Vesteda Finance B.V.

Annual Report 2020

Contents

Managing Board Report

General
Vesteda Finance B.V. was founded on 18 July 2012 and has its registered seat in Amsterdam, De Boelelaan 759. In 2020, the Managing Board consisted of G.S. van der Baan (CEO) and F. Vervoort (CFO), as statutory directors of Vesteda Investment Management B.V.

Vesteda Finance B.V.'s objective is the financing of the companies affiliated with the Vesteda Group and the execution of financial transactions on behalf of this group.

Vesteda Finance B.V. (i.e. "Vesteda") is managed by Vesteda Investment Management B.V., which is the manager of the Vesteda Residential Fund FGR (i.e. "Fund") in the Netherlands.
The manager is responsible for the daily operations and the implementation of the strategy. The Fund is managed in line with the provisions laid down in the Fund's Terms and Conditions.

Vesteda Finance B.V. (VF) has no legal obligation to set up a supervisory board, as it is not a two-tier company (in Dutch "structuurvennootschap"). Since VF is not a company whose shares or depositary receipts thereof are admitted to a regulated market or multilateral trading facility within the European Union, the Corporate Governance Code does not apply and VF is also not obliged to appoint a supervisory board on that basis. However, as VF is a legal entity established in the Netherlands under Dutch law whose securities are admitted to trading on a regulated market, the Decree establishing an Audit Committee (in Dutch: "Besluit instelling auditcommissie") is applicable and VF should have an Audit Committee. VF acts as the financing vehicle of Vesteda Residential Fund (Fund) and these are the only activities that VF engages in. The Supervisory Committee, and with it the Audit Committee, set up under the Terms & Conditions of the Fund, supervises the activities within the Fund. This also includes the financing activities that VF carries out for the purpose of financing the Fund. The Fund's Audit Committee thus acts de facto as VF's Audit Committee.

Staff
In 2020, Vesteda Finance B.V. had no employees.

Key figures

	2020	2019	2018
Group equity	2,529	1,952	1,441
Total assets	1,926,936	1,828,287	1,749,628
Gross margin	699	669	572
Result after taxes	577	511	453
Liquidity ratio	1.02	1.01	0.48
Solvency ratio	0.13	0.11	0.08

Financial figures
Any and all costs the company incurs in connection with its financing activities are charged on to the (economic) owner of the underlying real estate (Custodian Vesteda Fund I)). The company does not generate any revenues as such. Vesteda Finance B.V. adds a surcharge on the amounts it lends on; this is recognised as 'Interest income' in the statement of income. The gross margin is € 0.7 million and the income is € 34.5 million. The balance sheet represents an equity of € 2,529 million.

Financing
Vesteda Finance B.V. acts as borrower and issuer of all corporate unsecured debt on behalf of Vesteda Residential Fund FGR. At 31 December 2020, Custodian Vesteda Fund I B.V. act as a guarantor for all obligations of the corporate unsecured debt that is borrowed or issued by Vesteda Finance B.V.

Vesteda has a well-diversified fully unsecured funding structure, consisting of a combination of bank Facilities, euro commercial paper (ECP), private placements and public bonds. This unsecured debt profile enables Vesteda to secure debt funding through various debt markets at any point in time. In 2018, Vesteda's debt funding strategy was subjected to an extensive benchmarking and strategic review. The (external) review concluded that the current financing strategy is logical, well substantiated and adequate. Since this review, Vesteda issued its first benchmark bond, followed by a green benchmark bond in 2019, and added the ECP program to its funding structure. These actions further improved the robustness, flexibility, diversification, and sustainability of its funding structure.

In the first half of 2020, the economy was severely hit by the effects of the COVID-19 pandemic and many businesses were forced to tap into extra liquidity from banks and capital markets. Vesteda was also hit by these effects, as it proved difficult to make use of the Euro Commercial Paper market. As Vesteda is required – due to its long-term funding targets - to have a Revolving Facility Agreement in place as a back-stop for its ECP, Vesteda was able to make use of its EUR 700-million Revolving Facility Agreement to replace its ECP. Vesteda was not required to arrange extra financing for its funding requirements and the funding structure proved to be robust, which meant Vesteda did not have to make any changes to its funding strategy.

In February, the second extension option of the Revolving Facility Agreement (RFA) was exercised. Five out of six lenders in the RCF approved this request. This means that € 630 million out of € 700 million was extended by one year to June 1, 2025. € 70 Million matures on June 1, 2023 as this lender declined the extension option last year as well. Following the introduction of the Euro Commercial Paper program, the RCF only serves as back-stop facility, in case Vesteda cannot make use of the ECP market. Therefore, the RCF was undrawn at year end, and had an availability of € 700 million.

In October 2020, we issued our first green private placement with two new lenders. This private placement – made up of two € 50-million placements – has terms of 10 and 15 years with interest rates of 1.03% and 1.38%. The financing has two purposes: firstly, to (re)finance homes with an A energy label and, secondly, to finance homes that Vesteda is planning to make more sustainable, by upgrading them by at least two label levels to a minimum of a C energy label. We will report on any energy savings and CO_2 reductions realized in the homes, and this reporting will be verified by an independent party. The green private placement also has a shelf structure; Vesteda can raise another € 150 million with these investors (subject to approvals) without amending the private placement agreement.

In December 2020 we signed a term loan agreement with the European Investment Bank (EIB). This agreement will have a tenor of 10 years and allow fixed rate and floating rate funding. Drawdowns can be made up to one and a half year after signing. The proceeds of this loan agreement will be used to fund projects in (regulated) mid-rental housing and to improve the sustainability of Vesteda's existing portfolio, up to 50% of the total investments. This loan enables Vesteda to fund itself at attractive rates to be determined at the time of drawdown, which will improve the Internal Rate of Return for projects in affordable housing. The EIB loan meets our funding targets, as it increases the average maturity and improves the average cost of debt. It also further diversifies our funding structure with EIB as a reputable debt investor.

Vesteda Finance B.V has a relatively low risk profile given that all financing attracted is lend onwards to affiliated companies that typically invest in income producing real estate investments. A significant and stable proportion of its returns are generated through rental income. Overall Vesteda has a relatively low risk appetite.

For information with regards to the financing risks of Vesteda Finance B.V. we refer to section 'Fair value of financial instruments' of the financial statements on page 12.

