Blik on Top, Düsseldorf

Annual Report 2021

Park Valley, Diemen

Hyde Park, Hoofddorp

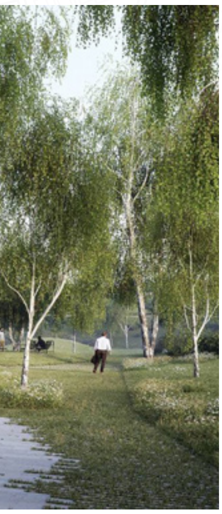
Switi, Amsterdam

bpd
bouwfonds property development


Noorderduin, Monster


De Caai, Eindhoven


Fleur de Berlin, Berlin




World Food Centre, Ede

Annual Report 2021

BPD Europe B.V.

bpd
bouwfonds property development

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

Annual Report
2021

BPD Europe B.V.

Message from the CEO

BPD Europe (BPD) can look back on a very strong year in which we delivered another robust financial and operational performance in both the Netherlands and Germany.
In total, BPD conducted 8,903 residential property transactions spread over hundreds of developments and subdevelopments in large, medium and small municipalities in the Netherlands and Germany. The year 2021 was our second best year ever. We have developed nearly 375,000 residential properties since 1946, the year in which our organisation was founded.

An admirable achievement, considering that COVID-19 was still very much working against us in 2021. Against initial expectations, we had to remain flexible in the face of changing circumstances. Remote working forced our employees to work together mostly online, whereas they were used to working mostly at the office. But as stated, none of this hurt our financial performance. As in 2020, home sales in the Netherlands and Germany seemed almost immune to the virus.

The major shortage of housing – rising to around 300,000 in the Netherlands in 2022, or 4% of the total housing stock – was the reason underlying this trend. Housing is in danger of becoming unattainable for growing numbers of people, all the more so because the lack of supply keeps pushing up prices, both in the existing stock and in new-builds. House prices hit new record highs in 2021.

BPD is doing its utmost to meet the growing demand for housing. Our strong inventory position in both the Netherlands and Germany allowed us to keep up development in 2021. In addition, we are continually expanding our position by making acquisitions. In Germany, we have grown into a strong, large and profitable area developer that enjoyed a high level of client satisfaction in 2021. More and more municipalities in Germany are working with us on medium-sized area development projects.
BPD expanded its positions in so-called category B and C cities, including in the east of the country.

BPD also won many competitions again in the reporting year, primarily thanks to our strong focus on quality. We are greatly supported in this by BPD Studio, created in 2020. In 2021, the added value of this internal think tank – a team of specialists in the fields of concept development, urban planning, architecture and landscape architecture – came to fruition.

BPD Woningfonds, created in late 2019, expediently carried on its activities in 2021. Under the flag of this fund, we are expanding the share of mid-price rental porperties all across the Dutch housing market. BPD Woningfonds has now built up a housing portfolio of approximately 3,500 sustainable and affordable mid-price rentals (rented, under construction or in acquisition). As a result, BPD Woningfonds is well on track with its ambition to develop over 15,000 energy-efficient, sustainable and affordable new-build rental properties for middle-income earners, i.e. people earning between once and twice the median household income.

To genuinely tackle the shortage of housing, construction output will have to be scaled up drastically in city outskirts and in urban expansion areas – in addition to current city-centre locations. This calls for strict control and strong government action for large area developments. The new Rutte-IV Cabinet, which took office in late 2021, now seems to have taken up this task. The appointment of a new Minister of Housing and Spatial Planning suggests that – after years of neglect – the problem is finally being addressed at the central government level. It has been established by now that 900,000 additional homes will be needed by 2030, and policy has been expanded with the designation of locations on the outskirts of cities.

At BPD, we see it as our mission to improve the affordability and availability of residential units on a structural basis. We are committed to fulfilling this mission and will work hard to achieve it in 2022 and later years as well. We will keep steering towards a stronger expansion of our market leadership in the Netherlands and Germany, our home markets, now and going forward – in urban renewal as well as in expansion areas and on city outskirts. The outlook for 2022 is undoubtedly optimistic for us. For home seekers, however, it will continue to be difficult to find affordable housing in the years ahead, whether they are looking to rent or to buy. BPD's original mission from its foundation in 1946 has therefore not lost any of its urgency – we want to make affordable housing available to the large group of households earning 1 to 2.5 times the median household income.

Seventy-five years passed from 1946 to 2021, which made last year an anniversary year for us. Due to the COVID restrictions, festivities had to be put on hold for a while. Looking back, BPD clearly made a big impact in that period, not only by completing those 375,000 homes just mentioned, but also by bringing a flow of key innovations, such as industrial construction, KeuzeKonsept, Persoonlijk Wonen ('Personal Living'), Premie A ('Premium A') homes and HAT (one- to two-person household) units.

Such innovative capacity will become more important in the period ahead than it has been in the past 75 years. We have such a diverse society today that construction output will need to be customised more and more, in terms of both types of housing and projects. The other side of the coin is the huge pressure to deliver, preferably in large quantities. It will take every bit of skill and forethought we have got to adequately combine those two goals, especially considering the turbulent world we live in – political changes, uncertainties following Russia's incursion into Ukraine, an overheated housing market, uncertainty on how mortgage rates will develop, related conditions, rising costs of construction materials, limited capacity and the ever increasing complaints and procedural pressure.

I am confident that we are up to the challenge. Our employees again showed great commitment and much perseverance in 2021. At the end of 2020, they rated BPD a Top Employer in the Netherlands (MonitorGroep). I, in turn, appreciate our people for the top employees they are: also in the second challenging, COVID-dominated year, I have seen their immense enthusiasm and drive time and time again. That instils great confidence for the future.

Walter de Boer
CEO BPD

BPD Europe in 2021

Key data

Profit for the year	€ 169 million
Return on equity	17%
Number of residential property transactions	8,903

Proeftuin Erasmusveld, 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 (COO).

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

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

Ms. G. (Gea) Voorhorst
COO

The Netherlands

The Dutch operations have a group-wide management team. This team consists of the regional directors (see page 10) and the following corporate support services directors:

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

Germany

The German operations are headed up by:

- F.J. (Franz-Josef) Lickteig, Managing Director/CEO
- A. (Alexander) Heinzmann, Managing Director
- R. (Raymond) van Almen, 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) Kremer
- Prof. Ir. H. (Hans) de Jonge
- Drs. R.C. (Rob) Haans

About BPD

BPD, which stands for Bouwfonds Property Development, is a large area developer of future-proof and healthy residential areas in the Netherlands and Germany. BPD was established in 1946 under the name of Bouwspaarkas Drentsche Gemeenten. Since our establishment over 75 years ago, we have facilitated the construction of nearly 375,000 residential units. We are proud to say that, today, more than 1 million people live in residential areas that we have helped to develop. Taking an integrated approach to every area development, we are committed to affordability and sustainability, so that we create inclusive living environments with a comprehensive focus on physical, spatial and social dimensions. We operate based on our social belief that everyone is entitled to a comfortable home in a pleasant living environment and a healthy ecosystem. We will continue to pursue our ambition of providing affordable and comfortable housing for many generations to come.

Our operations are based on three pillars:

1

We develop fully 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 the housing mission over the coming period. 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 and social 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 accelerating the transition to a sustainable society. The guiding principles in our sustainability strategy *'Sustainable acceleration'* are climate & landscape, energy, circularity and mobility – both in transforming urban areas and in developing new-builds. Sustainable area development requires a broad, all-encompassing and expert perspective in which sustainable new-builds and nature development go hand in hand. What we focus on in this process is how the client ultimately plans to use the property. For this reason, BPD works in close collaboration with local authorities to devise climate-proof solutions at 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 ensure that housing remains attainable and affordable for everyone, both now and in the future. That is why we created BPD Woningfonds at the end of 2019. The Fund invests in sustainable, affordable apartments and single-family homes for middle-income earners (people earning between once and twice the median household income). Through BPD Woningfonds, we actively contribute to the ambitions of local authorities and housing associations to give more people access to affordable housing. This matters now more than ever because more and more people are moving to the city and homes are hard to come by. The trend towards urban agglomeration can be seen in the Netherlands and Germany, as well as in the rest of Europe. Demographic and economic trends have caused demand for housing to exceed supply, which has far-reaching implications for the affordability of housing.

Organisation chart at 31 December 2021

BPD Europe B.V.

BPD Ontwikkeling B.V.

BPD RCF Fundmanagement B.V.

BPD Immobilienentwicklung GmbH

The Netherlands

BPD Ontwikkeling B.V.

4 regional offices +

1 local office

Head office in **Amsterdam**

year of establishment **1946**

Germany

BPD Immobilienentwicklung GmbH

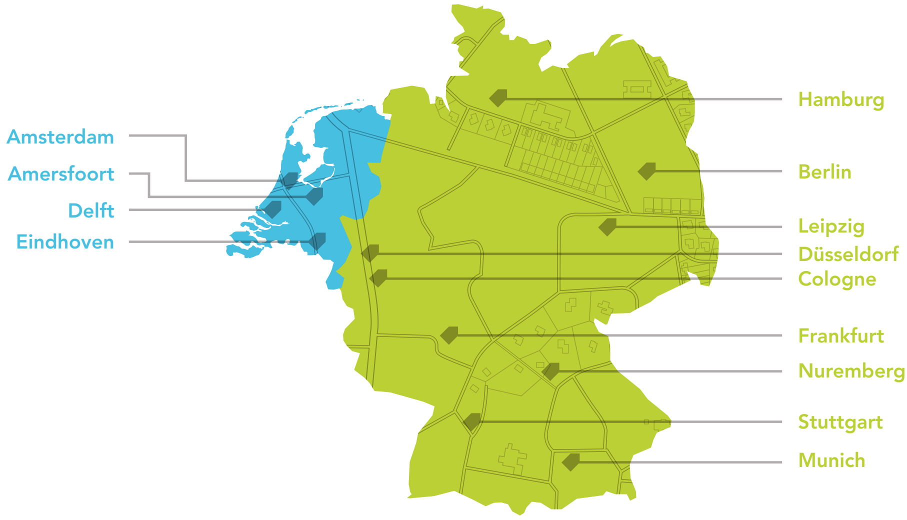
9 regional offices +

7 local offices

Head office in **Frankfurt**

year of establishment **1993**

Offices at 31 December 2021



The Netherlands

BPD Ontwikkeling B.V.

Northwest
Amsterdam
H.H. (Harm) Janssen, Regional Director
E.M. (Esther) Agricola, Regional Director

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

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

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

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

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
J. (Jochen) Saam, Regional Director

Southwest
Stuttgart
A. (Antonius) Kirsch, Regional Director

Southeast
Munich
S. (Samira) Pichler, Regional Director

Key figures

		2021	2020
Statement of profit or loss			
Profit/(loss) for the year	in millions of euros	**169**	162
Revenue	in millions of euros	**1,647**	1,431
Cost-to-Income Ratio (C/I)	%	**41**	37

Statement of financial position			
Equity	in millions of euros	**1,069**	1,000
Total assets	in millions of euros	**2,924**	2,666
Return on equity	%	**17**	16
Solvency ratio	%	**37**	38

Output			
Residential property transactions (including third-party developments)	number	**8,903**	8,901
– The Netherlands		**6,376**	6,375
– Germany		**2,527**	2,526

Headcount			
FTEs	number	**760**	719
– The Netherlands		**442**	407
– Germany		**318**	312

Financial policy and performance

Financial policy

Partly with a view to providing good service to clients, BPD seeks to achieve a competitive return that is appropriate to the risk profile Rabobank has defined. 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 2021 amounted to € 169 million (2020: € 162 million). The profit for the year was similar to the profit for 2020, while the number of residential property transactions and average margin likewise matched last year's figures.

