Financial Report 2021

Vonovia Finance B.V., Amsterdam

VONOVIA

Content

Supervisory Board Report 2021

The Supervisory Board (the "SVB") is an independent body of Vonovia Finance B.V. ("FINANCE B.V." or "the company") and is responsible for supervising and advising the Management Board. In addition, the Supervisory Board oversees the general business progress, the strategy, and the operational performance of the company. In this respect, the SVB also focuses on the effectiveness of the company's internal risk management and control systems as well as the integrity and quality of the financial reporting.

Composition, Independence, and Diversity

The Supervisory Board currently comprises four members. Three members are also representatives of the sole shareholder, while one member is an external SVB member. The external SVB member is independent in accordance with the Dutch Corporate Governance Code and the SVB Rules of Procedure.

Helene von Roeder, Chair
Age 51, female
Appointed June 2018, 4th year as SVB member
(Management Board Member and former CFO of Vonovia SE)

Simone Schumacher
Age 39, female
Appointed November 2016, 6th year as SVB member
(Head of Accounting, BMW Finance N.V.)

Olaf Weber
Age 49, male
Appointed July 2017, 5th year as SVB member
(Head of Finance and Treasury of Vonovia SE)

Dr. Fabian Heß
Age 47, male
Appointed April 2017, 5th year as SVB member
(General Counsel of Vonovia SE)

On February 16, 2022, Prof. Dr. Kirsten became member and new chairman of the Executive Board of Directors at Adler Group S.A.. In order to avoid potential conflicts of interest, he resigned from the Supervisory Board at FINANCE B.V. with immediate effect on the same day. The Supervisory Board thanks Prof. Dr. Kirsten for the good cooperation over the past seven years and wishes him well and every success in the future.

Due to the resignation of Prof. Dr. Kirsten from the Supervisory Board, Vice-Chair Mrs. von Roeder was appointed new Chair and Dr. Heß was appointed new Vice-Chair of the SVB as of March 21, 2022.

The composition of the SVB remained the same during the year under review.

The objective is to achieve a balanced composition of the SVB, where the combination of its members with different experiences, backgrounds, skills, and independence best enables the SVB to discharge its various obligations in relation to the company and its stakeholders. The objective is also to achieve a balanced ratio of men and women on the SVB. Both objectives have been achieved.

Meetings and Activities

The Supervisory Board held four meetings during the year. On March 2, 2021, a conference call was held to discuss the 2020 draft financial statements, which were consequently pre-approved.

The three following meetings were also held as conference calls due to the coronavirus pandemic restrictions – one on March 24, 2021, one on November 2, 2021, and one on November 7, 2021. During these meetings, the following items, among others, were discussed:

> Operational business and performance up to December 31, 2020, and June 30, 2021
> Financial strategy of the company
> 2020 Board Report and 2020 audit plan of the independent auditor
> Appointment of new auditor of the company
> Bilateral APA filing request (Update of Project Orange)
> Margin loan
> Outlook 2021 / 2022 on liquidity, tax, and corporate governance

Every board member joined the conference calls for all four meetings. The external independent auditor attended the conference call on March 24, 2021.

During two SVB-only meetings (without the Management Board) held via conference call on March 24, 2021, and November 2, 2021, the SVB discussed the performance of the Management Board and its individual members as well as the performance of the SVB and its individual members. The conclusion of both evaluations was positive with no action required.

In 2021, the members of the Supervisory Board received a total remuneration of € 18,000 for their work.

The Supervisory Board members do not receive any additional benefits, bonuses, or incentives.

The Supervisory Board expresses its immense gratitude for the work of the Management Board and the company's employees.

The Supervisory Board especially welcomes the margin loan, the first external company loan. Moreover, the SVB is pleased with how the company has remained focused in the context the envisaged merger of Vonovia Finance B.V. with its sole shareholder, Vonovia SE.

Amsterdam, April 11, 2022

Original has been signed by
Helene von Roeder (Chair)

Original has been signed by
Simone Schumacher

Original has been signed by
Olaf Weber

Original has been signed by
Dr. Fabian Heß

Management Report 2021

History

In 2013, Vonovia Finance B.V. ("FINANCE B.V."), Amsterdam, was founded by Vonovia SE as a wholly owned subsidiary following the IPO of Vonovia SE, Bochum, Germany, with the intention of acting as a main contributor to the execution of the finance strategy. The company acts as a financing vehicle to arrange for debt financing on the international debt capital markets, primarily by issuing bonds, preferably through the Luxembourg Stock Exchange.

The finance strategy of the Group as a whole is to pursue various complementary objectives simultaneously in order to ensure sufficient liquidity at all times based on a sustainable equity-funding ratio with a balanced financing structure comprising a mix of different financial instruments and a smooth maturity profile of debt financing. This ensures a favorable LTV (loan-to-value) ratio while optimizing funding expenses and simultaneously ensuring the credit rating classification. Making use of a Dutch financing company is in line with international practice.