Governance

Vesteda Finance B.V. has no employees and is managed by Vesteda Investment Management B.V. The governance and risk management for Vesteda Finance B.V. has been delegated to Vesteda Investment Management B.V.

Vesteda Investment Management B.V. carries out its task solely in the interests of the participants of Vesteda and within the limitations as described in Vesteda's Terms and Conditions as agreed upon between the participants.

The Supervisory Committee supervises the actions of the manager as well as the general course of Vesteda on behalf of the participants.

The Managing Board of the manager comprises of two managing directors jointly able to represent the manager. The Managing Board is supported by its Management Team, comprising the CIO, COO and the HR Director.

The male/female ratio within the Managing Board is 100/0 and including the Management Team 60/40. Within Vesteda's Supervisory Committee the ratio is 60/40.

Vesteda recognizes the importance of an equal split between male and female members of its Managing Board and Supervisory Committee, taking into account that the candidate's qualification and suitability for the function profile are always the leading principle.

Vesteda believes it is important to engage in sustainable relationships with its tenants, participants and stakeholders. Communication of activities in the field of Corporate Sustainability and Social Responsibility (CSSR) is open and transparent and considers it part of their social responsibility to encourage and increase awareness, engagement and responsibility of both its employees and other stakeholders in the field of sustainability. For an extensive overview how the Fund has incorporated Corporate Sustainability and Social Responsibility, please refer to the website: "https://www.vesteda.com/nl/zakelijk/duurzaamheid".

Risk management

Risk management has been embedded in Vesteda Investment Management's strategic, operational and financial reporting processes. We have defined our risk management policy and implemented a risk management framework in line with the core Fund risk profile, as defined in the Terms and Conditions of Vesteda Residential Fund, extending to all levels of the organisation and all lines of business.

Vesteda Finance B.V. is exposed to market risk, interest rate risk, credit risk and liquidity risk and manages these risks as part of its treasury policy.

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market prices. The financial instruments held by Vesteda Finance B.V. that are affected by market risk are principally the derivative financial instruments used to hedge interest risk on its loan portfolio. As per end-December 2020, Vesteda Finance B.V. had no derivative financial instruments outstanding.

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Vesteda Finance B.V.'s exposure to the risk of changes in market interest rates relates primarily to Vesteda Finance B.V.'s long-term debt obligations with floating interest rates.
Vesteda's treasury department manages credit risk from balances with banks and financial institutions. As part of its treasury policy, Vesteda Finance B.V. maintains a formal counterparty policy in respect of those organisations from which it may borrow or with which it may enter into other financing or investment arrangements. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.
Liquidity risk is the risk that (1) Vesteda Finance B.V. will not be able to refinance maturing debt funding, or (2) if debt is refinanced, the maturity and interest rate of the financing will have a significant unplanned adverse effect on Vesteda Finance B.V.'s cash flow and liquidity position. In addition, (3) Vesteda Finance B.V. must at all times meet its obligations under the loans it has taken out including the interest cover ratio and loan-to-value covenant.

Vesteda Finance B.V. manages above mentioned risks by means of the following funding targets that are part of the treasury policy:

1. Leverage of ≤ 30%
2. Total fixed-rate and hedged floating rate exposure of ≥ 70%
3. Weighted average maturity of > four years
4. Diversified funding profile, with at least three funding sources of at least 10% individually
5. Sufficient liquidity headroom to refinance short-term debt (including maturing bonds and private placements), finance committed pipeline, and to accommodate redemption requests (Redemption Available Cash) according to the terms and conditions.
6. Well-balanced maturity calendar with < 35% maturing in a single year
7. Asset encumbrance of < 15%

At year-end 2020, we met all our funding targets.

Vesteda has developed its internal risk management framework on the basis of the recommendations of the Committee of Sponsoring Organisations of the Treadway Commission (COSO), the aim of which is to create a reasonable level of assurance on the achievement of organisational targets. Vesteda Investment Management's internal control systems include various measures for achieving adequate segregation of duties, prompt recording of significant transactions and data security. Internal accountability and management reports, management reviews and other internal research into the design and operation of the internal controls are an integral part of the internal control systems.

The following is a list of the most significant risks Vesteda Investment Management faces:

Strategic risk analysis
In 2020 the Management Team thoroughly reviewed Vesteda Residential Fund's strategic risks based on the Business Plan 2020-2024, actual business developments in 2020 and the strategic outlines for the Business Plan 2021-2025. The review consisted of:

- Identification of strategic risks, based on the strategic targets and key performance indicators within the five strategic pillars: Tenants, Participants (Equity Funding), Portfolio, Organisation and Funding (Debt Funding).

- An assessment to what extent Vesteda Residential Fund is risk averse for each of the strategic targets. The objective of this assessment was to create a common understanding of the level of risks Vesteda Residential is willing to accept in reaching its strategic targets and to provide guidance for decisions relating to risk and return management. It also serves as a basis for the review of the effectiveness of the nature and level of internal controls for each risk. The level of risk aversion was measured based on a scale of 1 to 5:

1. Risk averse
2. Limited risk
3. Cautious
4. Flexible
5. Open

The assessment concluded that for Vesteda Residential Fund's strategic targets limited risks or a cautious approach is necessary (risk aversion of mostly 2, partly 2-3). This approach is in alignment with the key characteristics of Vesteda Residential Fund as being a Core INREV fund with a conservative funding policy focusing only on residential real estate in The Netherlands.

Risks related to Information Technology (IT)

Operational risk management is part of the business processes and is governed by specific guidelines, policies and key controls designed to manage these operational risks, which are subject to internal reviews and external audits where appropriate.Each year, Vesteda Residential Fund's external auditor provides assurance with respect to the design and effective operation of controls based on the International Standards on Assurance Engagements (ISAE), Standard 3402, type II. The relevant controls to be audited and concluded upon in the assurance report are selected by Vesteda Residential Fund and relate to key controls within the most important business processes, primarily Acquisitions, Property and Portfolio Sales and Operations.

Compliance risks related to non-compliance with legislation and regulations

Vesteda Residential Fund has a dedicated Compliance Officer who reports on a quarterly basis to the Management Board and Supervisory Committee. The scope of the work of the Compliance Officer is set out in a Compliance Charter, which was approved by the Management Board in May 2017. Both internal and external developments, such as trends, risk-increasing developments, incidents and new or changed laws and regulations, can lead to the (partial) revision or adjustment of an established programme. The Compliance Officer constantly monitors these developments, responds to these and discusses these (where necessary) in the quarterly consultation or on an ad hoc basis with the Management Board and/or the Supervisory Committee. If necessary, the Compliance Officer adjusts its activities (advice, monitoring) accordingly. The annual compliance programme therefore has a dynamic character. It is also possible that the results of an (un)planned compliance monitoring gives cause to prioritise a topic, while this was not previously planned. The compliance charter gives substance to this dynamic of compliance activities in various areas. For more detailed information, please see the Compliance and Integrity section of this report.

