expense	10	**(63)**	(42)
Gains/(losses) after tax from continuing operations		**162**	**125**
Gains/(losses) after tax from discontinued operations	11	**-**	(8)
Profit/(loss) for the year		**162**	**117**
Attributable to non-controlling interest		**-**	**1**
Attributable to equity holder of the company		**162**	**116**

Consolidated statement of comprehensive income

(in € millions)	Note	2020	2019
		Year ended 31 December	
Profit/(loss) for the year		**162**	**117**
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		**162**	**117**
Attributable to:			
Equity holder of the company		**162**	**116**
Non-controlling interest		-	1

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

Continuing operations		**162**	124
Discontinued operations		-	(8)
Total		**162**	**116**

Consolidated statement of financial position

(in € millions)	Note	2020	2019
			At 31 December
Non-current assets			
Property, plant and equipment	12	**11**	9
Right-of-use assets	13	**23**	23
Investment property	14	**233**	199
Associates accounted for using the equity method	15	**84**	54
Financial assets at fair value	16	**2**	1
Long-term loans and receivables	17	**89**	96
Deferred tax assets	18	**2**	-
Total non-current assets		**444**	**382**
Current assets			
Property inventory	19	**1,548**	1,456
Contract assets	20	**329**	374
Trade receivables	21	**97**	96
Short-term loans and receivables	22	**49**	62
Current tax assets	23	**63**	16
Prepayments and accrued income	24	**80**	75
Cash and cash equivalents	25	**56**	98
Assets held for sale	11	**-**	104
Total current assets		**2,222**	**2,281**
Total assets		**2,666**	**2,663**

(in € millions)	Note	2020	2019
		At 31 December	
Equity	26	**1,000**	1,037
Non-controlling interest		**1**	3
Group equity		**1,001**	**1,040**
Non-current liabilities			
Long term loans	27	**558**	605
Lease liabilities	28	**17**	21
Provisions	29	**59**	91
Deferred tax liabilities	18	**42**	42
Total non-current liabilities		**676**	**759**
Current liabilities			
Short term loans	27	**553**	534
Lease liabilities	28	**14**	14
Contract liabilities	30	**170**	93
Provisions	29	**-**	1
Trade payables		**58**	36
Current tax liabilities	31	**94**	105
Other current liabilities	32	**100**	77
Liabilities held for sale	11	**-**	4
Total current liabilities		**989**	**864**
Total liabilities		**1,665**	**1,623**
Total equity and liabilities		**2,666**	**2,663**

Consolidated statement of changes in equity

(in € millions)	Share capital	Share premium	Available for profit appropriation	Other reserves	Total equity attributable to equity holder	Non-controlling interest	Total equity
At 1 January 2020	**23**	**468**	**116**	**430**	**1,037**	**3**	**1,040**
Added to profit/(loss)	-	-	(116)	116	-	-	-
Profit/(loss) for the year	-	-	162	-	162	-	162
Other comprehensive income after tax	-	-	-	-	-	-	-
Total comprehensive income for the year	**23**	**468**	**162**	**546**	**1,199**	**3**	**1,202**
Dividend distribution	-	-	-	(200)	(200)	-	(200)
Equity contribution including transaction costs	-	-	-	1	1	(2)	(1)
At 31 December 2020	**23**	**468**	**162**	**347**	**1,000**	**1**	**1,001**

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

(in € millions)	Share capital	Share premium	Available for profit appropriation	Other reserves	Total equity attributable to equity holder	Non-controlling interest	Total equity
At 1 January 2019 (before change in accounting policies)	**23**	**468**	**240**	**190**	**921**	**6**	**927**
Change in accounting policies by virtue of IFRS 16	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 1 January 2019 (after change in accounting policies)	**23**	**468**	**240**	**190**	**921**	**6**	**927**
Added to profit/(loss)	-	-	(240)	240	-	-	-
Profit/(loss) for the year	-	-	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**

Consolidated statement of cash flows

(in € millions)	Note	2020	2019
		Year ended 31 December	
Gains/(losses) for the year from continuing operations		**162**	**125**
Gains/(losses) after tax from discontinued operations		**-**	**(8)**
Adjustments for:			
– Finance income and costs	9	**20**	14
– Income tax	10	**63**	42
– Amortisation and depreciation	12, 13, 14	**13**	11
– Impairment of inventory	4, 5	**8**	(13)
– Gains/(losses) on sale of BPD Marignan	11	**-**	8
– Share of profit/(loss) of associates	15, 29	**(23)**	(21)
Interest received (finance income)	9	**6**	9
Changes in working capital – net		**71**	(158)
Cash generated from operations		**320**	**9**
Interest paid (finance costs)	9	**(25)**	(23)
Income tax paid	23, 31	**(103)**	(22)
Income tax received	23, 31	**16**	5
Net cash from/(used in) operating activities		**208**	**(31)**
Purchases of property, plant and equipment	12	**(5)**	(5)
Disposals of property, plant and equipment	12	**-**	-
Purchases of investment property	14	**(41)**	(64)
Disposals of investment property	14	**3**	-
Investments in associates	15, 29	**(40)**	(3)
Disposals of associates	15, 29	**6**	17
Dividends received from associates	15, 29	**7**	7
Investments in financial assets at fair value and loans and receivables	16, 17, 22	**(33)**	(38)
Disposals of financial assets at fair value and loans and receivables	16, 17, 22	**72**	131
Gains/(losses) on sale of BPD Marignan	11	**-**	(8)
Net cash from/(used in) investing activities		**(31)**	**37**
Proceeds from loans	27	**213**	252
Loan repayments	27	**(235)**	(173)
Dividend distribution	26	**(200)**	-
Net cash from/(used in) financing activities		**(222)**	**79**
Net cash and cash equivalents at 31 December	25, 27	**12**	57
Net cash and cash equivalents at 1 January	25, 27	**57**	(24)
Increase/(decrease) in cash and cash equivalents		**(45)**	**81**

The net cash position can be broken down as follows:

		2020	2019
Cash and cash equivalents	25	**56**	98
Call money and callable credit balances	27	**(44)**	(41)
Net cash and cash equivalents at 31 December		**12**	**57**
Cash and cash equivalents	25	**98**	31
Call money and callable credit balances	27	**(41)**	(55)
Net cash and cash equivalents at 1 January		**57**	**(24)**

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 2020 include the financial information of BPD Europe B.V. and its subsidiaries, its equity interest in joint arrangements, its equity interest in associates over which significant influence is exercised and its other equity interests (hereinafter jointly referred to as 'BPD' or 'the group'). The group operates in the Netherlands and Germany. 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 based on 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 26 April 2021.

2.2 Impact of COVID-19 pandemic on our operations

It turned out that the COVID-19 pandemic had little or no impact on our financial performance in the reporting period. BPD Europe can look back on a strong year in which we delivered another robust financial and operational performance in both the Netherlands and Germany. When the pandemic hit in the spring, it was impossible to predict what its effects on the housing market would be. From a macroeconomic perspective, it was clear that several indicators in the Netherlands were different than during previous crises, such as the financial crisis of 2008. With extremely high demand for housing and a limited supply of new-builds and existing properties, the housing market continued to experience significant pressure, even during the pandemic. It still does to this day. That is why we do not expect the crisis to affect our sales and results in the short term either. That said, home sales might be impacted if the measures that have been taken to contain the spread of the virus continue to be in effect for a long time. This may well weigh down BPD's revenue and profitability. But even then, we do not expect to experience any liquidity shortages.

2.3 Comparative figures/changes in presentation

The comparative figures have not been restated from last year.

2.4 New standards applicable in 2020

The EU-endorsed amendments to IFRS 3, IFRS 7, IFRS 9, IAS 1 and IAS 8 and the Amendments to References to the Conceptual Framework in IFRS Standards applicable to accounting periods commencing on or after 1 January 2020 do not have a material impact on the consolidated financial statements.