Risks and uncertainties

As anticipated in the outlook of the Annual Report 2020, several factors led to some delays in the award and sale of new property developments in 2021. 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 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 2020.

- In 2021, BPD conducted 6,376 residential property transactions in the Netherlands (2020: 6,375).
- The number of residential property transactions in Germany amounted to 2,527 in 2021 (2020: 2,526).

Cash flows and financing requirements

Cash flows from operating activities were down from positive € 208 million in 2020 to positive € 9 million in 2021. At nearly equal cash flows from net earnings, the decline from last year can be attributed to investments in working capital (mostly property inventory and contract assets).
Cash flows from investing activities increased from negative € 31 million in 2020 to positive € 17 million in 2021, mainly because of lower investments in investment

De Caai, Eindhoven, the Netherlands

property and associates. The increase in cash flows from financing activities from negative € 222 million to positive € 61 million consists of a lower dividend payment (€ 100 million) and higher net loan proceeds (€ 183 million).

BPD can use the Rabobank-provided credit facility for any potential financing requirements. This facility stood at € 1.65 billion on 31 December 2021. Of this amount, € 1.11 billion had been drawn down on 31 December 2021. At 37%, the solvency ratio at year-end 2021 was about the same as at year-end 2020 (38%).

General Meeting of Shareholders

BPD Europe is a wholly owned subsidiary of Rabobank. The Managing Board of Rabobank has assigned the supervision of BPD Europe to a delegated General Meeting of Shareholders (GMS), whose members are Ms M.P.J. (Mariëlle) Lichtenberg and Mr J.J. (Jan) Bos. This GMS is advised by three external experts who have specific real estate expertise. They are Ms C.M. (Cindy) Kremer, Mr H. (Hans) de Jonge and Mr R.C. (Rob) Haans. Mr Haans joined the GMS as its third external adviser on 1 June 2021.

The GMS held four routine meetings in 2021. There was one additional meeting, at which project visits were made and more information was provided on BPD's land portfolio.

During the meetings, which were held in the presence of the Managing Board of BPD, the GMS addressed a range of issues. They also consistently served to discuss market conditions and the general situation at BPD, addressing BPD's strategy and the implementation of that strategy. The financial and risk reports for the period came up for discussion as well; BPD's CFRO elaborated on these reports. At the April 2021 meeting, PwC, the external auditor, elaborated on their Board Report, which described the findings from their audit of the financial statements. The Annual Report 2020 was approved at the same meeting. The July meeting adopted the resolution to distribute a dividend to the shareholder. BPD's updated Code of Conduct as well as the budget for 2022 and the 2022 Medium-Term Plan were also discussed and approved.

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

In the context of continuing education, BPD's land portfolio was explained to the members of the GMS. The GMS also took on board the outcomes of a job satisfaction survey and a staff integrity survey. It is a source of pride that employees gave their employer BPD 7.9 points out of 10, which has earned us the title of 'top employer'. Finally, there were a number of meetings on succession planning, a few of those without the Managing Board in attendance.

Real Estate Investment Committee

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

The REIC is supported by the same two external real estate experts who advise the GMS.
The Committee met eleven times in 2021 to discuss investment proposals, revision proposals and updates of ongoing developments that had been referred to the Committee in accordance with the approval framework. There was also an additional REIC meeting on the evaluation of REIC procedures and situation and a presentation and discussion on Smart Builds, a Rabobank initiative to provide temporary housing. In the autumn, Rabobank colleagues organised a workshop on portfolio management within Rabobank and the bank's vision of housing market risks.

Market developments in 2021 and outlook for 2022

Dutch housing market[1]

2021 was a year of extremities in the housing market. The rise in prices of existing and new owner-occupied homes broke one record after another. In addition, the number of transactions was lower than the year before. The number of newly completed homes is still lagging behind the quantities needed to ease the current housing shortage. In the end, the COVID-19 crisis did not adversely affect the housing market.

In fact, housing affordability came under even stronger pressure, increasingly diminishing the chances for first-time buyers and middle-income earners to own a home of their own. Meanwhile, a different group of people saw the equity in their homes grow exponentially. In short, the gap between the housing market haves and have nots brought about greater inequality in the distribution of wealth in society.

Fortunately, there were also some positive trends. The urgency of the problems in the housing market is now widely recognised. The housing plans of the Rutte-IV Cabinet show that integrated area development is on the agenda. Only when market participants, public authorities and housing corporations work together can the shortage of housing be truly resolved.

In 2021 prices of existing owner-occupied homes were soaring, rising by 15.2% on average per year. On average, buyers paid € 386,714 (2020: € 334,488) for a home. Nevertheless, transaction numbers in the whole of the Netherlands were down 4% from 2020, landing at 226,087. Notwithstanding regional differences, prices for existing residential properties ballooned across the country. The biggest price increase was seen in Flevoland (19.2%), while the smallest relative increase was recorded in Limburg (+13.5).

Looking at the four largest cities in the Netherlands (the G4), the housing market was tightest in Utrecht, which saw prices go up by 16% in one year at pretty much stable numbers of residential property transactions. G4 city Amsterdam showed a below-average price increase, with prices of existing properties rising by 11.5% in one year's time. In Amsterdam, transactions of existing owner-occupied homes was up over 8% from 2020.

The measurements by Statistics Netherlands (CBS) and the Dutch Land Registry (Kadaster) show that the price of new-builds went up sharply. Up to and including the third quarter of 2021, prices for new-builds shot up 14.1% on average (2020: 6.9%).

According to residential construction companies, 39,500 new-builds were added to the owner-occupier market in 2021, 12% more than in 2020. In 2021, 36% of new-builds sold were flats, a large share compared with previous years.

CBS has said that the total housing stock grew by nearly 69,000 residential units in 2021 in both the owner-occupier and rental markets. In total, there were 77,477 more residential units in the Netherlands at the end of 2021 than in 2020, 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 for residential properties that were issued in 2021 will, for their part, fill the pipeline for residential construction in the years to come. Up to and including November 2021, 66,321 permits had been granted for new-builds.[2] It is therefore highly likely that the number of permits issued will exceed 70,000 residential units. This shows that slowly but surely more residential units will be built, but still not nearly enough to resolve the current housing shortage.

That huge shortage is still the main bottleneck. In the long run, the COVID-19 pandemic will have little effect on population growth. The lower migration rate in 2020 caused a temporary dip in household forecasts, but now in 2021 the population of the Netherlands grew again by

1 The text of this section is based on these sources: www.cbs.nl/nl-nl/nieuws/2022/04/grootste-prijsstijging-bestaande-koopwoningen-in-21-jaar | https://opendata.cbs.nl/#/CBS/nl/dataset/83906NED/table | https://woningbouwersnl.nl/marktcijfers/ | www.cbs.nl/nl-nl/nieuws/2022/01/bevolkingsgroei-vrijwel-terug-op-niveau-van-voor-corona | www.rtlnieuws.nl/economie/artikel/5274153/coalitieakkoord-rutte-iv-wonen-huizen-bouwen-plannen | https://stadszaken.nl/artikel/3913/voor-doorstroom-niet-een-maar-heel-veel-oplossingen-nodig | www.rabobank.nl/kennis/s011208224-piek-prijsgroei-bereikt-maar-afkoeling-huizenmarkt-lijkt-nog-ver-weg

2 Data on permits for the whole of 2021 is not yet available.

Bilk on Top, Düsseldorf, Germany

118,000 inhabitants, to nearly 17.6 million. The most recent household forecasts project that the Netherlands will probably have 9 million households in 2038. The current housing stock is over 8 million homes. Accordingly, at least 1 million additional homes will be needed to allow all households to live in a home of their own.

Broader support for housing market 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 coalition agreement of the Rutte-IV Cabinet aspires a construction rate of 100,000 residential units per year, with two thirds in the affordable category. This includes social housing, mid-price rental properties and affordable owner-occupied homes until the NHG limit. Based on the number of permits granted in recent years, the construction volume of 100,000 homes per year can only be achieved in a few years' time.

The new targets for the construction of a great deal more affordable homes are good news for first-time buyers and low- and middle-income earners. The government plans also to focus on a relatively new target group: senior citizens. The necessity of moving senior citizens into suitable housing in order to improve overall housing market mobility is now widely recognised. At the same time it is no easy task, as most senior citizens have no intention of moving whatsoever, especially not if – as is so often the case – they will face much higher housing costs as a result. And so the search for a solution to this conundrum continues. Cooperation between developers, the government, care parties and financial institutions will be required to devise new solutions.

The Rutte-IV Cabinet has now explicitly stated that residential properties must be built both inside and outside urban areas, preferably close to current public transport links and road junctions. The integration of greeneries and nature and climate-adaptive construction is also receiving broader attention.

Housing market in 2022 – outlook

Whether housing market developments in 2022 can at all be predicted remains to be seen. Price rises should eventually peak at some point. Nevertheless, Rabobank will venture a prediction. The bank's analysts believe prices will increase still further in 2022, albeit at a slower pace than in 2021. They expect an average year-on-year increase in house prices of 12.4%. Even for 2023 they believe that not a single region will see a drop in prices, but they do think house prices have peaked. However, trend reversals are difficult, if not impossible, to predict. Expectations should therefore be interpreted with caution.

Germany: the demand for housing is still as great as ever. The share of residential units bought by investors continues to grow. Affordability and sustainability are the main political themes.

The COVID-19 pandemic has had little impact on German demand for housing. At the same time, many projects have been delayed as authorities' zoning and planning permission procedures slowed down even more. As a result, demand continues to outstrip the supply of much-needed new residential properties, which in turn pushes up selling prices.

The nature of the demand for housing also seems to be changing a little. Households are looking for larger homes, with an extra study, as more people are working from home. For many city dwellers, such larger homes are out of reach. The result: growing suburbanisation. Selling prices are now rising in surrounding areas as well because of the low number of building sites there, and partly driven by spatial planning. The development of new residential areas on city outskirts is lower on the priority list than densification in urban areas. Spatial planning policy in Germany is mostly developed at the municipal level; the country has no regional housing policy. This makes it all the more difficult to get a go-ahead for building sites in smaller localities around large cities.

In November 2021, a new Federal Government took office. One of the Scholz Cabinet's key objectives is to tackle the housing policy. In this spirit, a Ministry of Housing has been created, with one minister and three state secretaries. The government has promised to add 400,000 new residential units every year, 100,000 of which will be public-sector rented and owner-occupied housing. In addition, an agreement will be made with all stakeholders in the construction chain to build affordable homes. The agreement focuses on standardised construction methods, simple planning permission procedures, digitalised procedures and tax benefits. In addition, climate targets must be achieved, for which new legislation is in the making. By 1 January 2025, for example, every new heating system must be powered by 65% renewable energy sources.

In 2020, 306,000 residential units were completed in Germany. About 315,000 residential units are estimated by experts to have been completed in 2021 (source: Frühjahrsgutachten 2022, ZIA), while demand hovers between 375,000 and 425,000 units every year. In 2020, building permits for 308,239 units were issued; for 2021, this is estimated to be 370,000. The figure up to and including November 2021 stands at 341,017 (source: Destatis Statistische Bundesamt).

Rentals and sale prices have risen sharply in nearly all metropolitan areas and medium-sized cities in Germany 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 € 13,800/m^2 in Munich, € 8,500/m^2 in Hamburg, € 9,500/m^2 in Frankfurt, € 8,000/m^2 in Düsseldorf, € 8,500/m^2 in Berlin and € 6,450/m^2 in Nuremberg. Prices increased by some 15% to 20% from 2020. The price for a semi-detached house in the Munich area is approximately € 1,100,000, while in the Berlin, Hamburg, Düsseldorf and Frankfurt areas, such a house fetches between € 550,000 and € 750,000 (source: Trimag-Püschel-Wolf Gbr, Delphi-Committee Q1 2022).