The Risk Committee, as described above, focuses on providing support and advice with respect to strategic risks and defining the policy framework for operational risk management. Operational risk management continues to be the responsibility of the business. The Risk Committee monitors the effectiveness of operational controls and compliance.

'In control' statement

The Management Board is responsible for implementing and maintaining adequate risk management and internal control systems and for assessing the effectiveness of these systems.

During the year under review, we evaluated and monitored our risk management and internal control systems, as further described in the above Risk management section of this report. Based on this assessment, we concluded with reasonable, but not absolute, assurance that:

- The annual report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;

- The aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;

- Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and

- The annual report states those material risks and uncertainties that are relevant to the expectation of Vesteda's continuity for the period of twelve months after the preparation of the report.

It is important to note that effective risk management, with embedded internal controls, no matter how well designed and implemented, provides the Management Board with only reasonable assurance regarding the achievement of Vesteda Residential Fund's objectives. The achievement of objectives is affected by limitations inherent in all management processes. Therefore, in this context 'reasonable assurance' refers to the degree of certainty that would be satisfactory for a prudent manager in the management of his business and affairs in the given circumstances.
The above-mentioned risks have no direct financial impact on Vesteda Finance B.V. and the potential of these risks has not been quantified as such in any greater detail.
With regard to Vesteda Finance B.V., the risk management focuses on the following:

Treasury

Description of the risk
The risk that Vesteda is unable to attract the borrowed capital it needs to execute its strategy at market conditions and rates. Treasury also pertains to the risk that Vesteda Finance B.V. cannot meet its financial obligations and covenants.

Control measure(s)
Vesteda chooses to reduce its refinancing risk by taking out loans with a spread of terms, which limits refinancing risks on the dates said loans lapse. In addition, Vesteda is aiming to have it's group leverage below 30% (based on figures exclusive IFRS 16 Right of use on land leases effects). The leverage of the Vesteda group at year end 2020 is 23.3% (calculated on figures exclusive IFRS 16 Right of use on land leases effects).
Vesteda has implemented control measures to ensure that it remains within the parameters of its financial covenants. Stress testing is one of the control measures. Vesteda meets all covenants at year end 2020.

Recoverability of claims on related companies

In view of the fact that Vesteda Finance B.V. lends on the loans it takes out on the capital markets to other Vesteda entities, Vesteda Finance B.V. has significant claims on related companies. The risk that these claims will be irrecoverable is considered negligible, taking into account the solid financial position of said entities in combination with their historical payment behaviour for these commitments. The related companies also act as guarantors for the loans. The above-mentioned risks have no direct financial impact on Vesteda Finance B.V. and the potential impact of these risks is not quantified as such in any greater detail.

Outlook 2020

Funding

Continue with our strategy of diversifying our funding sources and improving our maturity profile, while maintaining a low leverage and lowering our cost of debt to make it more sustainable. To further strengthen our funding structure, we will continue to issue bonds and to explore other attractive longer-term funding opportunities. For 2021, we expect to issue a € 500-million bond. Our goal is to reduce our cost of debt to lower market rates and to use the proceeds to improve the sustainability of Vesteda's portfolio. As a green bond issuer, Vesteda is subject to the EU Taxonomy Regulation. Vesteda will closely monitor the outcome of this Taxonomy implementation and its impact on Vesteda. We will then amend our Green Finance Framework, map out the impact on Vesteda's reporting and make any necessary changes.

Effects COVID -19

2020 has been largely dominated by the COVID-19 pandemic, which caused a shock of unprecedented intensity and severity. The society is facing the enormous challenge of dealing with the economic, humanitarian and social consequences of this crisis. Although there is a huge amount of uncertainty regarding the exact (economic) impact, the economic impact has so far been very serious. The effects of the crisis will presumably reach far beyond the current year. We are likely to see a delayed impact in the form of unemployment and bankruptcies. At this point in time, it is difficult to say what structural impact the pandemic will have on our economy. This will depend on the (longterm) effects of the economic policies the Dutch government implements in response to the pandemic, and the severity of the second wave of infections. COVID-19 has so far had relatively little impact on the Dutch housing market. House prices are still rising and only the higher segment of the rental market has come under some pressure. This seems to be due to the housing market's solid fundamentals, scarcity in cities and low interest rates. Although there is only limited impact on the price developments of homes so far, we do expect a lower development for 2021. From 2022 we expect the housing market to recover, and we expect positive market value developments, however these will not be comparable with the increases we have seen in the past years.

Vesteda has a well-diversified fully unsecured funding structure as explained in the Funding section of this report. At year-end 2020 there was ample headroom in the LTV and ICR covenants (LTV at 23.3% with a covenant of maximum 50% and an ICR of 6.7 versus a covenant minimum of 2.0). The weighted average maturity of our debt is 4.9 year with the next debt redemption scheduled in May 2021 (€ 100 million). At year end 2020 our drawn debt amounted to € 1,9 billion whereas our existing liquidity sources amounted more than € 2,4 billion of committed facilities (bonds, private placements, Revolving Facility Agreement, and EIB facility) and € 0.9 billion of uncommitted facilities this is a combination of the Euro Commercial Paper program for € 700 million and the SMBC facility for € 200 million. The € 700 million Revolving Facility Agreement serves as back-up for the uncommitted facilities, the usage of Euro Commercial Paper can therefore not exceed the size of the Revolving Facility Agreement: € 700 million. At year end Euro Commercial Paper was in use for € 210 million and the SMBC facility was in use for € 8 million. This means we have around € 482 million headroom available in the Revolving Facility Agreement. We expect to have sufficient liquidity sources and headroom in our financial covenants to cover our funding needs in at least the next twelve months.

Amsterdam, 18 March 2021

Managing Board: Vesteda Investment Management B.V.