2.5 New and amended standards and proposed changes

There are no IFRS standards or IFRIC interpretations that have been in effect from 1 January 2021 that are applicable to BPD and will have a material impact on the group.

2.6 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.

2.7 Judgements and estimates

The preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU requires the use of judgements and estimates that affect the recognition and reported amounts of assets and liabilities, disclosures about contingent assets and liabilities at the reporting date and reported income and expense for the reporting period. Although these judgements and estimates of events and actions are made to the best of management's knowledge, these estimates may not correspond to the actual results. The estimates and underlying assumptions are tested on a continuous basis. Revisions of estimates are recognised prospectively.
Key aspects requiring judgements and estimates (divided into significant and other) concern:
Significant
- the net realisable value of property inventory, including strategic land holdings
(for more details, read on).
- the annual update of the budgeted costs of full-service developments, given that contract revenue may be subject to change (Note 2.9).

Other
- the decision whether or not to consolidate joint arrangements (for details, see Note 2.8).
- financial information for missing period reports for joint arrangements in which BPD is not the lead contractor (see Note 2.8).
- 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 for property inventory (Note 2.22).

2.8 Basis of consolidation

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

influence that income by virtue of its control of the business. The assets, liabilities and earnings of these entities are consolidated in full. The financial statements of subsidiaries are included in the consolidated financial statements from the date that decisive control commences until the date that it ceases.
Non-controlling interests in equity and profit for the year are presented separately in the statement of financial position and the statement of profit 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 associates and joint arrangements are eliminated by reference to BPD's interest in the business. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment loss on the transferred asset.

Discontinued operations

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

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

When a line of business is classified as a discontinued operation, it will be presented on a separate line both in the statement of profit 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 income are revised 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 adjusted. Balances and transactions between continuing operations and discontinued operations, 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 gains and losses from discontinued operations.

Associates and joint arrangements

Associates

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

Joint arrangements

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

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

Material joint arrangements are reviewed annually, or more frequently if deemed necessary, to determine whether any contractual arrangements and/or facts and circumstances have changed that might warrant a change in recognition method.

Joint operations

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

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

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.

Joint ventures
Investments in joint ventures are generally accounted for using the equity method. After initial measurement at acquisition price, BPD's share of profit 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'.
Dividends received or receivable are deducted from the acquisition price of a joint venture.
If BPD's share in the net asset value of the joint venture is negative, the joint venture is measured at nil. If, in this situation, the group is fully or partially liable for the debts of the joint venture or it has a constructive obligation, a provision is formed for this amount.

Unrealised gains arising from transactions between the group and a joint venture are eliminated by reference to the group's equity interest in the joint venture. Unrealised losses are eliminated too, unless the transaction results in an impairment loss having to be recognised on the asset in question.

2.9 Revenue

Revenue consists of contract revenue from property development and rentals. 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 development.
The five steps are as follows:
1 Identify the contract with the customer;
2 Identify the performance obligations in the contract;
3 Determine the transaction price;
4 Allocate the transaction price to each performance obligation;
5 Recognise revenue when the performance obligation is satisfied.

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

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

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

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

Allocate the transaction price to each performance obligation

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

Recognise revenue when a performance obligation is satisfied

The analysis BPD has performed shows that, overall, the following revenue recognition methods apply to each revenue category:

- *Sale of land holdings/plots*

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

- *Development and sale of a plot with buildings*

Two different services can be provided when a plot is sold including a property. These are transfer of the land holding and development of the property. Revenue from the transfer of the land holding will be recognised as soon as its control is transferred by notarial deed; revenue from developing the property is recognised over time based on percentage of completion. Revenue from any full-service property developments in the Netherlands is recognised over time, given that control of the land is transferred at the start of the contract and the buyer gradually comes to own the buildings constructed on this land by accession. Revenue is recognised based on the percentage-of-completion method.

In Germany, revenue is generally recognised over time, given that the entity's performance does not create an asset with alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. Revenue is recognised 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 developments in aggregate based on market developments and the most recent outlook. If contracts turn out to be onerous, a provision is formed.
Revenue from upward contract variations is included in total contract revenue if the amount has been accepted by the customer.

Payment terms

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

Rentals

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

2.10 Impairment of 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 accrued in return for their service in the current and prior reporting periods. These entitlements are discounted to determine their present value. Revaluations are recognised through profit 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/(loss) of associates

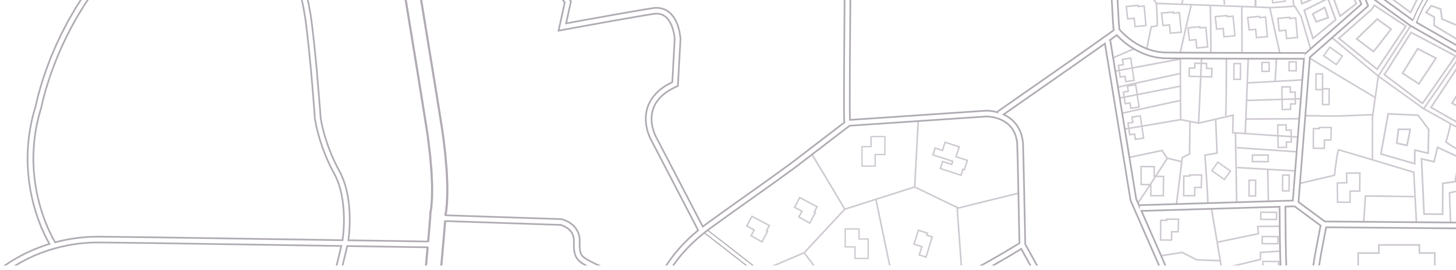
Share of profit of associates is determined based on the equity method of accounting using BPD's own accounting policies.

2.14 Finance income and costs

BPD's finance income and costs consist of:

- Interest income; and
- Interest expense

Interest income and expense are recognised through profit 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 establish 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 Gains and losses from discontinued operations

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

2.16 Property, plant and equipment

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

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

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

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

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

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

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

To determine the incremental borrowing rate, the group:

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

Where the group is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. Lease payments are allocated between principal and finance costs. The finance costs are charged to profit 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 initially measured at cost; they are subsequently depreciated and stated net of impairment losses.
The cost of right-of-use assets is made up of:

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

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

BPD's ground lease liabilities for property inventory relate to property developments projects in progress. As a result, these assets are classified as qualifying assets (assets that necessarily take a substantial period of time to get ready for their intended use or sale). As a result, contrary to the accounting policies for ground lease liabilities 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 remaining lease term of 12 months or less. Low-value assets (< € 5,000) comprise IT equipment and small items of office furniture.

2.18 Investment property

Investment property, which mainly consists of commercial properties and a parking garage, is not occupied by BPD itself. Some investment property (mainly the parking garage) is held for long-term rentals. The remaining investment property consists of commercial properties that are part of a property development and have been let for at least six months pending redevelopment. Investment property is recognised as a long-term investment and recognised at cost, net of accumulated depreciation and impairment losses. Investment property held for long-term rentals is depreciated on a straight-line basis over 40 years, making allowance for the residual value of each property. Investment property that is part of a property development is depreciated on a straight-line basis over the period from the start of the let to the end of the let or the start of the development.
For the purposes of the notes to investment property and establishing any impairment losses, the fair value is determined at the most likely price that can reasonably

be obtained in the market on the reporting date. The fair value is based on current prices in an active market for similar properties in the same location and in the same condition.

The fair value is generally determined using a discounted cash flow method or on the basis of capitalisation at net initial yields of comparable transactions. The value of investment property held for long-term rentals is usually determined by a certified external appraiser every year. Investment property that is part of a property development is valued internally every year as a minimum. Investment property with a remaining lease of three to five years is valued externally on a rotating basis. If the remaining lease is longer than five years, the investment property is valued externally on an annual basis.