The increase in rent, which is higher than € 24/m^2 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 (source: Trimag-Püschel-Wolf Gbr, Delphi-Committee Q1 2022).

We expect a slight increase in sale prices and a stabilisation of rent levels in 2022, in part because of the effects of new government policy.

Internal developments

COVID
In yet another year largely dominated by the COVID-19 pandemic, BPD dedicated much of its time and efforts to the health and well-being of its employees. A key role was assigned to middle management, who were provided with tools and guidelines. After every government press conference, a crisis team sent updates – where relevant – on the implications of the measures for BPD. All offices are now completely COVID-proof. This made it possible to continue working at the office as far as government measures allowed, on a limited or larger scale.

BPD Studio
BPD Studio was created in the spring of 2020. BPD Studio is a team of specialists in such fields as urban planning, architecture, landscape architecture and concept development. BPD Studio supported regional development teams in creating initiative plans and concepts for complex area challenges in 2021 as well. The Studio is responsible for the conceptual design of urban tenders, initiative plans and planning. With this work, we have created a nationwide platform for area concepts for urban acquisition and complex area development. BPD Studio works with a permanent team of experts, as well as outside specialists.

Digitalisation
BPD invests heavily in digitalisation, in terms of staffing, software and systems, in order to capitalise on technological advancements. Our goal is to maintain our position as a market leader and to keep growing. The focus is on embedding the digital transformation in our core business. The related strategic framework rests on four pillars:

- *Digital supply chain management* – aimed at streamlining area development within and outside our organisational boundaries and entering into innovative partnerships.
- *Innovative customer journey* – aimed at providing excellent online service to concession grantors and private individuals (both buyers and tenants).
- *Data-driven organisation* – aimed at creating maximum value and new perspectives by enriching data to become management information.
- *A digital culture and digital working methods* – aimed at better aligning the business and IT, thereby allowing them to reinforce each other.

It is our ambition to keep playing a coordinating role in area developments by taking a *digital first* approach and deeply embedding this method in our core business.

Integrity and privacy protection
The Compliance & Privacy department saw many developments in 2021 as BPD must comply with increasingly more rules and regulations as well as our shareholder's requirements. As for us, we want to be a professional compliance organisation that is demonstrably in control. For these reasons, in 2021 we took the next step towards a stable, further professionalised compliance organisation. Various compliance themes and activities were fleshed out in an action plan, which further reinforced BPD's integrity environment.

Culture and conduct at BPD received a great deal of attention in our new Code of Conduct, various blogs and communications, integrity surveys and dilemma sessions. The outcomes of the integrity survey were discussed in multiple sessions in all regions. Several action items were identified. During the dilemma sessions, employees talked in small groups about their dilemmas in their day-to-day work. These sessions help the organisation recalibrate its moral compass. In addition, they allow us to further define a common language and a shared framework for ethical conduct that is universally endorsed and observed. This way, our organisation will be even better equipped to do the right thing, every single day.

To prevent BPD from doing business with parties that could harm our reputation, we implemented the updated Business Partner Due Diligence (BPDD) Policy in mid-2021. A new privacy policy was drawn up in 2021. BPD developed a privacy e-learning, which all employees have been required to complete. Registers have also been created for the purpose of reporting to the Dutch Data Protection Authority (the Dutch DPA). Awareness of privacy-related issues has increased.

Much attention was paid to training and awareness. To this end, three different e-learnings were developed, workshops on specific compliance issues were held and knowledge sessions on specific compliance themes were developed.

Many policy documents have been updated and have been aligned with our shareholder's policy where necessary. The *compliance policy framework* and the compliance charter have also been updated.

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

The annual *Systematic Integrity Risk Analysis* (SIRA) was also performed in 2021. Compliance & Privacy played a facilitating and coordinating role in this assessment. The risks identified in the SIRA have been included as an integral part of the 2022 annual compliance plan.

Various monitoring activities took place throughout the year. Any findings were shared with the business, followed by *follow-up action*. In order to determine whether BPD effectively controls compliance risks (is demonstrably *in control*), the Compliance & Privacy department set up the *Compliance Risk Control Framework* (RCF), which specifies the key risks and key controls for BPD.

Recruitment

In the Netherlands, BPD added 38 in-house employees to its workforce this year, which increased from 350 to 388 staff (+11%). Staff turnover in the Netherlands was 6% (22 employees). On balance, therefore, 60 new employees were hired. This growth took place in a very tight (real estate) labour market. Despite this shortage of staff, we are and continue to be an attractive employer. Our main pillars are an attractive and competitive collective labour agreement, our vision and strategy on and for the housing market, responsibilities at a low level in the organisation, and a high degree of independence for employees in carrying out their work.

Work enjoyment and job satisfaction

MonitorGroep conducted a job satisfaction survey among all BPD staff in the Netherlands in December 2020. The results were presented in 2021. They make us proud: the job satisfaction rating was 7.9; the work enjoyment rating was 7.6. However, despite these splendid results, the survey also identified aspects that could be improved. Improvement measures were taken at the regional and departmental levels in 2021.

Growth21

BPD has fleshed out its strategy until and including 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 wants 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 our goal: affordable housing 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. Through the *Innovation in Project Management* programme, all staff is invited to provide input on how to achieve innovation and improve our efficiency. The programme has yielded several suggestions for improvement again this year. One example is the Projects Database, a reference database for BPD projects that enables every employee to quickly and easily retrieve and compare data on other projects. The Models Database also went live. This nationwide library transparently shares all model documents within BPD. This way we simplify the exchange of knowledge within the organisation and create more uniformity in our way of working.

Energiepark, Leiden, the Netherlands

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 invest 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 new BPD employees: the BPD Online Tour. The Tour 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, and in a better way.

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 townhall 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 sessions in 2021 have been about the Environment and Planning Act (*Omgevingswet*), the 4x4 partnership model, the design of enjoyable places to stay or reside in, rent control and parametric design. All sessions are recorded and can be watched on demand. Relevant reports, models and documents are added to the case files.

BPD Woningfonds

BPD Woningfonds is *up and running*. The year was characterised by the further successful build-up of the rental portfolio and the fund manager's organisation. The profit for the year amounted to € 32.6 million, which was considerably higher than budgeted and also exceeded the profit for 2020. This performance can primarily be attributed to the increase in the market value of the residential units. House prices stubbornly maintained their upward trajectory in the past year, despite the COVID-19 pandemic.

At year-end 2021, there were 766 properties in operation and 2,700 properties held in portfolio (under construction and in acquisition), an addition of over 1,000 units to the portfolio. However, the lead times for obtaining irrevocable permits to develop new-builds were longer than expected. As a result, the number of residential units under construction increased less rapidly than budgeted. The management organisation was reinforced with 4 FTEs, bringing the total headcount to 9 FTEs.

BPD Woningfonds furthermore made major strides in the areas of process descriptions, benchmark participation (tenant satisfaction and MSCI) and the creation of digital customer and building journey platforms. In 2021, BPD Woningfonds completed a set of preferred housing types, standard floor plans and the schedule of functional and technical requirements. This was done on the basis of an extensive housing requirements survey and in close coordination with BPD Ontwikkeling's Research Department. A tenant satisfaction survey further revealed that tenants give our rental properties a rating of 7.9. That is a good result.

Sustainability

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

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

BPD 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.

ESG

At the beginning of 2023, the Corporate Sustainability Reporting Directive (CSRD) will come into force for large companies in the EU. From then on, these parties will be required to disclose sustainability, social impact and good governance information and be transparent about their ESG policies and performance.

In 2021, a multidisciplinary internal project group was created to prepare for this new legislation. It met several times and obtained advice on the associated implications and obligations.

BPD will vigorously set to work in 2022 to develop an ESG vision and strategy and define the corresponding indicators in order to be ready to supply CSRD-compliant reports for 2023 and subsequent years.

Sustainability performance and monitoring

In the Netherlands, we measure our sustainability KPIs using the *Business Balanced Scorecard*. This helps us monitor the implementation of our sustainability ambitions for our four Dutch regions. The KPIs inform the policies each region will pursue for the 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. We report our performance to our shareholder, Rabobank.

The following KPIs were achieved for 2021:

Energy

- EPC: 0.2 on average. That is 50% more than the statutory minimum of 0.4.
- NZEB 2:
  - We worked on the basis of the new NZEB performance standard in 48% of our projects in 2021. This standard replaced the legal EPC standard from 2021 onwards.
  - The average NZEB 2 performance of our ground-level homes exceeds the Buildings Decree (*Bouwbesluit*) by 80%. For every one in two homes, we even achieved an NZEB 2 score of 0, i.e. energy neutral.
  - The NZEB 2 performance of our apartments exceeds the Buildings Decree by 53%.

Circularity

Environmental Building Performance (EBP): 0.65 on average. The statutory minimum was 1.0 in the first half of 2021 and 0.8 in the second half of 2021.

Climate & Landscape

Climate-adaptive and nature-inclusive measures have been applied in 78% of our area developments. In 65% of our projects, provisions have been made inside buildings and/or in public areas to create habitats for birds, insects and small mammals (e.g. nesting boxes).

Mobility

In 60% of our projects, we approach the local mobility issue from various angles based on the WCPMO principle (or 'STOMP' in Dutch). WCPMO stands for Walking, Cycling, Public Transport, MaaS (Mobility as a Service) and Own Car. We prioritise W over C, P, M and O, in that order. The measures most commonly applied are active mobility (walking and cycling) and efficient public transport links (52%). In 17% of our projects, we also use (electric) shared mobility solutions (hubs) and smart charging infrastructure. In 2021, we continued to work on the measurability of our sustainability performance. Our sustainability ambitions have been structurally embedded in our decision-making processes. They are monitored on a quarterly basis. The sustainability performance of the various BPD projects is embedded in a sustainability database, which all regional offices have now taken into use. Information can be filtered from this database and be tailored to specific future projects, allowing us to scale up our sustainability innovations. Using the knowledge available enables faster decision-making on what would be the best sustainability strategy for any given project. Lessons learned from past projects are continually being added to the database.

SDG Challenge: Students present toolkit for nature-inclusive area development

BPD was a partner of the SDG Challenge 2021. Talented students took up a challenge linked to the United Nations Sustainable Development Goals (SDGs). Each team was assigned its own challenge. The challenge for the BPD team was: How can we ensure that nature and biodiversity will feature more prominently (and more structurally) in our future area developments? Six international university students from Vrije Universiteit Amsterdam set to work on this challenge. The BPD team presented the *Building with Nature* toolkit to the jury during the finals. The toolkit contains scalable solutions for the conservation and development of nature and biodiversity in our area developments.

Proeftuin Erasmusveld in The Hague, which won the SKG Award: the most sustainable area development of 2021

An initiative of Stichting Kennis Gebiedsontwikkeling, the SKG Award aims to drive area-specific developments based on a sustainable, integrated vision. According to the jury of the SKG Award, Proeftuin Erasmusveld, an area being developed by BPD together with the Municipality of The Hague, serves as an example for future sustainable area developments. The jury praised Proeftuin Erasmusveld for actually ticking 'all the boxes of sustainability' and for setting of a new standard of sustainable area development, as its approach can also be applied in other areas (and is already being applied by BPD). The jury also appreciated 'the long-term focus, ensured by setting the bar high on climate-related issues, be it inside the home, the wider area or the local neighbourhood.' (More information: www.