G.S. van der Baan	F. Vervoort
CEO	CFO

1. Balance sheet as at 31 December 2020 (after profit appropriation)

Amounts x € 1,000		31 December 2020	31 December 2019
ASSETS	**Notes**		
Fixed assets			
Financial fixed assets			
Receivables from related companies	**1**	1,591,877	1,590,637
Current assets			
Receivables from related companies	**2**	334,874	237,590
Cash and cash equivalents	**3**	185	60
		335,059	237,650
		1,926,936	**1,828,287**
EQUITY AND LIABILITIES			
Equity	**4**		
Subscribed and paid-up capital		18	18
Other reserves		2,511	1,934
Long-term debt			
Private Placements	**5**	299,174	299,399
Bonds	**5**	1,292,704	1,291,238
		1,591,877	1,590,637
Short-term debt			
Payables to associated companies	**6**	3,396	-
Debts to credit institutions	**7**	217,226	-
Private Placements	**7**	100,000	223,551
Taxes	**8**	135	149
Accrued liabilities	**9**	11,771	11,998
		332,528	235,698
		1,926,936	**1,828,287**

2. Statement of income for 2020

Amounts x € 1,000	Notes		2020		2019
Interest income receivables from related companies	**10**		34,470		33,676
Interest expenses debts to credit institutions	**11**		33,771-		33,007-
Gross margin	**12**		699		669
Operating expenses and other costs	**13**		9-		12-
Operating result			690		657
Income unwind derivatives	**14**	870		542	
Expenses unwind derivatives	**15**	870-		542-	
Other financial income		45		22	
Financial result			**45**		**22**
Result before taxes			**735**		**679**
Corporate income taxes	**16**		158-		168-
Result after taxes			**577**		**511**

3. Cash flow statement for 2020

Cash flow statement 2020

The Company forms part of a group, headed by Vesteda Residential Fund FGR in Amsterdam. The capital of Vesteda Finance B.V. is for 100% contributed by Stichting Administratiekantoor Vesteda which is fully consolidated into Vesteda Residential Fund FGR (100%).

The consolidated financial statements of Vesteda Residential Fund FGR are prepared including an equivalent consolidated cash flow statement. Copies are available at the website of Vesteda, http://vestedareport.com/downloads/.

Vesteda Finance B.V. applies Dutch Accounting Standard 360.104 and excludes the cash flow statement from its financial statements.

4. Notes to the financial statements

General
Vesteda Finance B.V., with its registered office and its actual place of business is De Boelelaan 759 in Amsterdam and filed with the Trade Register at the Chamber of Commerce under number 55723322, is one of the consolidated entities of the Vesteda Residential Fund FGR (“Fund”), a mutual fund. Vesteda Finance B.V.’s objective is the financing of the companies affiliated with Vesteda and the execution of financial transactions on behalf of this group. Vesteda Finance B.V.’s other objectives include the borrowing, lending and collection of funds, such to include the issuance of bonds, and entering agreements related to same.

Vesteda Finance B.V. is managed by Vesteda Investment Management B.V.

General accounting principles for the preparation of the financial statements
The financial statements have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code.

Going concern
The financial statements are prepared on a going concern basis. COVID-19 is not expected to have a significant impact on Vesteda Finance. Management has determined that there is no material uncertainty that casts doubt on the entity’s ability to continue as a going concern. It expects that COVID-19 might have some impact, though not significant, for example, in relation to expected future performance.

Valuation of assets and liabilities and determination of the result take place under the historical cost convention, unless presented otherwise. Income and expenses are accounted for on an accrual basis. Profit is only included when realised on balance sheet date. Liabilities and any losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

The preparation of the financial statements requires management to make estimates, assumptions and judgements that can affect the reported amounts of assets and liabilities, income and expenses and the disclosure of contingent liabilities, income and expenses not included on the balance sheet at the date of the financial statements. The accounting policies that the Managing Board believes are the most significant in terms of the financial situation and operating results are discussed in the relevant explanatory notes. The same applies to the subjects that involve the Managing Board making assumptions and estimates regarding matters that are intrinsically uncertain.
The management notes that future events often deviate from predictions and that it is frequently necessary to adjust estimates.

Financial instruments
Financial instruments are primary financial instruments (such as receivables and debts).
The notes to the specific items of the balance sheet disclose the fair value of the related instrument if this deviates from the carrying amount. If the financial instrument is not recorded in the balance sheet the information on the fair value is disclosed in the notes to the ‘Non-recognised assets and liabilities and contingent assets and liabilities’.

Accounting principles for the valuation of assets and liabilities

Financial fixed assets
Upon initial recognition the receivables on and loans to related parties are valued at fair value and then valued at amortised cost, after deduction of any provisions. These provisions are determined by individual assessment of the receivables.

Receivables
Upon initial recognition the receivables on and loans to associated companies and other receivables are valued at fair value and then valued at amortised cost, which equals the face value, after deduction of any provisions.

Cash and cash equivalents
The cash is valued at face value. If cash is not freely disposable, then this has been taken into account upon valuation.

Derivatives
Financial derivatives are recognised initially at fair value, including transaction costs in line with the external reports of the banks, and subsequently valued at their fair value on each reporting date. If hedge accounting is not used, any value movements are incorporated in the statement of income.

Long-term borrowings
Borrowings are initially recognised at the fair value of the amounts received, net of transaction costs and any premiums or discounts. Any borrowings are subsequently recognised at amortised cost price using the effective interest method. The amortised cost price is calculated taking into account any premiums or discounts. The interest expenses are accounted for in the period in which they are incurred and recognised in the statement of income.

Current liabilities
Trade payables and other current liabilities are valued at amortised cost price, which generally corresponds with face value.

Taxes
Vesteda Finance B.V. is liable for corporate income tax on the basis of the fee Vesteda Finance B.V. receives by virtue of its intercompany financing activities.

Accounting principles for the determination of results

General
Recognised expenses are stated at historical cost. Income is recognised as soon as it is realised, expenses as soon as they are known. Income and expenses are attributed to the period in which they are generated or incurred.

Interest income
The fees Vesteda Finance B.V. receives by virtue of its intercompany financing activities are recognised as interest income.

Operating expenses and other expenses
All expenses that Vesteda Finance B.V. incurs as a result of its day-to-day business operations are recognised as operating expenses and other expenses.

Interest expenses
Interest-related expenses are recognized in the statement of income in the period in which they are incurred.

Taxes
Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes. Deferred tax assets (if applicable) are recognised only to the extent that realisation is probable.