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 discontinued operation is 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. A subsidiary acquired solely for the purposes of resale is also recognised as a discontinued operation.

Gains and losses from discontinued operations are presented separately in the statement of profit or loss. Gains and 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 money 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).
- Construction-only developments, for which part of the transfer obligation, such as road construction and landscaping (on an over-time basis) and connections to mains services (on an point-in-time basis), has yet to be fulfilled (see Note 2.9 – Revenue).

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

2.24 Trade receivables

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

2.25 Equity

The share capital consists of issued and paid-up capital, both of which are stated at nominal value. The reserves are made up of a share premium reserve, retained earnings and earnings for the relevant reporting period. The share premium reserve shows the amount paid up by the shareholder for the issued shares and includes capital contributions and dividend distributions made in the past by or for the shareholder. Profit 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. The provision is formed after impairment losses have been recognised on the assets assigned to that contract.

Provision for 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 certificate at the time of purchase. Any resulting financial obligations will be met from this fund. At the reporting date, BPD calculates whether the level of the warranty fund corresponds to the expected financial obligations, the amount of which is determined on the basis of empirical data. Any differences are recognised through

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

2.28 Leases where BPD is the lessor

Operational lease contracts under which BPD acts as 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 and other income

Revenue can be broken down as follows:

	2020	2019
Residential properties (including building sites)	1,362	1,188
Commercial properties	47	45
Total contract revenue from property development (revenue from contracts with buyers)	**1,409**	**1,233**
Rental income from investment property	15	18
Other income	7	8
Total revenue	**1,431**	**1,259**

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
2020	596	766	47	-	643	766	1,409
2019	502	686	34	11	536	697	1,233

At year end, BPD's contractual performance obligations were worth approximately € 902 million. These obligations can be broken down as follows:

Future sales value	Residential properties		Commercial properties		Total contractual performance obligations		
	NL	GE	NL	GE	NL	GE	Total
2021	77	465	46	-	123	465	588
2022	21	225	19	-	40	225	265
2023	4	38	-	-	4	38	42
After 2023	7	-	-		7	-	7
Total at 31 December 2020	**109**	**728**	**65**	**-**	**174**	**728**	**902**
Total at 31 December 2019	**52**	**774**	**125**	**-**	**177**	**774**	**951**

Other income

In 2020, all residential investment property was sold to the BPD Woningfonds, which is wholly owned by Rabobank. BPD achieved a gain of € 45 million on the sale. The investment property that was sold was presented as held-for-sale assets and/or liabilities in the financial statements 2019.

The transaction involved the transfer of several property developments that were under development on the transfer date. The associated gross margin of € 7 million was presented in the statement of profit or loss as revenue (€ 24 million) and cost of raw materials, consumables and work contracted out (€ 17 million).

4 Impairment of property inventory

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

	2020	2019
By type of property:		
Residential properties (including building sites)	**5**	(11)
Commercial properties	**3**	(2)
Total changes in value due to changes in NRV	**8**	**(13)**

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

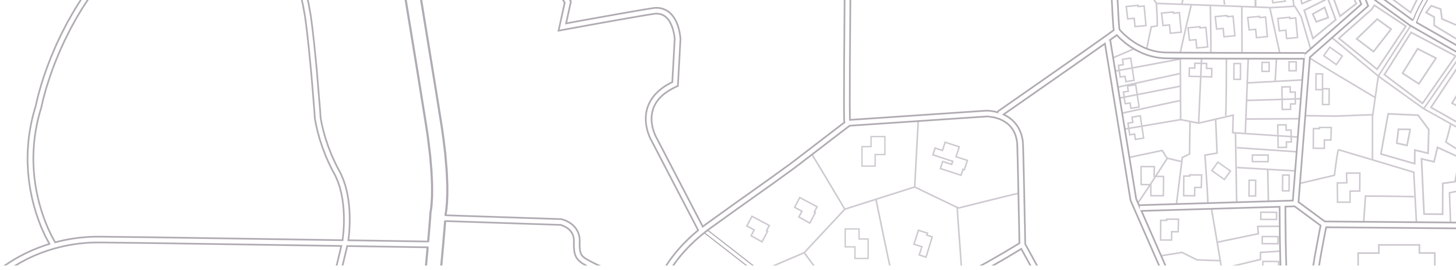
5 Impairment of contract assets

There were no impairment losses or reversals of impairment losses on contract assets in either 2019 or 2020.

6 Cost of raw materials, consumables and work contracted out

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

	2020	2019
Residential properties (including building sites)	**1,066**	943
Commercial properties	**45**	45
Other	**1**	(5)
Total cost of property development	**1,112**	**983**
Operating expenses associated with investment property	**6**	5
Total cost of raw materials, consumables and work contracted out	**1,118**	**988**



7 Employee benefits expense

The employee benefits expense can be broken down as follows:

	2020	2019
Salaries and wages (including variable remuneration and other pay)	**61**	56
Pension costs	**6**	6
Social security contributions	**7**	8
Insourced staff	**6**	4
Other personnel expenses	**8**	7
Total employee benefits expense	**88**	**81**
Number of employees (internal/FTEs)	**629**	578
Number of insourced staff (external/FTEs)	**90**	77
Total headcount (FTEs)	**719**	**655**

Of the total headcount, 312 FTEs worked outside the Netherlands in the reporting period (2019: 279).

8 Other operating expenses

Other operating expenses can be broken down as follows:

	2020	2019
Housing expenses	**2**	2
Office expenses	**2**	2
IT expenses	**10**	8
Selling and advertising expenses	**2**	2
Third-party services	**4**	6
General and administrative expenses	**8**	10
Allocation to provisions	**(1)**	2
Total other operating expenses	**27**	**32**

Of other operating expenses, € 3 million concerned related parties (2019: € 4 million).

9 Finance income and costs

Finance income and costs can be broken down as follows:

	2020	2019
Interest income	8	9
Total finance income	**8**	**9**
Interest on lease liabilities	(1)	(1)
Interest expense	(24)	(22)
Loan losses	(3)	-
Total finance costs	**(28)**	**(23)**

Of interest income, € 3 million concerned related parties (2019: € 4 million).
Of interest expense, € 20 million concerned related parties (2019: € 21 million).
Impairment losses were recognised on loans to a joint venture.

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 2020 and 2019:

	2020	2019
Profit/(loss) before tax	**225**	**167**
At nominal Dutch tax rate of 25.0% (2019: 25.0%)	**56**	42
Effect of different tax rates in other countries*	**4**	3
Effect of deferred tax (unrecognised)	**(2)**	2
Effect of prior-year tax	**3**	(2)
Income (non-taxable)	**-**	-
Expense (non-deductible)	**-**	-
Other	**2**	(3)
Total income tax expense	**63**	**42**
Effective tax rate	**28.0%**	**25.1%**

* The effect of different tax rates in other countries relates to the higher tax rates in Germany in both 2020 and 2019.

	2020	2019
Current tax		
Reporting period	**61**	41
Prior years	**3**	(2)
Deferred tax	**(1)**	3
Total income tax expense	**63**	**42**

11 Discontinued operations

Discontinued operations in 2019

BPD sold all its investment property qualifying as residential properties in operation to the BPD Woningfonds on 1 April 2020.
This mutual fund is wholly owned and funded by Rabobank.
Because of the decision by the BPD Managing Board in 2019 to sell its residential properties in operation to the BPD Woningfonds, these building complexes were required – under IFRS 5.6 – to be presented as held for sale in the statement of financial position as at 31 December 2019.
In addition to the sale of the properties in operation, the transaction also involved the sale of the associated bank accounts, outstanding receivables, payables and accruals and deferrals.