Energiepark, Leiden, the Netherlands

Park Valley, Diemen, the Netherlands

gebiedsontwikkeling.nu/artikelen/rhapsody-en-proeftuin-erasmusveld-winnaars-skg-award-voor-duurzame-gebiedsontwikkeling-2021/)

In 2021 we 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 Circular & Conceptual Construction City Deal, the MRA Wood Construction Green Deal Agreement, the renewal of the Climate-Adaptive Construction Agreement of the Province of South Holland and the completion and evaluation of the multi-year Very Energy-Efficient New-Builds Spring Agreement programme.

BPD signs MRA Wood Construction Green Deal
Public authorities, developers, banks and countless other organisations in the Metropolitan Region of Amsterdam (MRA) have made agreements to accelerate wood construction in the capital and surrounding areas. The target is 20% wood construction by 2025. On 21 October, a broad coalition signed an agreement to this end. Desirée Uitzetter, Director of Area Development, signed on behalf of BPD. With the agreement, the parties aim to contribute to the Paris Agreement climate goals. If the target is met, it will bring a reduction of about 220,000 tonnes of CO_2 annually. That is equal to the average emissions of 22,000 households. In addition, it will greatly reduce nitrogen emissions.
Realised residential buildings count towards the target rate for the whole MRA if:

- for ground-level homes, at least 80% of the volume is biobased;
- for multi-storey flats below 10 storeys, at least 65% is biobased;
- for multi-storey flats from 10 storeys upwards, at least 50% is biobased.

In addition, the wood for the load-bearing structure should preferably come from Europe, the building should be assembled in Europe (preferably in the Netherlands) and the wood should be certified with at least a 70% FSC mix.

Highlights: Sustainability in BPD projects

1

Landgoed Coudewater:
250 tonnes (or 5,000 trees) of CO_2 gain

In 2021, 51 buildings were dismantled for the redevelopment of Landgoed Coudewater in Rosmalen, the Netherlands.
By means of *urban mining*, valuable materials and resources from existing buildings have been reused, saving 243,000 kilograms of CO_2. The huge pile of rubble and concrete debris has been reused as the roadbed for new paths and roads on the estate. Other raw materials – such as iron and aluminium – have been reused. NewHorizon, the company that demolished the buildings, calculated that the CO_2 savings are roughly equivalent to 5,000 trees growing and producing oxygen for a year. At Coudewater BPD is building around 400 houses and flats with a green, rural character, three quarters of which for the owner-occupier market.

Noorderduin, Monster, the Netherlands

2

Noorderduin, Monster:
connection of 237 residential units to a geothermal heat grid

In 2021 BPD signed a connection agreement with the Municipality of Westland, heating supplier HVC and development company Westlandse Zoom for the supply of geothermal heat to new-build homes. The many greenhouse growers in this municipality have been working with geothermal heat for years. The knowledge and experience gained will now be used to heat the new homes sustainably, together with heating supplier HVC.

Landgoed Coudewater, Rosmalen, the Netherlands

Tuindershof, Pijnacker-Nootdorp, the Netherlands

3 Tuindershof, Pijnacker-Nootdorp: houses connected to a collective ground heating system

Tuindershof will be a nature-friendly residential area with space for nature and a high level of biodiversity. Sustainable heating is a key element of the plan. All 600 residential units will be connected to a collective heating system and will have their own heat pump. For these pumps we use 100% renewable energy from wind, sun and water, which will reduce carbon emissions to 0 tonnes.

Tuindershof is one of the first new housing projects in the Netherlands to be awarded a concession for the supply of heating using a sustainable system appropriate for new-builds. The neighbourhood is also climate adaptive as existing ecological structures are connected via De Meander. This main watercourse enables water level variations for the storage of rainwater, for example in the event of extreme precipitation. This way flooding can be prevented in times of heavy downpours and water can be supplied in times of drought. The first pile for the properties was driven in the second quarter. We expect the first home in Tuindershof to be connected to the heat grid by the end of this year. The related initial drilling work has already started.

Switi, Amsterdam-Zuidoost, the Netherlands

4

Switi, Amsterdam Zuidoost:

45 flats and 24 single-family homes made of wood and bamboo

The façades, walls and floors of the new Switi development are made of wood, both in the tower and in the low-rise section. In all, 80% of all building materials will be wood-based. The tower's structure (load-bearing walls, floors and the core) is constructed entirely with solid cross-layered timber (CLT). That is unique.

The façade is constructed using the German Steico system, a technical follow-up development of a traditional timber frame system. The cladding is made of MOSO, a giant bamboo species that grows fast, produces a lot of oxygen and therefore absorbs a lot of CO_2. This CO_2 remains largely stored inside the material. Bamboo, naturally very strong, is also a good alternative to tropical hardwood. Aside from wood and bamboo, other reusable materials are used in the construction wherever possible. The floors, façades and roofs are perfectly insulated. All homes will have well-insulated triple glazing. Solar panels will be installed on the roofs. The flats will use district heating for heating and hot tap water. The single-family homes will be heated with infrared panels to provide a pleasant indoor climate. A heat pump (with a 200 litre boiler) will supply hot tap water to the homes. Current local residents are given priority for the owner-occupied homes, for which the Municipality of Amsterdam has set a fixed sales price.

5

Ede:

Nature-inclusive realisation of World Food Center

Within ten years, the old barracks grounds near the Ede-Wageningen train station will undergo a makeover and be turned into a World Food Center. With a surface area of 28 hectares, this area can house around 650 residential units, catering units, retail and sports facilities, a conference hotel, innovative start-ups, student accommodation and the World Food Center Experience, the eye-catcher of the site.

The landscape carries this area development. Here BPD is creating a climate-adaptive living environment that blends in with nature. The vision for the area development has been translated into a special building plan, starring nature as the lead actor, both in the choice of materials and the layout. Cars are mere guests. Parking spaces are subordinate elements of the plan. The first development planning, the Veluwe Proeftuin, focuses on food challenges: how can we eat healthier and produce less waste? People will be living here in a communal garden, where they can grow their own fruit, vegetables and herbs. Together, they can grow and eat food, play and learn, harvest and sell, based on the idea of a healthier, mindful lifestyle.

World Food Center, Ede, the Netherlands

Risk management

This chapter addresses BPD's risk profile and risk management. Risk management involves the risk categories and the controls that have been implemented to mitigate these risks in 2021.

Risk profile
BPD's core business is creating new living environments in the Netherlands and Germany. BPD also serves as the fund manager of 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.
A deterioration of market conditions due to, for example, government measures and reduced consumer confidence is another factor that leads to a higher risk profile.

Third-party fund management
BPD has served as the fund manager of BPD Woningfonds since 2020. As a division of Rabobank, 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 COO for non-financial risk areas involving compliance, fraud, business conduct and operational risk.

BPD operates based on delegated powers in the countries and regions in which it is active. Investments in 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 (REIC) has been set up to take major investment decisions.
Procedures have been created for acquiring new developments to ensure that developments that involve irresponsible risks are ruled out. Several procedures are in place for the investment strategy and the governing and primary processes that are designed to help BPD take structured and informed investment decisions. Partly with a view to providing good service to clients, BPD seeks to achieve a competitive return that is appropriate to the risk profile Rabobank has defined.

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

The RMC performed the annual risk assessment and tests in 2021. 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 2021.
BPD optimised the tax control framework in recent years. The resulting controls have been integrated into the periodic tests. Assessments are used to annually review the tax risks and adjust them in the TCF where necessary.

In Control Statement
In 2021, BPD set up and implemented a new control framework in both the Netherlands and Germany. This framework is based on the Rabobank In-Control Manual. The new framework defines the risks associated with the key items in the financial statements. Controls have been defined for these risks. The controls were tested in 2021, which resulted in an In-Control-Statement. The risks and controls will be reviewed in an annual assessment and adjusted where necessary.

Risk appetite
BPD's Risk Appetite Statement (RAS) defines the level of risk that it is willing to accept in order to achieve its objectives. 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.
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 and early warnings were not exceeded in 2021.

The housing markets in the Netherlands and Germany, and therefore BPD, did not suffer any direct adverse consequences from the COVID-19 crisis. The demand for housing has increased and sales prices are rising. The number of property transactions was as budgeted for 2021 and in line with last year's volume. The average margin per unit was higher than budgeted and higher than in 2020. COVID-19 did not result in a key personnel risk for BPD.

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.
  Indicator: losses resulting from, and frequency of, operational incidents, 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 coronavirus 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 2021 and the outlook for 2022.

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

Risk category	Risk probability (high/medium/low)	Impact (high/medium/low)	Risk appetite exceeded in 2021 (Y/N)	Early warning level exceeded in 2021 (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 properties in operation in the statement of financial position	medium	medium	N	N
Non-financial risk	low	low	N	Y

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 € 2,212 million on 31 December 2021 (2020: € 1,781 million).
BPD has defined individual risk limits for properties in operation, building sites, land without a designated use whose designation is not expected to be changed within five years, number of unsold homes under construction and completed, unsold commercial real estate (under construction and completed) in GFA (square metres).
No risk limits were exceeded in 2021.
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 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 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. Risk assessment and the implementation of internal controls in relation to non-financial risks are an integral part of the primary and supporting processes in the BCF. We estimate the probability of these risks 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 damage and/or financial losses, we estimate that its impact would be low in view of our operations.

The increase in cyberthreats prompted a more detailed analysis of BPD's cybersecurity system. In collaboration with Rabobank auditors, assessments such as the Norea Cyber Security Assessment were performed to review BPD's insight into the various risks, the standards available and the possibilities to control the risks. Despite BPD's decent score of 8 (out of 10), we find it important to raise the security level every year. For this purpose we use a roadmap defining action items, drawn up by the Information Management & Technology department under the CFRO's responsibility.

Outlook

Outlook

We are happy with our financial performance for 2021: 8,903 transactions resulted in a profit for the year of € 169 million. This performance is similar to that of 2020 in terms of sales and a slightly higher net profit, 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 2022, 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 2021, 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 – as well as other areas now – 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.

Bosrijk, Eindhoven, the Netherlands

Central Park, Frankfurt, Germany

Building on the outskirts
BPD believes that building on the outskirts of cities is just as important as building in cities. More land should be made available for building in suburban areas based on multiple choices, such as area developments with various types of housing for various groups of people, access to public transport, with room for nature development and integration of smart solutions for dealing with water and heat stress, and use of renewable energy sources. 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, BPD Woningfonds will invest in mid-price rental properties over the coming years. 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 future-proof, vibrant areas: they are easily accessible by bicycle, car and/or public transport and designed for different target groups, offering affordable and energy-efficient homes. We can only deliver on our ambition if we take a full-service approach to housing, nature development, the energy transition, climate change adaptation and mobility. BPD focuses mainly on concept and area development. That is where our strength lies.

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

Internal organisation
BPD 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 our employees, the ultimate goal being to streamline the organisation so that it is ready to face the future with confidence.

COVID
We have found that the COVID pandemic again had very little impact on our financial performance in 2021. 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 stringent and 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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Financial statements 2021

BPD Europe B.V.