Notes to the balance sheet and statement of income

Receivables from related companies (1)

Amounts x € 1,000

	2020	2019
As at 1 January	1,590,637	1,095,010
Loans provided	100,000	500,000
Transfer to current assets	100,000-	-
Transaction expenses paid	293-	5,840-
Amortisation transaction expenses	1,533	1,467
As at 31 December	**1,591,877**	**1,590,637**

In 2020, Vesteda Finance B.V. made loans to its related companies. These are all external loans provided to Vesteda Finance B.V. and which are subsequently lend onwards to related companies. The lending towards related companies is effected at the same Terms and Conditions as agreed upon with the external credit institutions, with an administrative surcharge (0.6%) recognised as gross margin.

The risk of non-payment related to these receivables is considered very limited, taking into account the positive results of said entities in combination with the fact that said related companies have in the past always met their obligations. The related companies in question also act as guarantors for the loans.
In 2020 there have been no specific value derecognitions.

Receivables from related companies (2)

Amounts x € 1,000	31-12-2020	31-12-2019
Loans receivable from related companies	322,828	225,160
Interest receivable	11,754	11,978
Other receivables	292	452
	334,874	**237,590**

The short-term loans receivable from related companies relate to excess liquidity provided towards Custodian Vesteda Fund I B.V. plus € 322 million of external loans lend onwards and repayable within one year. The interest receivable relates to the interest on the long-term lending towards related companies.

Cash and cash equivalents (3)

Amounts x € 1,000	31-12-2020	31-12-2019
Bank account balances	185	60
	185	**60**

Vesteda Finance B.V. has full and free disposal of its cash.

Equity (4)

The company's registered capital amounts to € 90,000. This is divided into 9,000,000 ordinary shares each with a value of € 0.01. The subscribed and paid-up capital amounts to € 18,000.

Amounts x € 1,000	Subscribed and paid-up capital	Other reserves	Total
As at 31 December 2018	**18**	**1,423**	**1,441**
Result 2019	-	511	511
As at 31 December 2019	**18**	**1,934**	**1,952**
Result 2020	-	577	577
As at 31 December 2020	**18**	**2,511**	**2,529**

Appropriation of result for the financial year 2019
The annual report 2019 was adopted in the general meeting of shareholders held on 8 April 2020. The general meeting of shareholders has determined the appropriation of result in accordance with the proposal being made to that end.

Proposed appropriation of result for the financial year 2020
The board of directors proposes, that the result for the financial year 2020 amounting to € 577,019 should be transferred to reserves without payment of dividend. The financial statements reflect this proposal.

Long-term debt

Debts to credit institutions (5)

Amounts x € 1,000	Long term loans				
	Bank facilities	**ECP**	**Bonds**	**Private placements**	**Total**
As at 31 December 2019	-	-	1,291,238	299,399	1,590,637
Disbursements				100,000	100,000
Discount					-
Repayments					-
Transfer to short-term debt				100,000-	100,000-
Transaction expenses paid				293-	293-
Depreciation transaction expenses			1,466	67	1,533
As at 31 December 2020	-	-	1,292,704	299,174	1,591,877

All Vesteda's financings are arranged by Vesteda Finance B.V. with a guarantee from Custodian Vesteda Fund I B.V. , no collateral is provided. The financial covenants of the financings are met at year end 2020.

Bank facilities

In February 2020, the second (and last) extension option of the Revolving Facility Agreement (RFA) was exercised. Five out of six lenders in the RCF approved this request. This means that €630 million out of €700 million was extended by one year to June 1, 2025. € 70 Million matures on June 1, 2023 as this lender declined the extension option last year as well. The facility is provided by the lenders ABN Amro, Rabobank, BNP Paribas, Deutsche Bank, ING and SMBC. The remaining legal term is 4.4 years. At year-end 2020, the total facility of € 700 million was undrawn.

Pricing of the revolving credit facility is subject to a margin grid, whereby a LTV below 27.5% equates to a margin of 0.50%. Utilised commitment less than 33.3% equates to an utilisation fee of 0.10% and utilised commitments exceeding 33.3% but less or equal to 66.7% equate to an utilisation fee of 0.20%. Utilised commitments exceeding 66.7% equate to an utilisation fee of 0.40%.

December 2020 Vesteda signed a term loan agreement with the European Investment Bank (EIB) of € 150 million. This agreement will have a tenor of 10 years and allow fixed rate and floating rate funding. Drawdowns can be made up to one and a half year after signing. This facility is currently undrawn and is expected to be drawn in the first half of 2022.

Vesteda also has uncommitted bank facility with bank SMBC, please see section short term bank debt for more information.

Bonds

In 2020, Vesteda Finance B.V. continued its borrowing of senior unsecured notes that were issued under its program for the issuance of Euro Medium Term Notes (EMTN). Standard & Poor's rated the notes BBB at the time of issuance. The credit rating of the notes was upgraded to BBB+ in 2016, in line Standard & Poor's credit rating upgrade of Vesteda Residential Fund:

- The first tranche of € 300 million senior unsecured notes with an interest rate of 1.75%, issued in July 2014 and due on 22 July 2019 was repaid early, on 23 April 2019.
- A second tranche of € 300 million senior unsecured notes was issued in October 2015. The notes pay an annual fixed coupon of 2.50% (effective interest rate of -0.05%) and are due on 27 October 2022. The intended remaining term to maturity of the notes is 1.8 years.
- A third tranche of € 500 million senior unsecured notes was issued in July 2018. The notes pay an annual fixed coupon of 2.00% (effective interest rate of 0.05%) and are due on 10 July 2026. The intended remaining term to maturity of the notes is 5.5 years.
- In May 2019 Vesteda issued its first Green Bond for an amount of € 500 million in senior unsecured notes. The transaction was more than six times oversubscribed. The notes pay an annual fixed coupon of 1.50% and are due on 24 May 2026 (effective interest rate of 0.21%). The intended remaining term to maturity of the notes is 6.4 years.

Custodian Vesteda Fund I B.V. provides a guarantee for the due and punctual payment of the principal and interest, for all of Vesteda's outstanding interest paying debt. No collateral is provided.

Private placements

An € 100 million private placement borrowing with funds provided by PRICOA Capital Group under a note purchase agreement. The senior notes have a fixed annual coupon of 3.18% (effective interest rate of -0.15%), payable on a semi-annual basis and are due on 8 May 2021. The intended remaining term to maturity of the notes is 0.4 years.
A second € 100 million private placement borrowing with funds provided by PRICOA Capital Group under a note purchase agreement. The senior notes have a fixed annual coupon of 1.80% (effective interest rate of 0.18%), payable on a semi-annual basis and are due on 16 December 2026. The intended remaining term to maturity of the notes is 6.0 years.