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

	2020	2019
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**

Gains/(losses) on sale by BPD Europe B.V.	-	(8)
Gains/(losses) after tax from discontinued operations	-	**(8)**

The item 'Gains/(losses) on sale by BPD Europe B.V.' for 2019 relates to deferred corporate income tax due on the sale of BPD Marignan S.A.S. in 2018.

Cash flows from/(used in) operating activities	-	(8)
Total cash flows from/(used in) discontinued operations	-	**(8)**

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:

	2020	2019
Cost	**23**	19
Accumulated depreciation	**(14)**	(12)
At 1 January	**9**	**7**
Purchased	**5**	5
Disposals – cost	**(5)**	-
Disposals – accumulated depreciation	**5**	-
Depreciated	**(3)**	(3)
Changes during the year	**2**	**2**
Cost	**23**	24
Accumulated depreciation	**(12)**	(15)
At 31 December	**11**	**9**

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:

	2020	2019
At 1 January	**23**	**23**
Purchased	**8**	5
Sold	**(2)**	(1)
Depreciated	**(6)**	(4)
Changes during the year	**-**	**-**
At 31 December	**23**	**23**

The carrying amount of right-of-use assets was as follows at 31 December 2020:

- Leases of office buildings 19 (2019: 19)
- Car leases 4 (2019: 4)

Leased assets have not been used as collateral for loans.

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

	2020	2019
Depreciation of leases of office buildings	**4**	3
Depreciation of car leases	**2**	1
	6	**4**

14 Investment property

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

	2020	2019
Cost	**222**	279
Accumulated depreciation	**(23)**	(22)
At 1 January before changes in accounting policies	**199**	**257**
Changes in accounting policies by virtue of IFRS 16	**-**	4
At 1 January after changes in accounting policies and reclassification	**199**	**261**
Purchased	**41**	76
Disposals – cost	**(4)**	-
Disposals – accumulated depreciation	**1**	-
Depreciated	**(4)**	(4)
Reclassified from investment property under development to property inventory	**-**	(34)
Reclassified to assets held for sale	**-**	(100)
Changes during the year	**34**	**(62)**
Cost	**259**	222
Accumulated depreciation	**(26)**	(23)
At 31 December	**233**	**199**

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

Investment property held for future property development income	**162**	127
Investment property held for future operating and investment income	**71**	72

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

Rentals from investment property	**15**	18
Operating expenses associated with investment property	**(6)**	(5)

Fair value and valuations

The fair value of investment property stood at € 262 million at year-end 2020 (2019: € 227 million).
On 31 December 2020, 35% of the investment property portfolio had been valued by an external expert (2019: 44%). 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 types 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 4.65% was used in 2020 (2019: between 6% and 7%). BPD conducted sensitivity analyses of its investment property portfolio in 2020. These showed that a change in discount rate of 0.25% (2019: 0.25%) will have an effect of € 4 million on the appraised value (2019: € 6 million).

Operational leases

At 31 December 2020, the investment property mainly consisted of commercial properties and a parking garage. The budgeted annual rentals from investment property are € 8 million (2019: € 14 million).

Reclassification of assets to held for sale in 2019

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

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:

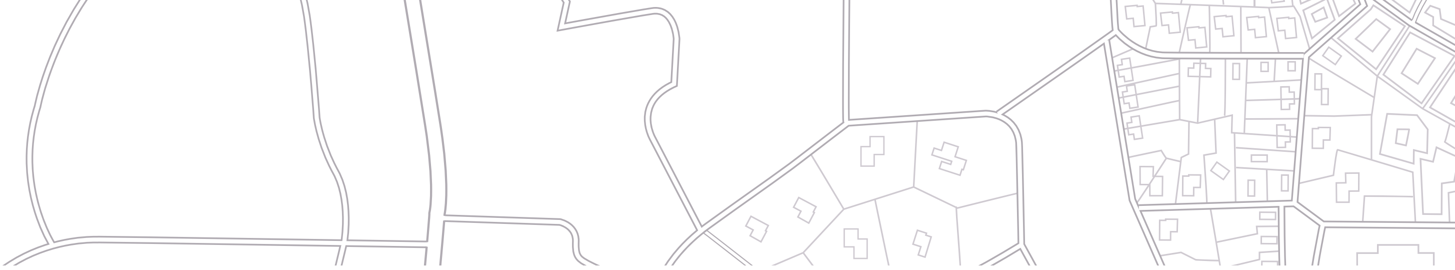
	2020	2019
At 1 January	**54**	**50**
Associates acquired	**40**	3
Associates sold	**(6)**	(17)
Gains/(losses)	**20**	18
Dividends	**(7)**	(7)
Other	**(17)**	7
Changes during the year	**30**	**4**
At 31 December	**84**	**54**

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 2020 and 2019.

16 Financial assets at fair value

Financial assets at fair value with changes through profit or loss consist of equity interests of less than in Nationale Maatschappij tot Restaureren en Herbestemmen van Cultureel Erfgoed B.V. (trade name: BOEi; 15.2%) and Stadsherstel Historisch Rotterdam N.V. (1.53%, acquired in 2020).



17 Long-term loans and receivables

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

	2020	2019
Property development loans	**96**	100
Provision for loan losses	**-**	-
At 1 January	**96**	**100**
Loans provided	**11**	11
Repayments received	**(33)**	(4)
Impaired loans	**-**	-
Tax provision released/(utilised)	**-**	-
Capitalised interest	**2**	**3**
Reclassified	**13**	(14)
Changes during the year	**(7)**	**(4)**
Property development loans	**89**	96
Provision for loan losses	**-**	-
At 31 December	**89**	**96**

Of long-term loans and receivables, € 65 million is receivable from related parties (2019: € 67 million).

The loans, which mainly fall due in more than one year, are made up of loans to joint venture partners or loans provided in anticipation of the purchase of land. An amount of € 49 million has been provided in the form of securities on the loans (2019: € 50 million).

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities for 2020 can be allocated to the following items:

	1 January 2020		**Changes in 2020**		**31 December 2020**	
	Assets	Liabilities	Through profit or loss	Through equity and other changes	Assets	Liabilities
Property inventory/contract assets	-	42	1	(1)	-	42
Capitalised tax losses	-	-	2	-	2	-
Total	**-**	**42**	**3**	**(1)**	**2**	**42**

In accordance with IFRS 16 *Leases*, BDP recognised deferred tax assets and liabilities (net) for right-of-use assets (€ 4 million) and lease liabilities (€ 4 million) at 31 December 2020.
The balance of deferred tax assets and liabilities at 31 December 2020 was nil.

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	Assets	Liabilities
Property inventory/contract assets	-	39	3	-	-	42
Capitalised tax losses	-	-	-	-	-	-
Total	**-**	**39**	**3**	**-**	**-**	**42**

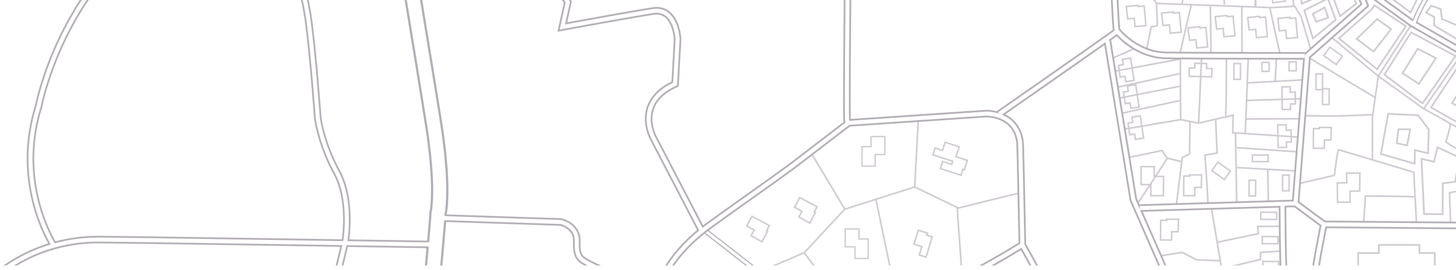
In accordance with IFRS 16 *Leases*, BDP recognised deferred tax assets and liabilities (net) for right-of-use assets (€ 6 million) and lease liabilities (€ 6 million) at 31 December 2019.
The balance of deferred tax assets and liabilities at 31 December 2019 was nil.