Consolidated statement of profit or loss

(in € millions)	Note	*Year ended 31 December* 2021	2020
Revenue	3	**1,647**	**1,431**
Other income	3	**-**	**45**
Total revenue and other operating income		**1,647**	**1,476**
Impairment/(impairment reversal) of investment property	4	**(5)**	-
Impairment of property inventory	5	**20**	8
Impairment of contract assets	6	**-**	-
Cost of raw materials, consumables and work contracted out	7	**1,274**	1,118
Employee benefits expense	8	**99**	88
Other operating expenses	9	**32**	27
Amortisation and depreciation	13, 14, 15	**14**	13
Operating expenses		**1,434**	**1,254**
Operating profit/(loss)		**213**	**222**
Finance income	10	**4**	8
Finance costs	10	**(25)**	(28)
Share of profit/(loss) of associates accounted for using the equity method	16, 30	**37**	23
Profit/(loss) before tax		**229**	**225**
Income tax expense	11	**(59)**	(63)
Gains/(losses) after tax from continuing operations		**170**	**162**
Gains/(losses) after tax from discontinued operations	12	**-**	-
Profit/(loss) for the year		**170**	**162**
Attributable to non-controlling interest		**1**	**-**
Attributable to equity holder of the company		**169**	**162**

Consolidated statement of comprehensive income

(in € millions)	Note	*Year ended 31 December* 2021	2020
Profit/(loss) for the year		**170**	**162**
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		**170**	**162**
Attributable to:			
Equity holder of the company		**169**	**162**
Non-controlling interest		**1**	-

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

Continuing operations		**169**	162
Discontinued operations		-	-
Total		**169**	**162**

Consolidated statement of financial position

(in € millions)	Note	2021	At 31 December 2020
Non-current assets			
Property, plant and equipment	13	**12**	11
Right-of-use assets	14	**19**	23
Investment property	15	**222**	233
Associates accounted for using the equity method	16	**105**	84
Financial assets at fair value	17	**2**	2
Long-term loans and receivables	18	**70**	89
Deferred tax assets	19	**6**	2
Total non-current assets		**436**	**444**
Current assets			
Property inventory	20	**1,649**	1,548
Contract assets	21	**390**	329
Trade receivables	22	**88**	97
Short-term loans and receivables	23	**42**	49
Current tax assets	24	**65**	63
Prepayments and accrued income	25	**141**	80
Cash and cash equivalents	26	**113**	56
Assets held for sale	12	**-**	-
Total current assets		**2,488**	**2,222**
Total assets		**2,924**	**2,666**

(in € millions)	Note	2021	2020
			At 31 December
Equity	27	**1,069**	1,000
Non-controlling interest		**2**	1
Group equity		**1,071**	**1,001**
Non-current liabilities			
Long-term loans	28	**777**	558
Lease liabilities	29	**17**	17
Provisions	30	**94**	59
Deferred tax liabilities	19	**55**	42
Total non-current liabilities		**943**	**676**
Current liabilities			
Short-term loans	28	**459**	553
Lease liabilities	29	**13**	14
Contract liabilities	31	**177**	170
Trade payables		**67**	58
Current tax liabilities	32	**115**	94
Other current liabilities	33	**79**	100
Total current liabilities		**910**	**989**
Total liabilities		**1,853**	**1,665**
Total equity and liabilities		**2,924**	**2,666**

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 2021	**23**	**468**	**162**	**347**	**1,000**	**1**	**1,001**
Added to profit/(loss)	-	-	(162)	162	-	-	-
Profit/(loss) for the year	-	-	169	-	169	1	170
Other comprehensive income after tax	-	-	-	-	-	-	-
Total comprehensive income for the year	**23**	**468**	**169**	**509**	**1,169**	**2**	**1,171**
Dividend distribution	-	-	-	(100)	(100)	-	(100)
Equity contribution including transaction costs	-	-	-	-	-	-	-
At 31 December 2021	**23**	**468**	**169**	**409**	**1,069**	**2**	**1,071**

For the breakdown of equity into individual reserves and movements in those reserves, see Note D to the company 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 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**

Consolidated statement of cash flows

(in € millions)	Note	2021	2020
		Year ended 31 December	
Gains/(losses) for the year from continuing operations		**170**	**162**
Gains/(losses) after tax from discontinued operations		**-**	**-**
Adjustments for:			
Finance income and costs	10	**21**	20
Income tax	11	**59**	63
Amortisation and depreciation	13, 14, 15	**15**	13
Changes in value of investment property and inventory	4, 5	**15**	8
Share of profit/(loss) of associates	16, 30	**(37)**	(23)
Interest received (finance income)	10	**2**	6
Changes in working capital – net		**(164)**	71
Cash generated from operations		**81**	**320**
Interest paid (finance costs)	10	**(24)**	(25)
Income tax paid	24, 32	**(48)**	(103)
Income tax received	24, 32	**-**	16
Net cash from/(used in) operating activities		**(9)**	**208**
Purchases of property, plant and equipment	13	**(4)**	(5)
Disposals of property, plant and equipment	13	**-**	-
Purchases of investment property	15	**(14)**	(41)
Disposals of investment property	15	**-**	3
Investments in associates	16, 30	**(22)**	(40)
Disposals of associates	16, 30	**21**	6
Dividends received from associates	16, 30	**11**	7
Investments in financial assets at fair value and loans and receivables	17, 18, 23	**(32)**	(33)
Disposals of financial assets at fair value and loans and receivables	17, 18, 23	**57**	72
Net cash from/(used in) investing activities		**17**	**(31)**
Proceeds from loans	28	**1,044**	213
Loan repayments	28	**(883)**	(235)
Dividend distribution	27	**(100)**	(200)
Net cash from/(used in) financing activities		**61**	**(222)**
Net cash and cash equivalents at 31 December	26, 28	**99**	12
Net cash and cash equivalents at 1 January	26, 28	**12**	57
Increase/(decrease) in cash and cash equivalents		**87**	**(45)**

The net cash position can be broken down as follows:

		2021	2020
Cash and cash equivalents	26	**113**	56
Call money and callable credit balances	28	**(14)**	(44)
Net cash and cash equivalents at 31 December		**99**	**12**
Cash and cash equivalents	26	**56**	98
Call money and callable credit balances	28	**(44)**	(41)
Net cash and cash equivalents at 1 January		**12**	**57**

Notes to the consolidated financial statements

1 General information

BPD Europe B.V. has its registered office and principal place of business at IJsbaanpad 1, 1076 CV Amsterdam, the Netherlands, and is listed in the Business Register of the Chamber of Commerce under number 08024283. The consolidated financial statements 2021 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 company financial statements. The financial statements are presented in euros, which is BPD's functional and reporting currency, rounded to the nearest million, unless otherwise stated.

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

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 4 May 2022.

2.2 Impact of COVID-19 pandemic on our operations

BPD Europe can look back on a very strong year in which we delivered another robust financial and operational performance in both the Netherlands and Germany.
The year 2021 was our second best year ever.
An admirable achievement, considering that COVID-19 was still very much working against us in 2021. Against initial expectations, we had to remain flexible in the face of changing circumstances.
Remote working impacted both our organisation and our employees. But as stated, none of this hurt our financial performance.
As in 2020, home sales in the Netherlands and Germany seemed almost immune to the virus. The major shortage of housing – rising to 400,000 in the Netherlands in 2022, or 5% of the total housing stock – was the reason underlying this trend.
Because of this and other factors, the outlook for 2022 is optimistic for us. We believe the COVID pandemic will have little to no impact on our sales and performance in the short term.
In the meantime, however, a new crisis has reared its head in Ukraine. Aside from the huge humanitarian tragedy, it will also have economic implications. BPD is currently assessing the risks and the impact on its projects. At the time of preparing these financial statements, however, it

was too early to pinpoint the effects on BPD's financial performance for 2022.

2.3 Comparative figures/changes in presentation

The comparative figures have not been restated from last year, except for a voluntary reclassification from current liabilities (see note 33) to provisions (see note 30).

2.4 New standards applicable in 2021

The following amendments applicable to financial years beginning on or after 1 January 2021 were applied by the group for the first time:

- Covid-19-Related Rent Concessions – amendments to IFRS 16
- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

These amendments 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 2022 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 profit or loss are restated as if the line of business was discontinued at the start of the comparative period. The comparative figures in the statement of financial position are not 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 plot and/or residential property/building have signed a contract of sale and this contract has become unconditional.

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

Determine the transaction price

The signed contracts of sale specify the transaction price. Where penalty clauses apply, they are deducted from revenue unless it is highly likely that they will not result in a significant drop in revenue.

Revenue from upward contract variations is included in total contract revenue if the amount has been accepted by the customer. The performance obligation is satisfied shortly after the payment for the related service by the buyer in principle. BPD makes use of the practical expedient that, when payments are made by the buyer within one year of having satisfied the performance obligation, no financing component will be included in the contract.

Allocate the transaction price to each performance obligation

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

Recognise revenue when a performance obligation is satisfied

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

- *Sale of land holdings/plots*

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

- *Development and sale of a plot with buildings*

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

In Germany, revenue is generally recognised over time, given that the entity's performance does not create an asset with alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. 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 investment property and property inventory

This item comprises impairment losses arising from lower net realisable value or the reversal of such impairment losses. For details, see Notes 2.18 (Investment property) and 2.22 (Property inventory).

2.11 Cost of raw materials, consumables and work contracted out

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

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

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

2.12 Employee benefits expense

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

Defined contribution plan
A pension plan or other retirement provision is in place for employees in the Netherlands and Germany, in accordance with the local regulations and customs. These plans are administrated by various pension funds or by other external parties.

With effect from 1 August 2008, BPD's employees in the Netherlands have been covered by the pension plan offered by the Rabobank Pension Fund. BPD's pension plan qualifies as a defined contribution plan; under this plan, BPD's obligation is limited in principle to paying 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 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 asset and a corresponding liability from the date at which the leased asset is available for use.
Right-of-use assets under ground leases are presented as investment property or property inventory given that ground leases are inextricably linked to the property in question.
Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- Fixed payments, less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the group under residual value guarantees;
- The exercise price of a purchase option if the group is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease.

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

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

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

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. Loans 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.

Property inventory may qualify for reclassification as investment property when appropriate.
If a property is currently being used 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 a 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

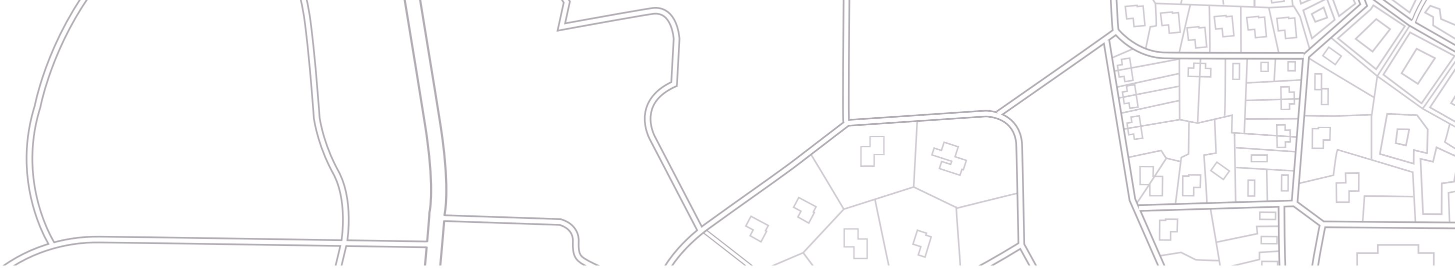
BPD forms provisions for associates accounted for using the equity method, onerous contracts, employee benefits, warranties and restructuring costs when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits 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

Operating 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 operating leases is recognised as rental income through profit or loss by reference to the term of the lease. BPD has no finance lease contracts.

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3 Revenue and other income

Revenue can be broken down as follows:

	2021	2020
Residential properties (including building sites)	**1,527**	1,362
Commercial properties	**99**	47
Total contract revenue from property development (revenue from contracts with buyers)	**1,626**	**1,409**
Rental income from investment property	**16**	15
Other income	**5**	7
Total revenue	**1,647**	**1,431**

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
2021	**719**	**808**	**99**	**-**	**818**	**808**	**1,626**
2020	**596**	**766**	**47**	**-**	**643**	**766**	**1,409**

At year end, BPD's contractual performance obligations were worth approximately € 1,535 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
2022	195	888	50	-	245	888	**1,133**
2023	14	362	3	-	17	362	**379**
2024	-	11	-	-	-	11	**11**
After 2024	-	12	-		-	12	**12**
Total at 31 December 2021	**209**	**1,273**	**53**	**-**	**262**	**1,273**	**1,535**
Total at 31 December 2020	**109**	**728**	**65**	**-**	**174**	**728**	**902**

Other income

Other income in 2020 related to the sale of all residential investment property to BPD Woningfonds, which is wholly owned by Rabobank. BPD achieved a gain of € 45 million on the sale.