The green private placement consists of two note purchase agreements. There is a 10 year tranche of €50 million with NYL at a fixed semi-annual coupon of 1.03% (effective interest rate of 0.57) and a fifteen year tranche of € 50 million with AIG at a fixed semi-annual coupon of 1.38% (effective interest rate of 1.01). The intended remaining term to maturity of the notes are 10 and 15 years respectively.

A third tranche of 100 million private placement borrowing in senior unsecured notes under its program for the issuance of Euro Medium Term Notes (EMTN). Standard & Poor's rated notes BBB+ at the time of issuance:

- A tranche of € 35 million senior unsecured notes pay an annual fixed coupon of 1.899% (effective interest rate of 0.31%) and are due on 15 December 2027. The intended remaining term to maturity of the notes is 7.0 years;
- A tranche of € 65 million senior unsecured notes pay an annual fixed coupon of 2.478% (effective interest rate of 0.74%) and are due on 15 December 2032. The intended remaining term to maturity of the notes is 12.0 years.

Custodian Vesteda Fund I B.V. provide a guarantee for the due and punctual payment of the principal and interest, for all of Vesteda's outstanding interest paying debt. No collateral is provided.

Payables to associated companies (6)

Amounts x € 1.000	01-01-2020	Disbursements	Repayments	Interest	31-12-2020
Vesteda Development B.V.	-	3,335	-	61	3,396

Vesteda charged 2.0% interest on the loans with Vesteda Development B.V. which amounted in EUR 61,000.

Short-term debt

Debts to credit institutions (7)

Amounts x € 1,000	Short term loans				
	Bank facilities	ECP*	Bonds	Private placements	Total
As at 31 December 2019	**8,614**	**214,937**	**-**	**-**	**223,550**
Disbursements	2,203,510	1,424,988	-	-	3,628,497
Discount					-
Repayments	2,205,510-	1,430,012-			3,635,522-
Transfer to short-term debt				100,000	100,000
Transaction expenses paid					-
Depreciation transaction expenses	679	21			700
As at 31 December 2020	**7,293**	**209,933**	**-**	**100,000**	**317,226**

Vesteda has an uncommitted overdraft facility with bank SMBC for € 200 million. Being an uncommitted facility it can be terminated at any time, with a Review Date of 31 May 2021. The facility is funded on SMBC's cost of funds plus a margin of 0.60%. The remaining legal term is 0.5 years. At year-end 2020 of the total facility of € 200 million an amount of € 8 million was outstanding and € 192 million was undrawn.

For the short term funding need, Vesteda makes use of its Euro Commercial Paper programme up to Euro 1 billion. By use of this programme, Vesteda is able to fund itself at a negative rate, at year end -0.4% on average
At year end, this was in use for € 210 million.

Taxes (8)

Amounts x € 1,000	**31-12-2020**	**31-12-2019**
Corporate income tax payable	135	149
	135	**149**

Accrued liabilities (9)

Amounts x € 1,000	**31-12-2020**	**31-12-2019**
Interest payable	11,754	11,978
Other	17	20
	11,771	**11,998**

Interest income receivables from related companies (10)
Interest income from loans to related companies represents the interest income on Vesteda Finance B.V.'s lending towards related companies.

Interest expenses debts to credit institutions (11)
Interest expenses on debts to credit institutions represent interest expenses related to the loans provided to Vesteda Finance B.V.

The interest payable relates to the debts to credit institutions.

Contingencies and commitments.
Thera are non-liabilities not reflected in the balance sheet.

Gross margin (12)

Amounts x € 1,000	**2020**	**2019**
Income financing activities	699	669
	699	**669**

Other operating income represents the surcharge that Vesteda Finance B.V. charges on the onwards lending of the debts to credit institutions towards related companies for its group financing activities.

Operating expenses and other costs (13)

Amounts x € 1,000	**2020**	**2019**
Audit and tax consultancy fees	9	12
	9	**12**

Income unwind derivatives (14)
Income unwind derivatives represents the positive value unwinding or, in the case of negative value movements, the charging on of same to related companies.

Expenses unwind derivatives (15)
Expenses unwind derivatives represent the negative value unwinding and in the event of a positive value movement the charging on of same to related companies.

The derivative was arranged to hedge the interest risk before the issue of the Green bond in 2019. The derivative was unwound and settled at the date of the Green bond issue. The costs for the settlement of the derivative was capitalised and this is amortised on a monthly basis.
The write off period of the derivative equals the duration of the Green bond, which is 8 years (see note 5). The initial amount of the derivative was € 6,960,000 and at year-end 2020 € 5,548,667, resulting in an income/expenses unwind of € 870,000. The writing off the derivative started immediately after the settlement date, May 2019.

Corporate income tax (16)
Corporate income tax is calculated on the basis of the fiscal taxable amount, taking into account any tax relief items. The calculation of the effective tax rate in the P&L is based on the specific agreement with the tax authorities. The income tax expense in the P&L of EUR 158 was based on the fiscal result of EUR 699. This result was calculated

The effective tax rate is 21% (2019: 25%) and the applicable tax rate is 22.7% (based on the threshold of EUR 200K at 16.5% and 25% above EUR 200K) .

Amounts x € 1,000

	%	**2020**	**%**	**2019**
Result before tax		**735**		**679**
Tax burden based on Dutch nominal tax rate	*	167	*	170
Non-tax deductible operating expenses	25%	2	25%	3
Exempted income, net financing result	25%	-11	25%	-5
	21%	158	25%	168

*The nominal tax rate for the fiscal result till EUR 200.000 is 16,5% (2019: 19%)
The nominal tax rate for the fiscal result from EUR 200.000 is 25% (2019: 25%)

Financial instruments

Vesteda Finance B.V.'s principal financial liabilities are loans and borrowings. The main purpose of the loans and borrowings is to finance the Vesteda Companies property portfolio. Vesteda Finance B.V. runs no risks related to the loans and derivatives it has taken out; the loans and derivatives are lent on in their entirety and on the same conditions to the entities of the fund. There is no direct impact of COVID-19 on the financial instruments.

For the notes on financial instruments reference is made to the specific item by item note.

- General

The main financial risks Vesteda Finance B.V. is exposed to are liquidity risk and credit risk. Vesteda actively manages liquidity risk and credit risk as part of its treasury policy.