- Deferred taxes within property inventory relate to differences arising between the tax base of the capitalised interest on land in production and its carrying amount in the financial statements, as well as provisions for inventories.
- Deferred taxes on property inventory are available both within and outside the tax group headed up by Rabobank. The deferred tax liabilities are expected to fall due in more than five years.
- Tax losses are expected to be utilised within approximately five years.
- At year-end 2020, a deferred tax assets has not been recognised for a cumulative amount of € 5 million in tax losses (2019: € 26 million).

19 Property inventory

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

	2020	2019
ASSETS		
Building sites and equalisation funds	**1,719**	1,675
Impairment losses on building sites	**(400)**	(374)
	1,319	**1,301**
Work in progress	**226**	201
Impairment losses on work in progress	**(9)**	(59)
	217	**142**
Finished goods	**24**	18
Impairment losses on finished goods	**(12)**	(5)
	12	**13**
Total property inventory	**1,548**	**1,456**



Impairment losses are due to the fact that the net realisable value is lower than capitalised costs.
Movements in impairments were as follows in 2020:

	At 1 January 2020	Added/released (through profit or loss)	Withdrawn/other changes	At 31 December 2020
Recognised within property inventory				
Building sites and equalisation funds	374	4	22	400
Work in progress	59	4	(54)	9
Finished goods	5	-	7	12
	438	**8**	**(25)**	**421**

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	Added/released (through profit or loss)	Withdrawn/other changes	At 31 December 2019
Recognised 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**

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

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

	2020	2019
ASSETS		
Plots ready for development	**352**	417
Current land developments	**260**	205
Other land subject to zoning plan	**21**	8
Land not subject to zoning plan (< 5 years)	**570**	549
Land not subject to zoning plan (5-10 years)	**115**	127
Land not subject to zoning plan (> 10 years)	**5**	5
Equalisation funds	**(4)**	(10)
Total recognised within property inventory	**1,319**	**1,301**

Of current land developments, € 7 million consists of right-of-use assets for ground leases recognised within property inventory (2019: € 11 million). These assets have not been impaired.
The ‘equalisation funds’ item concerns the value of the repurchase obligations.

Net work in progress can be broken down as follows:

	2020	2019
ASSETS		
Residential properties in preparation and under construction	**214**	140
Commercial properties under development	**3**	2
Total recognised within property inventory	**217**	**142**

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 accounting policies for property inventory).

On balance, € 3 million of the provision for work in progress was released in 2020 (2019: € 3 million).

An amount of € 17 million was allocated to interest and capitalised on work in progress in 2020 (2019: € 17 million). The interest rate used to determine the interest expense to be capitalised was between 1.0% and 6.0% (2019: between 1.0% and 6.0%).

Net finished goods can be broken down as follows:

	2020	2019
ASSETS		
Residential property developments	**11**	9
Commercial property developments	**1**	4
Total recognised within property inventory	**12**	**13**

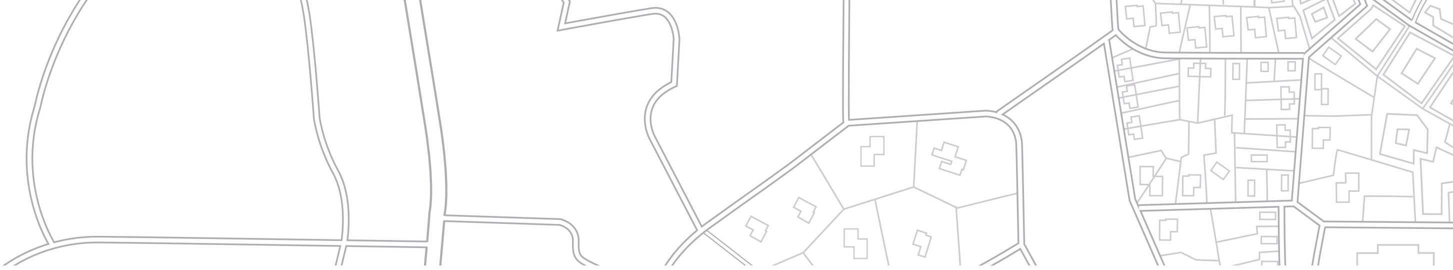
20 Contract assets

Contract assets can be broken down as follows:

Contract assets can be broken down as follows:

	2020	2019
Residential properties (including building sites)	**329**	374
Commercial properties	**-**	-
Services	**-**	-
Total contract assets	**329**	**374**

Contract assets as at 31 December 2020 are all expected to fall due within one year.
No provisions were considered necessary at 31 December 2020 (2019: nil).



21 Trade receivables

Trade receivables consist of receivables from buyers of residential and commercial properties in the sum of € 99 million (2019: € 98 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 required for these debtors either. The provision for bad debts amounted to € 2 million at year-end 2020 (2019: € 2 million).

22 Short-term loans and receivables

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

	2020	**2019**
Property development loans	**62**	162
Provision for loan losses	**-**	-
At 1 January	**62**	**162**
Loans provided	**22**	27
Repayments received	**(39)**	(126)
Impaired loans	**-**	-
Capitalised interest	**1**	1
Tax provision released/(utilised)	**-**	-
Reclassified	**3**	(3)
Other	**-**	1
Changes during the year	**(13)**	**(100)**
Property development loans	**49**	62
Provision for loan losses	**-**	-
At 31 December	**49**	**62**

These loans, which mainly fall due in less than one year, are made up of loans to joint venture partners or loans provided in anticipation of the purchase of land. An amount of € 41 million has been provided in the form of securities on the loans (2019: € 41 million).

At year-end 2020, no provisions for bad debts had been formed for short-term loans and receivables (2019: nil).

Of short-term loans and receivables, € 42 million consists of intercompany loans and receivables (2019: € 51 million).

23 Current tax assets

Current tax assets can be broken down as follows:

	2020	2019
Income tax	**6**	4
VAT	**57**	12
Total current tax assets	**63**	**16**

BPD Europe B.V. and – where possible under the law – the Dutch associates, in which it holds an equity interest of more than 90%, are members of Rabobank's corporate income tax group.
BPD has opted to calculate the tax position independently and present it as a tax asset or liability rather than as an intercompany balance with Rabobank. Settlement of the current income tax asset will take place via Rabobank.
Of the 'VAT' item as at 31 December 2020, € 39 million concerns a prior-year tax asset in Germany.

24 Prepayments and accrued income

Prepayments and accrued income can be broken down as follows:

	2020	2019
Prepayments on land purchases	**68**	60
Other prepayments and accrued income	**12**	15
Total prepayments and accrued income	**80**	**75**

25 Cash and cash equivalents

This item comprises all legal means of payment including foreign currencies that are available on demand. This relates exclusively to current account balances totalling € 56 million (2019: € 98 million).

All cash and cash equivalents are freely available. Of cash and cash equivalents, € 49 million concerns intercompany balances (2019: € 81 million).

26 Equity

The share capital amounts to € 22,510,500 (2019: € 22,510,500) and consists of 45,021 issued and paid-up shares. The shares have a nominal value of € 500 each.