4 Impairment/(impairment reversal) of investment property

This item breaks down into impairment losses (€ 5 million) and reversals of previous impairment losses (€ 10 million).

5 Impairment of property inventory

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

	2021	2020
By type of property:		
Residential properties (including building sites)	**20**	5
Commercial properties	**-**	3
Total changes in value due to changes in NRV	**20**	**8**

For details on the changes in value due to changes in the net realisable value (NRV) of property inventory, see Note 20 (Property inventory).

6 Impairment of contract assets

There were no impairment losses or reversals of impairment losses on contract assets in either 2020 or 2021.

7 Cost of raw materials, consumables and work contracted out

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

	2021	2020
Residential properties (including building sites)	**1,167**	1,066
Commercial properties	**98**	45
Total cost of property development	**1,265**	**1,111**
Operating expenses associated with investment property	**7**	6
Other	**2**	1
Total cost of raw materials, consumables and work contracted out	**1,274**	**1,118**

8 Employee benefits expense

The employee benefits expense can be broken down as follows:

	2021	2020
Salaries and wages (including variable remuneration and other pay)	**68**	61
Pension costs	**7**	6
Social security contributions	**8**	7
Insourced staff	**7**	6
Other personnel expenses	**9**	8
Total employee benefits expense	**99**	**88**
Number of employees (internal/FTEs)	**677**	629
Number of insourced staff (external/FTEs)	**83**	90
Total headcount (FTEs)	**760**	**719**

Of the total headcount, 318 FTEs worked outside the Netherlands in the reporting period (2020: 312).

9 Other operating expenses

Other operating expenses can be broken down as follows:

	2021	2020
Housing expenses	**3**	2
Office expenses	**2**	2
IT expenses	**12**	10
Selling and advertising expenses	**2**	2
Third-party services	**3**	4
General and administrative expenses	**8**	8
Allocation to provisions	**2**	(1)
Total other operating expenses	**32**	**27**

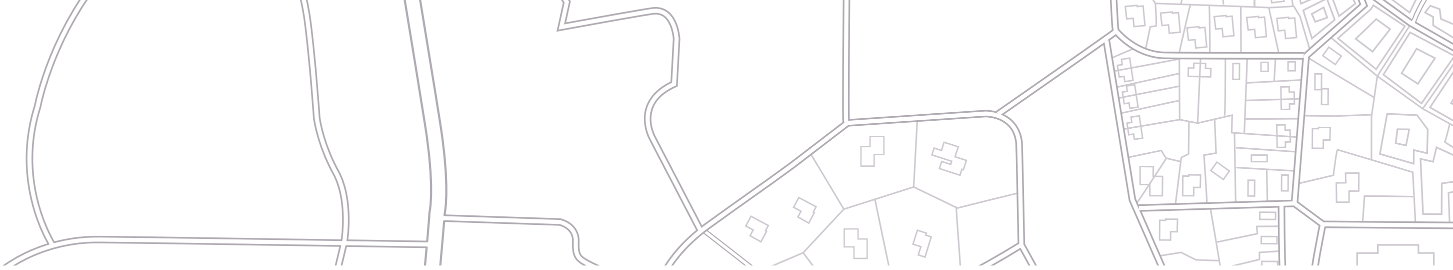
Of other operating expenses, € 2 million concerned related parties (2020: € 3 million).

10 Finance income and costs

Finance income and costs can be broken down as follows:

	2021	2020
Interest income	**4**	8
Total finance income	**4**	**8**
Interest on lease liabilities	**(1)**	(1)
Interest expense	**(21)**	(24)
Impairment losses	**(3)**	(3)
Total finance costs	**(25)**	**(28)**

Of interest income, € 2 million concerned related parties (2020: € 3 million).
Of interest expense, € 19 million concerned related parties (2020: € 20 million).
Impairment losses were recognised on loans to a joint venture.



11 Income tax expense

This item concerns the corporate income tax liability.

Reconciliation between the tax liability and the amount resulting from the application of the Dutch tax rate to the profits for 2021 and 2020:

	2021	2020
Profit/(loss) before tax	**229**	**225**
At nominal Dutch tax rate of 25.0% (2020: 25.0%)	**57**	56
Effect of different tax rates in Germany	**4**	4
Effect of deferred tax (unrecognised)	**1**	(2)
Effect of prior-year tax	**2**	3
Income (non-taxable)	**-**	-
Expense (non-deductible)	**-**	-
Other *	**(5)**	2
Total income tax expense	**59**	**63**
Effective tax rate	**25.8%**	**28.0%**

* 'Other 2021' consists mainly of corporate income tax of associates accounted for using the equity method.

	2021	2020
Current tax		
Reporting period	**48**	61
Prior years	**2**	3
Deferred tax	**9**	(1)
Total income tax expense	**59**	**63**

12 Gains/(losses) after tax from discontinued operations

There were no gains or losses from discontinued operations in 2021.

13 Property, plant and equipment

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

	2021	2020
Cost	**23**	23
Accumulated depreciation	**(12)**	(14)
At 1 January	**11**	**9**
Purchased	**4**	5
Disposals – cost	**-**	(5)
Disposals – accumulated depreciation	**-**	5
Depreciated	**(3)**	(3)
Changes during the year	**1**	**2**
Cost	**27**	23
Accumulated depreciation	**(15)**	(12)
At 31 December	**12**	**11**

Property, plant and equipment consist of operating assets.

14 Right-of-use assets

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

	2021	2020
At 1 January	**23**	**23**
Purchased	**1**	8
Sold	**-**	(2)
Depreciated	**(5)**	(6)
Changes during the year	**(4)**	**-**
At 31 December	**19**	**23**

The carrying amount of right-of-use assets was as follows at 31 December 2021:

- Leases of office buildings 16 (2020: 19)
- Car leases 3 (2020: 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:

	2021	2020
Depreciation of leases of office buildings	**4**	4
Depreciation of car leases	**1**	2
	5	**6**

15 Investment property

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

	2021	2020
Cost	**259**	222
Accumulated depreciation	**(26)**	(23)
At 1 January	**233**	**199**
Purchased	**14**	41
Disposals – cost	**-**	(4)
Disposals – accumulated depreciation	**-**	1
Depreciated	**(6)**	(4)
Impairment	**5**	-
Reclassified from investment property under development to property inventory	**(24)**	-
Changes during the year	**(11)**	**34**
Cost	**253**	259
Accumulated depreciation	**(31)**	(26)
At 31 December	**222**	**233**

Of the balance sheet value at year-end 2021, € 16 million relates to held for sale in 2022.

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

Investment property held for future property development income	**154**	162
Investment property held for future operating and investment income	**68**	71

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

Rentals from investment property	**16**	15
Operating expenses associated with investment property	**(7)**	(6)

Fair value and valuations

The fair value of investment property stood at € 233 million at year-end 2021 (2020: € 262 million).
On 31 December 2021, 39% of the investment property portfolio had been valued by an external expert (2020: 35%). The investment property was valued by independent professionally qualified external parties; the valuations were carried out in accordance with the RICS valuation standards or other equivalent valuation standards.

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

A discount rate of 5.8% was used in 2021 (2020: 4.65%). BPD conducted sensitivity analyses of its investment property portfolio in 2021. These showed that a change in discount rate of 0.25% (2020: 0.25%) will have an effect of € 4 million on the appraised value (2020: € 4 million).

Operating leases

At 31 December 2021, the investment property mainly consisted of commercial properties and a parking garage. The budgeted annual rentals from investment property are € 7 million (2020: € 8 million).

16 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:

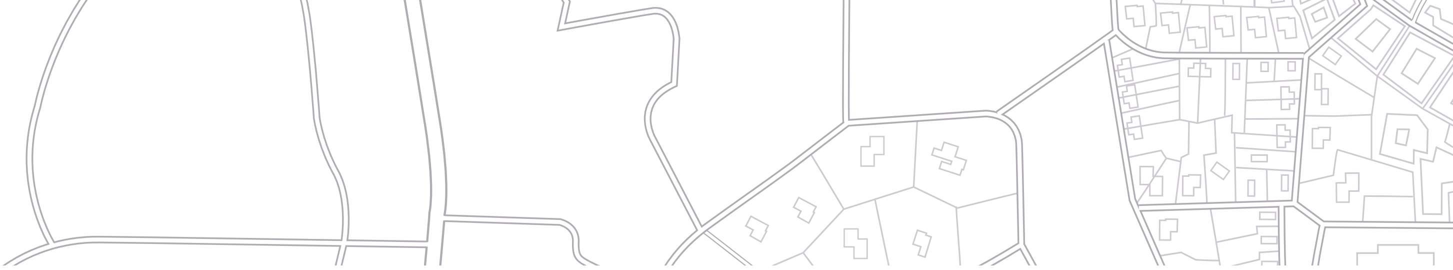
	2021	2020
At 1 January	**84**	**54**
Associates acquired	**22**	40
Associates sold	**(21)**	(6)
Gains/(losses)	**31**	20
Dividends	**(11)**	(7)
Other	**-**	(17)
Changes during the year	**21**	**30**
At 31 December	**105**	**84**

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 2021 and 2020.

17 Financial assets at fair value

Financial assets at fair value with changes through profit or loss consist of equity interests in Nationale Maatschappij tot Restaureren en Herbestemmen van Cultureel Erfgoed B.V. (trade name: BOEi; 15.2%) and Stadsherstel Historisch Rotterdam N.V. (at 31 December 2021: 2.16%; at 31 December 2020: 1.53%).



18 Long-term loans and receivables

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

	2021	2020
Property development loans	**89**	96
Provision for loan losses	**-**	-
At 1 January	**89**	**96**
Loans provided	**25**	11
Repayments received	**(12)**	(33)
Allocation to/(release of) provision	**-**	-
Capitalised interest	**1**	2
Reclassified	**(33)**	13
Changes during the year	**(19)**	**(7)**
Property development loans	**70**	89
Provision for loan losses	**-**	-
At 31 December	**70**	**89**

Of long-term loans and receivables, € 65 million is receivable from related parties (2020: € 65 million).

The loans, which mainly fall due in more than one year, are made up of loans to joint venture partners or loans provided in anticipation of the purchase of land. An amount of € 40 million has been provided in the form of securities on the loans (2020: € 49 million).

19 Deferred tax assets and liabilities

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

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

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	Assets	Liabilities
Property inventory/contract assets	-	42	1	(1)	-	42
Capitalised tax losses	-	-	2	-	2	-
Total	**-**	**42**	**3**	**(1)**	**2**	**42**

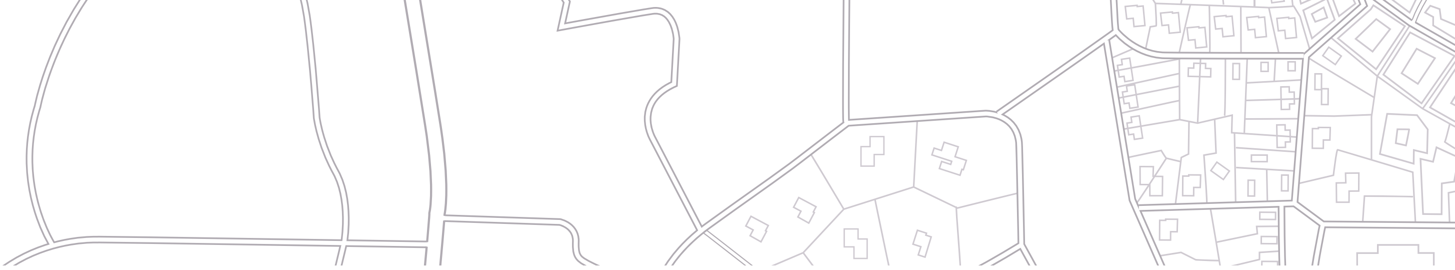
In accordance with IFRS 16 Leases, BDP recognised deferred tax assets and liabilities (net) for right-of-use assets of € 4 million (2020: € 4 million) and lease liabilities of € 4 million (2020: € 4 million) at 31 December 2021. The balance of deferred tax assets and liabilities at 31 December 2021 was nil (2020: nil).