Vesteda fully incorporates risk management in its strategic and operational processes. The risk management framework addresses all levels and lines of business in order to strengthen 'in control' performance. The Vesteda Managing Board assesses its proper functioning on a regular basis and continues to pursue further improvement and optimisation of the internal risk management and control procedures.

- Cashflow and liquidity risk

The risk that Vesteda is unable to attract the borrowed capital it needs to execute its strategy at market conditions and rates. Treasury also pertains to the risk that Vesteda cannot meet its financial obligations and covenants.

Vesteda chooses to reduce its refinancing risk by taking out loans with a spread of terms, which limits refinancing risks on the dates said loans lapse. The maximum of maturities of debt in one single year is 35% of the total debt, which limits the refinancing risk. The duration of any refinancing periods is being made flexible. In addition, Vesteda is aiming to have a leverage below 30%.
Vesteda has implemented control measures to ensure that it remains within the parameters of its financial covenants. Stress testing is one of the control measures.

Year ended 31 December 2019 (x € mln)	On demand	< 3 months	3-12 months	1-5 years	> 5 years	Total
Interest-bearing loans and borrowings	10	215	-	400	1,200	1,825
Interest	-	-	31	123	39	193
	10	215	31	523	1,239	2,018
Year ended 31 December 2020 (x € mln)						
Interest-bearing loans and borrowings	8	210	100	300	1,300	1,918
Interest	-	-	32	99	49	180
	8	210	132	399	1,349	2,098

Estimated interest obligations for the revolving credit facility are based on the outstanding amount at year-end.

Fair value of financial Instruments

This section describes the comparison between the carrying amounts of Vesteda Finance B.V.'s financial instruments and their estimated fair values.

Cash and cash equivalents are recognised at fair value. With respect to the floating rate financial liabilities (both short term and long term), these are carrying a variable interest rate based on Euribor plus a mark-up, which also takes into account the perceived credit risk of the Vesteda Companies. As a result, their carrying amount approximates their fair value.

The fair value measurement of senior public notes issued by Vesteda Finance B.V. can be qualified as Level 1 valuation. Inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

The fair value measurement of the senior private notes that were placed can be qualified as Level 2 valuation, with inputs other than quoted market prices included within Level 1 that are observable for the asset or liability. In this case, interest rates and yield curves are observable at commonly quoted intervals.

The fair value measurement of the senior notes placed by Vesteda Finance B.V. under its EMTN programme as a private placement transaction can be qualified as Level 2 valuation, with inputs other than quoted market prices included within Level 1 that are observable for the asset or liability. In this case, interest rates and yield curves are observable at commonly quoted intervals.

The senior public notes, the senior private notes and the senior notes privately placed under the EMTN programme are all fixed rate.

Fixed rate debt is initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method.

Type	Notional amount	Estimated fair value amount	Level valuation
Senior public notes	1,300	1,403	1
Senior private notes	400	432	2
	1,700	1,835	

As the interest margin is not material, the fair value of the receivables from the related companies is approximately the same as the fair value of the external loans/debts.

Market risk
Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market prices.

The financial instruments held by Vesteda Residential Fund FGR that are affected by market risk are principally the derivative financial instruments used to hedge interest risk on its loan portfolio. As per end-December 2020, Vesteda Residential Fund FGR had no derivative financial instruments outstanding.

Interest rate risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Vesteda's exposure to the risk of changes in market interest rates relates primarily to Vesteda's long-term debt obligations with floating interest rates.

Vesteda must at all times meet its obligations under the loans it has taken out, including the interest cover ratio with a minimum of 2.0 and loan-to-value covenant with a maximum of 50%.

According to the Fund's Terms and Conditions, Vesteda is required to have a minimum of 70% fixed rate debt of existing interest rate exposure.

To manage its interest rate risk, Vesteda Residential Fund FGR can enter into interest rate swaps or fixed rate debt. With respect to the interest rate swaps, Vesteda agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated as hedges of underlying debt obligations. Prior to the bond issue, Vesteda Residential Fund FGR arranged two interest rate swaps that were unwound at the date of the bond issue. As per December 2020, Vesteda Residential Fund FGR has no derivative financial instruments outstanding. At 31 December 2020, 89% of Vesteda's borrowings were subject to a fixed interest rate (2019: 88%).

Sensitivity analyses of market and interest rate risk
Vesteda performed an interest rate risk sensitivity scenario using an immediate increase of one percentage point in the interest rate curve as at 31 December 2019. The analysis was prepared on the basis that the amount of net debt and the ratio of fixed-to-floating interest rates of the debt are constant. As Vesteda Residential Fund FGR had no derivative financial instruments outstanding at the reporting date, interest rate risk sensitivity has no impact on equity or the fair value of derivative financial instruments.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial liabilities held at the reporting date.

An interest rise of 1% has effect on Vesteda's floating debt and fixed debt that matures in one year. Per year end 2020 Vesteda has € 217 million of floating debt and € 100 million fixed debt that matures in one year. An interest rise of 1% would cause an increase of interest expenses of € 3.2 million

Credit risk
In view of the fact that Vesteda Finance B.V. lends on its loans to another Vesteda entity, Vesteda Finance B.V. has significant claims on a related company. The risk that these claims will be irrecoverable is considered negligible, taking into account the solid financial position of said entity in combination with the historical payment behaviour for these commitments. The related company also act as guarantor for the loans.

Liquidity risk
Liquidity risk is the risk that (1) Vesteda will not be able to refinance maturing debt funding, or (2) if debt is refinanced, the maturity and interest rate of the financing will have a significant unplanned adverse effect on Vesteda's cash flow and liquidity position. In addition, (3) Vesteda must at all times meet its obligations under the loans it has taken out including the interest cover ratio and loan-to-value covenant.

Vesteda limits these risks by conservative use of loan capital, ensuring sufficient headroom under its financial covenants and fixing at least 70% of its interest rates in order to mitigate adverse effects of interest rate volatility.

Vesteda's treasury department manages liquidity risk with the objective of ensuring that Vesteda has sufficient funds available to meet its financial obligations. As part of its treasury policy, Vesteda aims to have adequate though not excessive cash resources, borrowing arrangements and overdraft or standby facilities to enable it at all times to have the level of funds available it needs to achieve its business objectives.