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

27 Loans

This item can be broken down as follows:

	2020	2019
Term and money market deposits	**981**	976
Land purchase obligations	**3**	13
Call money and callable credit balances	**44**	41
Other loans	**83**	109
Total loans	**1,111**	**1,139**

Movements in the carrying amount of loans were as follows:

	2020	2019
At 1 January	**1,139**	**1,017**
Increases	**213**	248
Decreases	**(235)**	(123)
Reclassified	**(6)**	(3)
Changes during the year	**(28)**	**122**
At 31 December	**1,111**	**1,139**

Loans were presented as follows at year-end 2020:

Current (falling due in less than 1 year)	**553**	534
Non-current (falling due in more than 1 year)	**558**	605

Of loans, € 965 million concerns loans from related parties, i.e. Rabobank (2019: € 932 million). The total credit facility for term deposits provided by Rabobank amounts to € 1.6 billion (2019: € 1.6 billion). Of this amount, € 937 billion had been withdrawn at year-end 2020 (long and short) (2019: € 931 million).

An amount of € 55 million has a remaining term to maturity of more than five years (2019: € 110 million). Loans falling due in less than one year are classified as current.
The average interest rate on non-current loans was 2.6% in 2020 (2019: 3.1%). No securities have been provided for the term deposits, call money and callable credit balances, and other loans.

28 Lease liabilities

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

	2020	2019
At 1 January	**35**	**35**
Increases	**7**	3
Decreases	**(12)**	(4)
Interest	**1**	1
Changes during the year	**(4)**	**-**
At 31 December	**31**	**35**

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

Current (falling due in less than 1 year)	**14**	14
Non-current (falling due in more than 1 year)	**17**	21

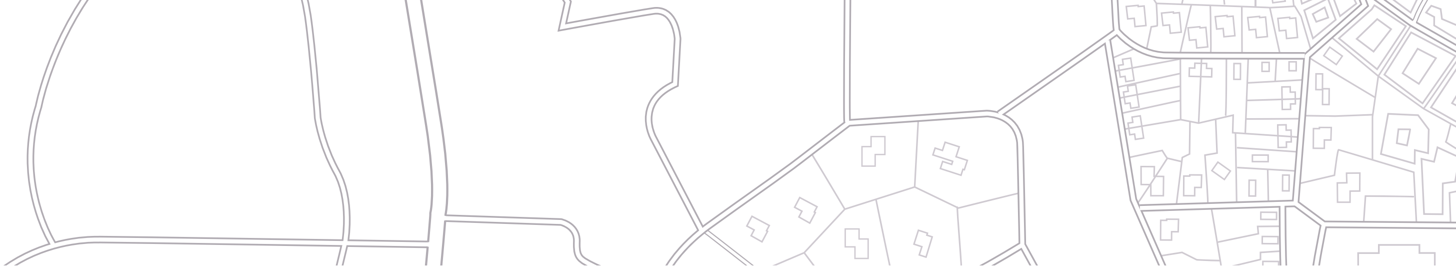
Of lease liabilities, € 4 million falls due in more than five years (2019: € 4 million).
The interest expense on the lease liabilities amounted to € 1 million in 2020 (2019: € 1 million).
The lease liabilities concern the right-of-use assets (see Note 13 – Right-of-use assets and Note 19 – Property inventory).

29 Provisions

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

	2020	2019
Provisions for joint ventures	**18**	42
Provision for land holdings and property developments*	**17**	31
Provision for employee benefits	**3**	3
Warranty fund	**21**	14
Other provisions	**-**	1
Total long-term provisions	**59**	**91**
Restructuring provision	**-**	1
Total short-term provisions	**-**	**1**
Total provisions	**59**	**92**

* Of the provision for land holdings and property developments, € 10 million is for land holdings (2019: € 29 million) and € 7 million for buildings (2019: € 2 million).



Movements in the carrying amount of other provisions were as follows in 2020:

	Employee benefits	Joint ventures	Land holdings and property develop-ments	Warranty fund	Restruc-turing	Other	Total
At 1 January	**3**	**42**	**31**	**14**	**1**	**1**	**92**
Allocated and charged against profit	-	-	-	5	-	-	5
Released to profit	-	(3)	(14)	(1)	-	(1)	(19)
Withdrawn/changes in group composition	-	-	-	(3)	(1)	-	(4)
Other changes	-	(21)	-	6	-	-	(15)
At 31 December	**3**	**18**	**17**	**21**	**-**	**-**	**59**

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

	Employee benefits	Joint ventures	Land holdings and property develop-ments	Warranty fund	Restruc-turing	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**

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. The term of these provisions ranges from one to 30 years.

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 average 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 Contract liabilities

Contract liabilities can be broken down as follows:

	2020	2019
Residential properties (including building sites)	**109**	66
Commercial properties	**58**	27
Services	**3**	-
Total contract liabilities	**170**	**93**

The contract liabilities as at 31 December 2020 concerned fulfillable contractual performance obligations arising from previously recognised revenue. For a breakdown of BPD's total contractual performance obligations as at 31 December 2020, see Note 3 (Revenue and other income).
Contract liabilities amounted to € 93 million at 1 January 2020. The full amount was recognised as contract revenue in the statement of profit or loss for 2020.
Contract liabilities as at 31 December 2020 are all expected to fall due within one year.

31 Current tax liabilities

Current tax assets can be broken down as follows:

	2020	2019
Income tax	**72**	93
VAT	**21**	10
Other taxes	**1**	2
Total current tax assets	**94**	**105**

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.

32 Other current liabilities

Other current liabilities can be broken down as follows:

	2020	2019
Interest payable	**10**	11
Other current liabilities	**90**	66
Total other current liabilities	**100**	**77**

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

33 Commitments and contingencies

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

Commitments and contingencies can be broken down as follows:

	2020	2019
Contingencies arising from guarantees issued	**525**	532
Contingencies arising from group guarantees issued	**209**	208
Contingencies regarding land holdings	**413**	401
Commitments regarding land holdings	**62**	69
Third-party liabilities regarding residential properties	**452**	404
Third-party liabilities regarding commercial properties	**45**	80
Total contingencies	**1,706**	**1,694**

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 € 3 million have been lodged against BDP (2019: € 5 million); the settlement of these claims may result in an outflow of resources, but this is not considered probable.

Conditional claims can be broken down as follows:
BPD has entered into contracts with several buyers that grant them a conditional reduction in the purchase price of their home. These buyers are expected to repay the reduction in purchase price to BPD as soon as they sell the property. The repayment depends on the sales proceeds achieved by the buyer. Combined, the purchase prices reductions granted to buyers under this scheme amounted to € 11 million at 31 December 2020 (2019: € 11 million).

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

34 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:

	2020		2019	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets at fair value	2	2	1	1
Long-term loans and receivables	89	89	96	96
Short-term loans and receivables	49	49	62	62
Cash and cash equivalents	56	56	98	98
Total financial assets	**196**	**196**	**257**	**257**

	2020		2019	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Non-current liabilities	558	627	605	691
Current liabilities	553	563	534	544
Total financial liabilities	**1,111**	**1,190**	**1,139**	**1,235**

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-interestrelated accruals is not included in the table.

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

Level I Valuation based on quoted market prices;

Level II Valuation using valuation techniques based on assumptions supported by observable market data; and

Level III Valuation using valuation techniques based on assumptions not fully supported by observable market data.

Measurement of financial assets and liabilities in 2020:

	Fair value			
	Level I	**Level II**	**Level III**	**Total**
Financial assets at fair value	-	-	2	2
Long-term loans and receivables	-	89	-	89
Short-term loans and receivables	-	49	-	49
Cash and cash equivalents	-	56	-	56
Total financial assets	**-**	**194**	**2**	**196**

	Level I	**Level II**	**Level III**	**Total**
Non-current liabilities	-	627	-	627
Current liabilities	-	563	-	563
Total financial liabilities	**-**	**1,190**	**-**	**1,190**

Measurement of financial assets and liabilities in 2019:

	Fair value			
	Level I	**Level II**	**Level 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**

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

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

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

(in € thousands)	2020	2019
Audit of financial statements	**917**	825
Other services	**194**	-
Total fees	**1,111**	**825**

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 2020, 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 2020 was € 789,000 (2019: € 740,000).