- Deferred taxes within property inventory relate to differences arising between the tax base of the capitalised interest on land in production and its carrying amount in the financial statements, as well as provisions for inventories.
- Deferred taxes on property inventory are available both within and outside the tax group headed up by Rabobank. The deferred tax liabilities are expected to fall due in more than five years..
- Tax losses can be carried forward without limitation.
- At year-end 2021, a deferred tax asset has not been recognised for a cumulative amount of € 5 million in tax losses (2020: € 5 million) as a precaution.

20 Property inventory

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

	2021	2020
ASSETS		
Building sites and equalisation funds	**1,781**	1,719
Impairment losses on building sites	**(338)**	(400)
	1,443	**1,319**
Work in progress	**209**	226
Impairment losses on work in progress	**(10)**	(9)
	199	**217**
Finished goods	**9**	24
Impairment losses on finished goods	**(2)**	(12)
	7	**12**
Total property inventory	**1,649**	**1,548**



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

	At 1 January 2021	Added/released (through profit or loss)	Withdrawn/other changes	At 31 December 2021
Recognised within property inventory				
Building sites and equalisation funds	400	(21)	(41)	338
Work in progress	9	3	(2)	10
Finished goods	12	(8)	(2)	2
	421	**(26)**	**(45)**	**350**

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**

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:

	2021	2020
Plots ready for development	**349**	352
Current land developments	**232**	260
Other land subject to zoning plan	**12**	21
Land not subject to zoning plan (< 5 years)	**707**	570
Land not subject to zoning plan (5-10 years)	**138**	115
Land not subject to zoning plan (> 10 years)	**11**	5
Equalisation funds	**(6)**	(4)
Total recognised within property inventory	**1,443**	**1,319**

The ‘equalisation funds’ item concerns the value of the repurchase obligations.

Net work in progress can be broken down as follows:

	2021	2020
Residential properties in preparation and under construction	**197**	214
Commercial properties under development	**2**	3
Total recognised within property inventory	**199**	**217**

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 2021 (2020: € 3 million).

An amount of € 17 million was allocated to interest and capitalised on work in progress in 2021 (2020: € 17 million). The interest rate used to determine the interest expense to be capitalised was between 1.0% and 4.0% (2020: between 1.0% and 6.0%)

Net finished goods can be broken down as follows:

	2021	2020
Residential property developments	**5**	11
Commercial property developments	**2**	1
Total recognised within property inventory	**7**	**12**

21 Contract assets

Movements in contract assets can be broken down as follows:

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

All contract assets relate to residential construction and are expected to fall due within one year at 31 December 2021. No provisions were considered necessary at 31 December 2021 (2020: nil).
We present the movements of contract assets with effect from the 2021 financial year. Comparative figures for the financial year 2020 are not available.

22 Trade receivables

Trade receivables consist of receivables from buyers of residential and commercial properties in the sum of € 88 million (2020: € 99 million). Receivables from construction-only debtors are ultimately settled upon legal transfer of the property, so no collateral is deemed necessary.

Contract guarantees apply to full-service and commercial debtors, so no collateral is considered required for these debtors either. The provision for bad debts amounted to € 1 million (2020: € 2 million).

23 Short-term loans and receivables

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

	2021	2020
Property development loans	**49**	62
Provision for loan losses	**-**	-
At 1 January	**49**	**62**
Loans provided	**6**	22
Repayments received	**(45)**	(39)
Impaired loans	**-**	-
Capitalised interest	**1**	1
Tax provision released/(utilised)	**-**	-
Reclassified	**31**	3
Changes during the year	**(7)**	**(13)**
Property development loans	**42**	49
Provision for loan losses	**-**	-
At 31 December	**42**	**49**

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 € 35 million has been provided in the form of securities on the loans (2020: € 41 million).

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

Of short-term loans and receivables, € 28 million consists of intercompany loans and receivables (2020: € 42 million).

24 Current tax assets

Current tax assets can be broken down as follows:

	2021	2020
Income tax	**12**	6
VAT	**53**	57
Total current tax assets	**65**	**63**

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 2021, € 38 million concerns a prior-year tax asset in Germany.

25 Prepayments and accrued income

Prepayments and accrued income can be broken down as follows:

	2021	2020
Prepayments on land purchases	**134**	68
Other prepayments and accrued income	**7**	12
Total prepayments and accrued income	**141**	**80**

26 Cash and cash equivalents

This item comprises all legal tender including foreign currencies that are available on demand.
This relates exclusively to current account balances totalling € 113 million (2020: € 56 million).
All cash and cash equivalents are freely available. Of cash and cash equivalents, € 80 million concerns intercompany balances (2020: € 49 million).

27 Equity

The share capital amounts to €22,510,500 (2020: € 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 company financial statements.

28 Loans

This item can be broken down as follows:

	2021	2020
Term and money market deposits	**1,145**	981
Land purchase obligations	**9**	3
Call money and callable credit balances	**14**	44
Other loans	**68**	83
Total loans	**1,236**	**1,111**

Movements in the carrying amount of loans were as follows:

	2021	2020
At 1 January	**1,111**	**1,139**
Increases	**1,036**	213
Decreases	**(883)**	(235)
Reclassified	**(28)**	(6)
Changes during the year	**125**	**(28)**
At 31 December	**1,236**	**1,111**

Loans were presented as follows at year-end 2020:

Current (falling due in less than 1 year)	**459**	553
Non-current (falling due in more than 1 year)	**777**	558

Of loans, € 1,138 million concerns loans from related parties (2020: € 965 million). The total credit facility for term deposits provided by Rabobank amounts to € 1.65 billion (2020: € 1.60 billion). Of this amount, € 1,111 million had been drawn down at year-end 2020 (long and short) (2020: € 937 million).

An amount of € 95 million has a remaining term to maturity of more than five years (2020: € 55 million). Loans falling due in less than one year are classified as current.
The average interest rate on non-current loans was 2.4% in 2021 (2020: 2.6%). No securities have been provided for the term deposits, call money and callable credit balances, and other loans.

29 Lease liabilities

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

	2021	2020
At 1 January	**31**	**35**
Increases	**25**	7
Decreases	**(27)**	(12)
Interest	**1**	1
Changes during the year	**(1)**	**(4)**
At 31 December	**30**	**31**

Lease liabilities were presented as follows at year-end:

Current (falling due in less than 1 year)	**13**	14
Non-current (falling due in more than 1 year)	**17**	17

Of lease liabilities, € 3 million falls due in more than five years (2020: € 4 million).
The interest expense on the lease liabilities amounted to € 1 million in 2021 (2020: € 1 million).
The lease liabilities concern the right-of-use assets (see Note 14 – Right-of-use assets and Note 20 – Property inventory).

30 Provisions

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

	2021	2020
Provisions for joint ventures	**9**	18
Provision for land holdings and property developments*	**18**	17
Provision for employee benefits	**3**	3
Warranty fund	**19**	21
Other provisions**	**45**	40
Total long-term provisions	**94**	**99**
Short-term provisions	**-**	-
Total short-term provisions	**-**	**-**
Total provisions	**94**	**99**

* Of the provision for land holdings and property developments, € 15 million is for land holdings (2020: € 10 million) and € 3 million for buildings (2020: € 7 million).

** The balance of € 40 million in Other provisions in 2020 was presented as Accruals and deferred income in the 2020 financial statements. Since the probability of occurrence is 'more likely than not', the item was presented as 'provisions' in 2021 in view of the uncertainty about the amount of the liabilities and the comparative figures have been reclassified.

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

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

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

	Employee benefits	Joint ventures	Land holdings/ property developments	Warranty fund	Other	Total
At 1 January	**3**	**42**	**31**	**14**	**42**	**132**
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**	**40**	**99**

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.

Provisions for joint ventures, land holdings and property developments

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

Warranty fund

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

Other

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

31 Contract liabilities

Contract liabilities can be broken down as follows:

	2021	2020
Residential properties (including building sites)	**139**	109
Commercial properties	**38**	58
Services	**-**	3
Total contract liabilities	**177**	**170**

Movements in contract liabilities can be broken down as follows:

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

The contract liabilities as at 31 December 2021 concerned fulfillable contractual performance obligations arising from previously recognised revenue. For a breakdown of BPD's total contractual performance obligations as at 31 December 2021, see Note 3 (Revenue and other income).
Contract liabilities amounted to € 170 million at 1 January 2021. The full amount was recognised as contract revenue in the statement of profit or loss for 2021.
Contract liabilities as at 31 December 2021 are all expected to fall due within one year.
We present the movements of contract liabilities with effect from the 2021 financial year. Comparative figures for the financial year 2020 are not available.

32 Current tax liabilities

Current tax assets can be broken down as follows:

	2021	2020
Income tax	**82**	72
VAT	**31**	21
Other taxes	**2**	1
Total current tax assets	**115**	**94**

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

33 Other current liabilities

Other current liabilities can be broken down as follows:

	2021	2020
Interest payable	**9**	10
Other current liabilities*	**70**	90
Total other current liabilities	**79**	**100**

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

* An amount of € 40 million presented in the 2020 financial statements as other current liabilities has been reclassified to Provisions. For details, see Note 30 (Provisions).

34 Commitments and contingencies

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

Commitments and contingencies can be broken down as follows:

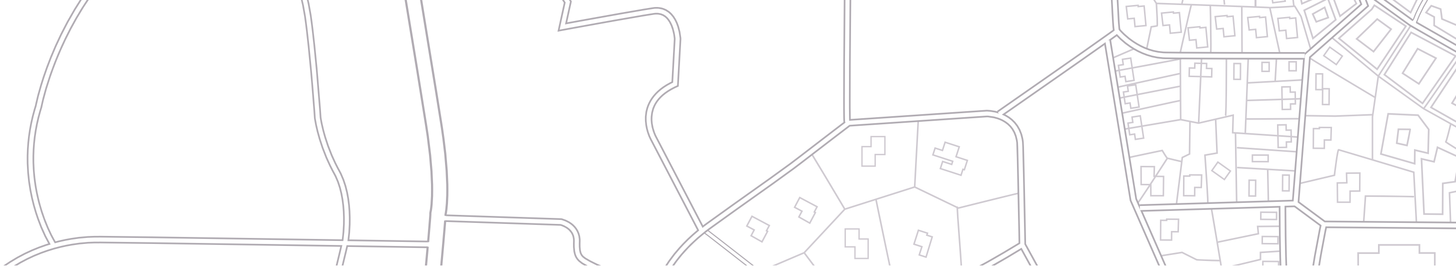
	2021	2020
Contingencies arising from guarantees issued	**484**	525
Contingencies arising from group guarantees issued	**139**	209
Contingencies regarding land holdings	**516**	413
Commitments regarding land holdings	**136**	62
Third-party liabilities regarding residential properties	**532**	452
Third-party liabilities regarding commercial properties	**20**	45
Total contingencies	**1,827**	**1,706**

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 funds and a reliable estimate of the expected outflow can be made.

In addition, no legal claims (2020: € 3 million) have been lodged against BDP; the settlement of these claims may result in an outflow of funds, but this is not considered probable.