Vesteda's objective is to maintain a balance between continuity of funding and flexibility. Vesteda uses a diverse range of financing instruments for its financing, through banks loans and capital markets. Debt maturities are chosen in line with the long-term character of Vesteda's assets, taking into account a good spread in the maturity profile of its debt portfolio.

The table below summarises the maturity profile of Vesteda's financial liabilities based on contractual undiscounted payments.

Liquidity risk
Estimated interest obligations for the bank facilities are based on the outstanding amount at year-end.

Fair value of financial Instruments
This section describes the comparison between the carrying amounts of the Vesteda Companies' financial instruments and their estimated fair values. Trade and other receivables and Trade and other payables are carried at amortised cost, but given their short duration, the fair value does not significantly deviate from the carrying amount (Level 3 valuation).

Cash and cash equivalents are recognised at fair value. With respect to financial assets, management concluded that the carrying amount is an appropriate estimate of the fair value. With respect to the floating rate financial liabilities (both short term and long term), these are carrying a variable interest rate based on Euribor plus a mark-up, which also takes into account the perceived credit risk of the Vesteda Companies. As a result, their carrying amount approximates their fair value.

The fair value measurement of senior public notes issued by Vesteda Finance B.V. can be qualified as Level 1 valuation. Inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

The fair value measurement of the senior private notes that were placed by Vesteda Finance B.V. can be qualified as Level 2 valuation, with inputs other than quoted market prices included within Level 1 that are observable for the asset or liability. In this case, interest rates and yield curves are observable at commonly quoted intervals.
The fair value measurement of the senior notes placed by Vesteda Finance B.V. under its EMTN program as a private placement transaction can be qualified as Level 2 valuation, with inputs other than quoted market prices included within Level 1 that are observable for the asset or liability. In this case, interest rates and yield curves are observable at commonly quoted intervals.

The senior public notes, the senior private notes and the senior notes privately placed under the EMTN program are all fixed rate.

Fixed rate debt is initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial instruments
The € 1,300 million in senior public notes represented an equivalent fair value estimate of € 1,403 million at year-end 2020.
The € 300 million in senior private notes represented an equivalent fair value estimate of € 316 million at year-end 2020.
The € 100 million in senior notes privately placed under the EMTN program represented an equivalent fair value estimate of € 116 million at year-end 2020.
The estimated fair value amounts are exclusive accrued interest.
The fair value of the senior public notes is determined on the basis of quoted prices, while the fair value of the senior private notes and the senior notes privately placed under the EMTN program is determined based on inputs other than quoted prices.

Transactions with related companies
The entities Vesteda Finance B.V., Custodian Vesteda Fund I B.V., and Vesteda Project Development B.V. are related to each other in such a way that they are classified as related companies. This classification is a result of their organisational relationship, the central management and the economic unity of the parties.

In 2020, there were several transactions between above mentioned entities. These transactions related to the lending activities and related interest charged. At the end of the year under review, the balance between Vesteda Finance B.V. and Custodian Vesteda Fund I B.V. amounted to €1,926,776,623.

Number of employees
The company had no employees in the year under review.

Service fees paid to external auditors
The Company forms part of a group, headed by Vesteda Residential Fund FGR in Amsterdam. The capital of Vesteda Finance B.V. is for 100% contributed by Stichting Administratiekantoor Vesteda which is fully consolidated into Vesteda Residential Fund FGR (100%).
The consolidated financial statements of Vesteda Residential Fund FGR are prepared including an equivalent annual report. Copies are available at the website of Vesteda, http://vestedareport.com/downloads/.
Vesteda Finance B.V. applies article 2: 382a of the Dutch Civil Code and excludes the fees paid to the external auditors and refers to the afore mentioned consolidated financial statement of the fund.

Other notes

Taxes
Corporate income tax is charged to the other companies that form part of the fiscal unity, for VAT purposes as if they were independently liable to pay tax.

Subsequent events
There were no significant events after the reporting date.

Remuneration members of the Managing Board
In 2020, the company was not charged amounts for the remuneration of members of the Managing Board.

Signing of the financial statements

Amsterdam, 18 March 2021

The Managing Board: Vesteda Investment Management B.V.

Signed by:	G.S. van der Baan CEO	F. Vervoort CFO

Other information

1. Profit appropriation according to the articles of association

Article 17 of the Vesteda Finance B.V. articles of association reads as follows:

17.1 The general meeting is authorised to appropriate the profit determined upon the adoption of the financial statements and to determine payments, with due observance of the provisions of the law.

17.2 The authority of the general meeting to determine payments applies to both payments charged to the not yet allocated profit and to payments charged to the only reserve, and to both payments upon the occasion of the adoption of the financial statements and interim payments.

17.3 A resolution to make a payment has no consequences as long as the Managing Board has not given its approval. The Managing Board may refuse to grant said approval if it knows or should reasonably be expected to predict that following said payment the company will be unable to continue to pay its outstanding debts.

2. Independent auditor’s report

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Independent auditor's report

To the shareholder of Vesteda Finance B.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2020 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the accompanying financial statements 2020 of Vesteda Finance B.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Vesteda Finance B.V. as at 31 December 2020, and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. The balance sheet as at 31 December 2020.
2. The profit and loss account for 2020.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of Vesteda Finance B.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 19 million. The materiality is based on 1% of total assets. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Audit Committee that misstatements in excess of € 950.000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

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

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of key audit matters	Summary of procedures and activities
Counterparty credit risk	
The key objective of the entity is to finance the companies affiliated with the Vesteda Group and the execution of financial transactions on behalf of the Vesteda Group. The key risk for the entity is the ability of the Vesteda Group entities to meet the loan requirements such as loan compliance and repayment schemes.	Our audit procedures included, among others, the following: We have assessed management position on the recoverability of the loans to the Vesteda Group and reviewed the financial position of the Vesteda Group to support management position. We have performed testing on the loan compliance in the current year for the loans with the Vesteda Group. Furthermore, we discussed and evaluated the impact of the COVID-19 pandemic on the financial statements of Vesteda Finance B.V. **Observation:** Based on our procedures performed the counterparty credit risk is sufficiently addressed.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

- Managing Board Report.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

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

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Managing Board Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the Audit Committee as auditor of Vesteda Finance B.V. on 1 April 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

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

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management and the Audit Committee for the financial statements

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

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Audit Committee is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

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

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

Deloitte.

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events 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.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Amsterdam, 18 March 2021

Deloitte Accountants B.V.

Signed on the original: J. Holland