36 Executive remuneration

The names of the members of the Managing Board, who jointly qualify as key management, are listed on page 7 of the Annual Report. In 2020, the remuneration of the Managing Board and its legal predecessors amounted to € 1.6 million (2019: € 1.9 million).

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

(in € thousands)	2020	2019
Short-term employee benefits	**1,258**	1,275
Pension plans	**83**	88
Other long-term employee benefits	**224**	541
Total executive remuneration	**1,565**	**1,904**

No loans have been granted to the members of the Managing Board (2019: nil).

37 Risk management

37.1 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.

37.2 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.

37.3 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.

37.4 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 37.5 (Interest rate, currency and liquidity risks).
BPD breaks down its exposures to the property market into 'properties under development' and 'properties under management'.
Decisions to invest in or sell properties in each of these categories are made based on a layered approval structure and an assessment by experienced risk assessors. Their risk assessment will always include a Customer Due Diligence (CDD) review.
BPD can approve investments within its own mandate, while approval for the most sizeable investments must be obtained from the Real Estate Investment Commission (Dutch acronym: VIC). This approval structure is evaluated annually.

Market risk associated with property

Decreases in value on the property market have an immediate effect on BPD's direct property holdings, i.e. its land portfolio, unsold properties under construction, unsold but completed properties and properties in operation. On 31 December 2020, these 'direct' property holdings amounted to € 1,781 million (2019: € 1,755 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 2020, this portfolio of investments amounted to € 2 million (2019: € 1 million). Participations in funds for which there is no active market are measured based on net asset value.

37.5 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 2020 was 2.4 (2019: 1.9). For the position on 31 December 2020, a parallel rise of 100 basis points in the yield curve would lead to a reduction of € 23 million in the value of equity (2019: € 19 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 2020 (the same applied at year-end 2019).
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.

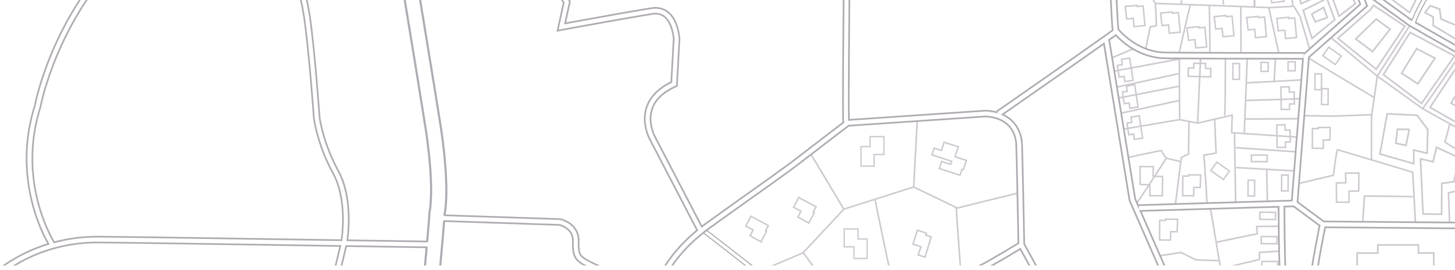
Analysing the refinancing obligation requires an understanding of cash flows. In addition to the principal amounts and accrued interest on the liabilities, future coupon payments also contribute to an understanding of BPD's liquidity position. The table below provides a breakdown (undiscounted) of all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

Contractual maturity date of financial liabilities at 31 December 2020:

	Payable on demand	Less than 3 months	3 months-1 year	1-5 years	More than 5 years	Total
Liabilities						
Non-current liabilities	-	-	-	503	55	558
Current liabilities	44	176	333	-	-	553
Total financial liabilities	**44**	**176**	**333**	**503**	**55**	**1,111**

Contractual maturity date of financial liabilities at 31 December 2019:

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



37.6 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:

	2020	2019
Long-term loans and receivables	**89**	96
Short-term loans and receivables	**49**	62
Total maximum exposure on outstanding loans and receivables	**138**	**158**

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 a component 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:

	Not past due, not impaired				
	Extremely high quality	High quality	Standard quality	Impaired	Total
Financial assets					
Long-term loans and receivables	21	-	68	-	89
Short-term loans and receivables	6	-	43	-	49
At 31 December 2020	**27**	**-**	**111**	**-**	**138**

	Not past due, not impaired				
	Extremely high quality	High quality	Standard quality	Impaired	Total
Financial assets					
Long-term loans and receivables	24	-	72	-	96
Short-term loans and receivables	7	-	55	-	62
At 31 December 2019	**31**	**-**	**127**	**-**	**158**

In 2020 and 2019, there were no outstanding loans that had matured but had not been impaired.

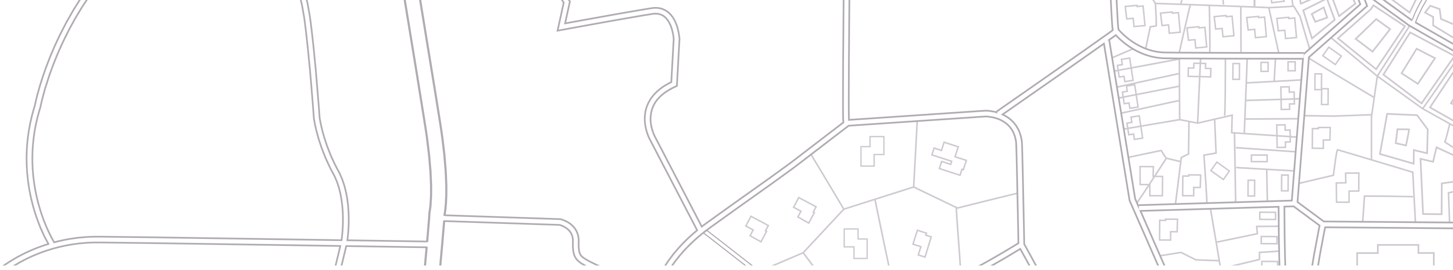
The carrying amount of impaired loans before impairment was nil (2019: nil). The fair value of the collateral provided for impaired loans was nil (2019: € nil). All collateral involved real estate.

37.7 Operational risk

BPD defines operational risk as the risk of losses caused by inadequate or failing internal processes, people and systems, or by external events. This includes measuring the effects of gaps relating to 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 quarterly to provide insight into gaps in testing controls within the business processes, the position of risk indicators and the classification of operational incidents. They also provide an understanding of BPD's operational risk appetite, the quality of the operational risk management framework and the impact of the quality in terms of economic capital for operational risks. Management reports also address non-financial risks and BPD's non-financial risk appetite.



38 Related parties

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

BPD engages in some related-party transactions in its normal course of business. These transactions take place at arm's length and at market rates. In accordance with IAS 24.4, BPD's intragroup transactions are not disclosed in the consolidated financial statements. No provisions for bad debts were formed for related-party loans in 2020 and 2019.

The table below breaks down the transactions that took place in 2020 and 2019, as well as any intercompany balances at year-end 2020 and 2019 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*	2020	-	24	49	966
Rabobank*	2019	-	25	81	949
Joint ventures	2020	29	49	121	13
Joint ventures	2019	50	58	130	12
Other related parties**	2020	82	-	1	-
Other related parties**	2019	-	-	-	-

* 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, and the BPD Woningfonds.

39 Events after the reporting date

No events with an impact on the financial statements 2020 have taken place after the reporting date.

40 Profit appropriation for 2020

The full profit of € 162 million has been added to equity (2019: € 116 million).