Conditional claims can be broken down as follows:
BPD has entered into contracts with several buyers that grant them a conditional reduction in the purchase price of their home. These buyers are expected to repay the reduction in purchase price to BPD as soon as they sell the property. The repayment depends on the sales proceeds achieved by the buyer. Combined, the purchase price reductions granted to buyers under this scheme amounted to € 10 million at 31 December 2021 (2020: € 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 (*invorderingswet*), the companies and their fellow members of the tax group are jointly and severally liable for any taxes payable by the tax group.



35 Fair value

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

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

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value	2	2	2	2
Long-term loans and receivables	70	70	89	89
Short-term loans and receivables	42	42	49	49
Cash and cash equivalents	113	113	56	56
Total financial assets	**227**	**227**	**196**	**196**

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current liabilities	777	797	558	627
Current liabilities	459	432	553	563
Total financial liabilities	**1,236**	**1,229**	**1,111**	**1,190**

Fair value of financial assets and liabilities

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

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

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

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

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

Measurement of financial assets and liabilities in 2021:

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

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

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**

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

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

(in € thousands)	2021	2020
Audit of financial statements	**922**	917
Other services	**491**	194
Total fees	**1,413**	**1,111**

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 Audit Firms (Supervision) Act (*Wet toezicht accountantsorganisaties*) 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 2021, regardless of whether or not the services were provided during the reporting period. The fee PricewaterhouseCoopers Accountants charged for the audit of the financial statements 2021 was € 800,000 (2020: € 789,000).

37 Executive remuneration

The names of the members of the Managing Board, who jointly qualify as key management, are listed on page 7 of the Annual Report. In 2021, the remuneration of the Managing Board and its legal predecessors amounted to € 1.8 million (2020: € 1.6 million).

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

(in € thousands)	2021	2020
Short-term employee benefits	**1,470**	1,258
Pension plans	**85**	83
Other long-term employee benefits	**233**	224
Total executive remuneration	**1,788**	**1,565**

No loans have been granted to the members of the Managing Board (2020: nil).

38 Risk management

38.1 Governance

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

In adopting the risk appetite and risk management policy, the Managing Board is supervised by the General Meeting of Shareholders.

38.2 Financial instruments

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

38.3 Measurement, benchmarks and reporting

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

38.4 Market risk

Market risk is the risk that changes in market variables as a result of changes in the general economic climate will lead to gains or losses on exposures. BPD operates on the property market and – through its funding from Rabobank – on the money and capital market. For a quantification of the market risk on the money and capital market, see Note 38.5 (Interest rate, currency and liquidity risks).
BPD breaks down its exposures to the property market into '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 Committee (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 2021, these 'direct' property holdings amounted to € 1,871 million (2020: € 1,781 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 2021, this portfolio of investments amounted to € 2 million (2020: € 2 million). Participations in funds for which there is no active market are measured based on net asset value.

38.5 Interest rate, currency and liquidity risks

Interest rate risk

Interest rate risk is the risk of changes in a company's earnings or enterprise value as a result of fluctuations in interest rate markets. Interest rate risk can be quantified in terms of value and income effects. The sensitivity of the value of BPD's equity to interest rate fluctuations is expressed in the modified duration of equity. BPD is aware of the assumptions underlying the calculations. For this reason, the main focus lies on developments in this figure from month to month, keeping the approved assumptions as constant as possible. The modified duration of equity on 31 December 2021 was 2.0 (2020: 2.4). For the position on 31 December 2021, a parallel rise of 100 basis points in the yield curve would lead to a reduction of € 20 million in the value of equity (2020: € 23 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 2021 (the same applied at year-end 2020).
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 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 2021:

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

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						
Long-term loans	-	-	-	503	55	558
Lease liabilities	-	8	6	13	4	31
Short-term loans	44	176	333	-	-	553
Total financial liabilities	**44**	**184**	**339**	**516**	**59**	**1,142**

38.6 Credit risk

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

Maximum credit risk exposure

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

Maximum credit risk exposure:

	2021	2020
Long-term loans and receivables	**70**	89
Short-term loans and receivables	**42**	49
Total maximum exposure on outstanding loans and receivables	**112**	**138**

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:

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

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

In 2021 and 2020, there were no outstanding loans that had matured but had not been impaired.

The carrying amount of impaired loans before impairment was nil (2020: nil). The fair value of the collateral provided for impaired loans was nil (2020: nil). All collateral involved real estate.

38.7 Operational risk

BPD defines operational risk as the risk of losses caused by inadequate or failing internal processes, people and systems, or by external events. This includes measuring the effects of gaps relating to 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.

39 Related parties

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

BPD engages in some related-party transactions in its normal course of business. These transactions take place at arm's length and at market rates. In accordance with IAS 24.4, BPD's intragroup transactions are not disclosed in the consolidated financial statements. No provisions for bad debts were formed for related-party loans in 2021 and 2020.

The table below breaks down the transactions that took place in 2021 and 2020, as well as any intercompany balances at year-end 2021 and 2020 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*	2021	-	22	80	1,138
Rabobank*	2020	-	24	49	966
Joint ventures	2021	42	60	87	10
Joint ventures	2020	29	49	121	13
Other related parties**	2021	59	-	1	-
Other related parties**	2020	82	-	1	-

* The amounts presented in the columns 'sold to' and 'purchased from' Rabobank relate to interest income and expense on loans and receivables from Rabobank. In addition to the above amounts, € 100 million in dividend was paid to Rabobank in 2021 (2020: € 200 million).

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

40 Events after the reporting date

No events with an impact on the financial statements 2021 have taken place after the reporting date.

41 Profit appropriation for 2021

The full profit of € 169 million has been added to equity (2020: € 162 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* 2021	2020
Share of profit/(loss) of associates after tax	**179**	171
Other profit/(loss) after tax	**(10)**	(9)
Profit/(loss) for the year	**169**	**162**

Company statement of financial position (before profit appropriation)

(in € millions)	Note	*At 31 December* 2021	2020
Non-current assets			
Property, plant and equipment		**1**	2
Associates	A	**819**	759
Right-of-use assets		**9**	11
Long-term loans and receivables	B	**1,417**	1,242
Deferred tax assets		**2**	3
		2,248	**2,017**
Current assets			
Prepayments and accrued income		**1**	-
Cash and cash equivalents	C	**12**	-
		13	**-**
Total assets		**2,261**	**2,017**
Equity	D		
Share capital		**23**	23
Share premium reserve		**468**	468
Statutory reserve for associates		**104**	43
Other reserve		**305**	304
Available for profit appropriation		**169**	162
		1,069	**1,000**
Non-current liabilities			
Loans	E	**716**	503
Lease liabilities		**8**	10
Long-term provisions		**4**	4
		728	**517**
Current liabilities			
Loans	E	**406**	456
Short-term provisions		**-**	-
Lease liabilities		**2**	-
Current tax liabilities		**42**	25
Other current liabilities		**14**	19
		464	**500**
Total liabilities		**1,192**	**1,017**
Total equity and liabilities		**2,261**	**2,017**

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)	2021	2020
Associates (asset item)	**759**	628
Associates (recognised within provisions for joint ventures)	**-**	-
At 1 January	**759**	**628**
Associates acquired	**-**	-
Associates sold	**-**	-
Profit/(loss)	**179**	171
Dividends/return of capital	**(120)**	(40)
Changes during the year	**59**	**131**
Consisting of:		
Associates (asset item)	**819**	759
Associates (recognised within provisions for joint ventures)	**(1)**	-
At 31 December	**818**	**759**

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 2021, an amount of € 1,417 million had been provided to group companies in the form of loans (2020: € 1,242 million). The loans are subject to a floating rate of interest.
The average interest rate for 2021 was 1.16% (2020: 1.25%). Given the floating market interest rate on the loans, the fair value corresponds to the carrying amount.

C. Cash and cash equivalents

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

D. Equity

At year-end 2021, the separate financial statements included a statutory reserve for associates of € 104 million for the share of profit of associates and direct capital gains that cannot be distributed (2020: € 43 million).

Profit appropriation

Ahead of the adoption of the financial statements by the General Meeting of Shareholders, the Managing Board proposes to add the profit for 2021 of € 169 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 2021	**23**	**468**	**162**	**43**	**304**	**1,000**
Added to profit/(loss)	-	-	(162)	-	162	-
Profit/(loss) for the year	-	-	169	-	-	169
Other comprehensive income after tax	-	-	-	-	-	-
Total comprehensive income for the year	**23**	**468**	**169**	**43**	**466**	**1,169**
Dividend distribution*	-	-	-	-	(100)	(100)
Other changes	-	-	-	61	(61)	-
At 31 December 2021	**23**	**468**	**169**	**104**	**305**	**1,069**
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**

* The dividend payment per share in 2021 was € 2,221 (2020: € 4,442).

E. Current and non-current loans

These items mainly comprise loans from group companies. The average interest rate on these loans was 2.04% in 2021 (2020: 2.30%). No securities have been provided.

F. Commitments and contingencies

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

G. Events after the reporting date

No events with an impact on the financial statements 2021 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, 4 May 2022
BPD Europe B.V.

Original signed by:
Ir. W.P. de Boer, CEO
Drs. J.C. Kreikamp, CFRO
Mr. G. Voorhorst, COO

Independent auditor's report

To: the General Meeting of Shareholders of BPD Europe B.V.

Report on the financial statements 2021

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 Group's financial position as at 31 December 2021 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 Company's financial position as at 31 December 2021 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 2021 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 2021;
- the following statements for 2021: the consolidated statement of profit or 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 company statement of financial position as at 31 December 2021;
- the company statement of profit or loss for the year then ended; and
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the preparation of the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the preparation of 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 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 Audit Firms (Supervision) Act (*Wet toezicht accountantsorganisaties*, Wta), the Regulation regarding the Independence of Accountants in the case of Assurance Engagements (*Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten*, ViO) and other relevant independence regulations in the Netherlands

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Furthermore, we have complied with the Code of Conduct and Professional Practice for Accountants Regulation (*Verordening gedrags- en beroepsregels accountants*, VGBA).

Report on the other information included in the annual report

The annual report also includes other information, more specifically all information in the annual report other than the financial statements and our auditor's report thereon.

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

- is consistent with the financial statements and does not contain material misstatements;
- 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 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 Managing Board is responsible for the preparation of the other information, including the management report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the Managing Board for the financial statements

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 Managing Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 means that we might not detect all material misstatements during our audit.

Misstatements may arise due to fraud or error and 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 these 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, 4 May 2022
PricewaterhouseCoopers Accountants N.V.

Original Dutch version signed by: mr. drs. S. Herwig
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Appendix to our independent auditor's report on the financial statements 2021 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 responsibility for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout this audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included:

- 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 is greater in the event of fraud than in the event of error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal controls.
- Obtaining an understanding of internal controls 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 controls.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managing Board.
- Concluding on the appropriateness of the Managing Board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. 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 sufficient procedures 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 business processes and internal controls, and the industry in which the Company operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Managing Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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 Managing Board.
The Managing Board will withhold its approval only if it knows or should reasonably foresee that such distribution will prevent the company from continuing to pay its debts.

Colophon

Published by
BPD Europe B.V.

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This is the Annual Report of BPD Europe B.V.
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Production
Volta_thinks_visual, Utrecht

Disclosure
After they have been adopted, the financial statements 2021, the management report and the other information will be filed with the Business Register of the Chamber of Commerce under number 08024283.


Bosrijk, Eindhoven


Proeftuin Erasmusveld, The Hague


Energiepark, Leiden


Tuindershof, Pijnacker-Nootdorp


Fleur de Berlin, Berlin


Central en Park, Frankfurt

bpd
bouwfonds property development

Onderdeel van Rabobank