Company financial statements

Accounting policies

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

Subsidiaries and entities over which joint control is exercised (together referred to as 'group companies') are stated at net asset value, which is determined based on IFRS as endorsed by the EU.

Pursuant to the option provided in Section 402, Part 9 of Book 2 of the Dutch Civil Code, BPD has published a condensed statement of profit or loss in its company financial statements.

Basis of preparation

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

Company statement of profit or loss

(in € millions)	*Year ended 31 December* 2020	2019
Share of profit/(loss) of associates after tax	**171**	131
Other profit/(loss) after tax	**(9)**	(15)
Profit/(loss) for the year	**162**	**116**

Company statement of financial position (before profit appropriation)

(in € millions)	Note	2020	2019
		At 31 December	
Non-current assets			
Property, plant and equipment		**2**	2
Associates	A	**759**	628
Right-of-use assets		**11**	10
Long-term loans and receivables	B	**1,242**	1,399
Deferred tax assets		**3**	3
		2,017	**2,042**
Current assets			
Prepayments and accrued income		**-**	7
Cash and cash equivalents	C	**-**	43
		-	**50**
Total assets		**2,017**	**2,092**
Equity	D		
Share capital		**23**	23
Share premium reserve		**468**	468
Statutory reserve for associates		**43**	44
Other reserve		**304**	386
Available for profit appropriation		**162**	116
		1,000	**1,037**
Non-current liabilities			
Loans	E	**503**	534
Lease liabilities		**10**	8
Long-term provisions		**4**	3
		517	**545**
Current liabilities			
Loans	E	**456**	415
Short-term provisions		**-**	1
Lease liabilities		**-**	1
Current tax liabilities		**25**	66
Other current liabilities		**19**	27
		500	**510**
Total liabilities		**1,017**	**1,055**
Total equity and liabilities		**2,017**	**2,092**

Notes to the company statement of financial position

A. Associates

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

(in € millions)	2020	2019
Associates (asset item)	**628**	643
Associates (recognised within provisions)	**-**	-
At 1 January	**628**	**643**
Associates acquired	**-**	-
Associates sold	**-**	-
Profit/(loss)	**171**	131
Dividends/return of capital	**(40)**	(146)
Changes during the year	**131**	**(15)**
Consisting of:		
Associates (asset item)	**759**	628
Associates (recognised within provisions)	**-**	-
At 31 December	**759**	**628**

B. Long-term loans and receivables

This item comprises all receivables from group companies that have a term of more than one year. At year-end 2020, an amount of € 1,242 million had been provided to group companies in the form of loans (2019: € 1,399 million). The loans are subject to a floating rate of interest.
The average interest rate for 2020 was 1.25% (2019: 1.45%). 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 2020, the separate financial statements included a statutory reserve for associates of € 43 million for the share of profit of associates and direct capital gains that cannot be distributed (2019: € 44 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 2020 of € 162 million to the general reserve and to distribute a dividend of € 100 million from the other reserves.

Movements in equity can be broken down as follows:

(in € millions)	Share capital	Share premium reserve	Available for profit appropriation	Statutory reserve for associates	Other reserves	Total equity
At 1 January 2020	**23**	**468**	**116**	**44**	**386**	**1,037**
Added to profit/(loss)	-	-	(116)	-	116	-
Profit/(loss) for the year	-	-	162	-	-	162
Other comprehensive income after tax	-	-	-	-	-	-
Total comprehensive income for the year	**23**	**468**	**162**	**44**	**502**	**1,199**
Dividend distribution	-	-	-	-	(200)	(200)
Other changes	-	-	-	(1)	2	1
At 31 December 2020	**23**	**468**	**162**	**43**	**304**	**1,000**
At 1 January 2019 (before change in accounting policies)	**23**	**468**	**240**	**30**	**160**	**921**
Changes in accounting policies	**-**	**-**	**-**	**-**	**-**	**-**
At 1 January 2019 (after change in accounting policies)	**23**	**468**	**240**	**30**	**160**	**921**
Added to profit/(loss)	-	-	(240)	-	240	-
Profit/(loss) for the year	-	-	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**

E. Current and non-current loans

These items mainly comprise loans from group companies. The average interest rate on these loans was 2.30% in 2020 (2019: 2.17%). 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

No events with an impact on the financial statements 2020 have taken place after the reporting date.

Principal group companies

Unless otherwise stated, BPD wholly owns the group companies
BPD's principal group companies are listed below:

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

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

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

Amsterdam, the Netherlands, 26 April 2021
BPD Europe B.V.

Original signed by:
Ir. W.P. de Boer, CEO
Drs. J.C. Kreikamp, CFRO
Mr. G. Voorhorst, Director of Legal & Compliance

Independent auditor's report

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

Report on the financial statements 2020

Our opinion

In our opinion:

- the consolidated financial statements of BPD Europe B.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2020 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of BPD Europe B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2020 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 2020 of BPD Europe B.V., Amsterdam. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the following statements for 2020: the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows; and
- the notes, comprising significant accounting policies and other explanatory information..

The company financial statements comprise:

- the separate statement of financial position as at 31 December 2020;
- the separate statement of profit or loss for the year then ended;
- the notes, comprising the accounting policies applied and other explanatory information.

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

The basis for our opinion

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

Independence

We are independent of BPD Europe B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for

Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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 2020;
- market developments in 2020 and market outlook for 2021;
- internal developments;
- risk management;
- 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

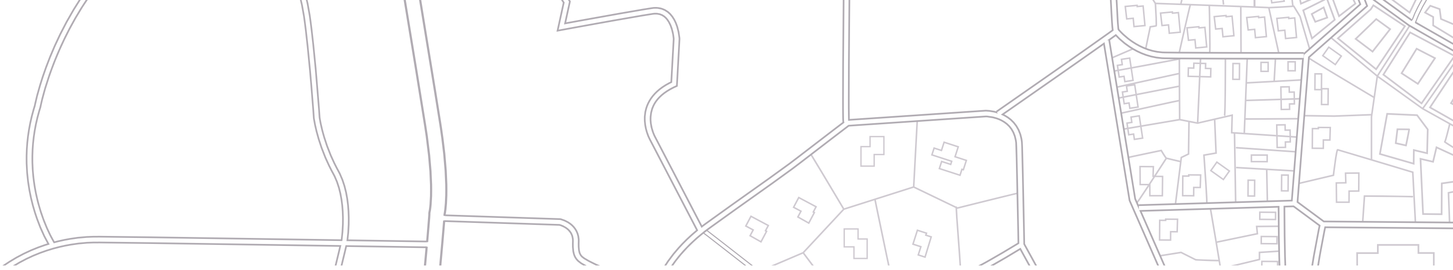
The Managing Board is responsible for:

- 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, the Netherlands, 26 April 2021
PricewaterhouseCoopers Accountants N.V.

Original signed by: S. Herwig MSc. LLM. RA MRE MRICS

Appendix to our independent auditor's report on the financial statements 2020 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.

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 compulsory payments on the nominal value of the shares.

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

Colophon

Published by
BPD Europe B.V.

Publication
This is the Annual Report of BPD Europe B.V.
This report is available in electronic format only and can be downloaded from www.bpd.nl

Production
Volta_thinks_visual, Utrecht

Disclosure
After they have been adopted, the financial statements 2020, the Directors' Report and the other information will be filed with the Trade Registry of the Chamber of Commerce under number 08024283.

Nieuwe Kadekwartier, Arnhem, the Netherlands

Gate masters, Delft, the Netherlands

Havenkade, Nijmegen, the Netherlands

Havenkade, Nijmegen, the Netherlands

Holland Park West, Diemen, the Netherlands

Weespersluis Vechtrijk, Weesp, the Netherlands

Brinckhorst, The Hague, the Netherlands

bpd
bouwfonds property development

A Rabobank company