Based on a comfortable platform of equity and debt investors and non-current credit ratings of BBB+ (S&P), A3 (Moody's) and A- (Scope) for Vonovia SE, the company has excellent access to international capital markets at affordable conditions, which ensures sufficient liquidity at all times. The senior unsecured bonds share the same investment-grade rating as Vonovia SE.

The function of FINANCE B.V. as a financing vehicle for the Vonovia Group is set up in such a way that it earns an arm's-length margin on intercompany loans in excess of its borrowing costs on bonds. This should leave the company with sufficient profit to cover operational expenses. Essentially, future earnings will be determined by income items associated with the on-lending of raised funds, and profitability will be based on the margins obtained from the on-lending in excess of the interest to be paid on notes and operational charges. Based on that, FINANCE B.V. will achieve a reasonable profit and cash flow under these circumstances. The liquidity of the company is ensured by the Vonovia Group's cash pool.

Common Dutch practice is to have a tax ruling for these international transactions within the Vonovia Group. FINANCE B.V. filed for a Dutch-German bilateral Advance Pricing Agreement (BAPA) in 2019 for the years 2018-2022 with a rollback for the years 2016-2017 in order to mitigate the risk of double taxation. The request has been accepted by the Dutch tax authorities. Consequently, discussions with the German authorities have begun and are still ongoing.

Given the significance of FINANCE B.V., a Supervisory Board was established in order to act in accordance with good corporate governance practices in the market and to monitor and supervise the operational business activities of the entity. This Supervisory Board also ensures a seamless formal interface with the parent company and qualified monitoring of the financing activities.

The Vonovia Group's broad access to capital markets offers a competitive distinction in the real estate business and represents a clear strategic advantage. Fast and direct access to international debt capital markets has been a key success factor for the company's growth in recent years.

Debt Capital Markets

Bonds

Over the years, the company has issued various debt instruments like EUR bonds, EMTN bonds, USD bonds and Hybrid bonds. The bonds issued by FINANCE B.V. are supported by the unconditional and unlimited guarantee of Vonovia SE.

Most popular are the EMTN bonds that are issued under the European Medium-Term Notes Program (EMTN Program). This program allowed the company to raise funds on relatively short notice without significant administrative efforts. The EMTN Program with a total issuance volume of € 30.0 billion has been updated annually until 2020, and the corresponding base prospectus has been supplemented each time new material information became available. Each update and supplement of the program has been approved by the regulatory authority of the Grand Duchy of Luxembourg (Commission de Surveillance du Secteur Financier, CSSF) and the bonds issued under the EMTN Program have been accepted for listing on the Luxembourg Stock Exchange. In 2021 the base prospectus changed to Vonovia SE. The total utilization of the EMTN Program issuance volume is € 15,300 million as of December 31, 2021.

The table below shows all the outstanding bonds as of December 31, 2021:

Bond Program/Type	#	Notional Amount in € million	Avg. Coupon	Rem. Term (y)
USD bond	1	185	4.580%	1.8
EMTN fix	26	14,700	1.355%	5.6
EMTN floating	1	600	0.450%	1.0
Total	**28**	**15,485**	**1.358%**	**5.4**

As of December 31, 2021, FINANCE B.V. has a total indebtedness of € 15,485 million incl. € 185 million from an outstanding USD bond, which has been issued under separate documentation. The number does not include commercial papers and loans which have been on-lent to Vonovia Group entities. The average coupon is 1.358% and the average maturity is 5.4 years.

Bonds have been placed on the debt capital market mainly with European banks, asset managers and insurance companies. USD bonds have usually been placed through private placements. Currently, the company has one USD bond outstanding.

During the year of 2021, FINANCE B.V. has issued € 500 million (Bond 025). That bond issuance was the last one by FINANCE B.V., as Vonovia SE has issued further bond issuances in the amount of € 9,600 million going forward.

Between 2013 and 2021, for FINANCE B.V. and Vonovia SE (incl. Deutsche Wohnen), the annual average bond volume issued amounted to around € 4,221 million, which represents the 4th–largest issuer of the top 20 euro-investment-grade-ranked companies worldwide as calculated by Dealogic as of January 4, 2022.

Loans

In order to take advantage of the attractive financing costs of secured financings for longer tenors in comparison with unsecured bond issuances, the company has entered into loan agreements with various lenders. In 2019, the company took out two loans with a total amount of € 218 million. During the 2020 fiscal year, the company took out five structured loans with a total amount of € 884 million. During the year 2021, the company took out one structured loan with a total amount of € 200 million. As of December 31, 2021, FINANCE B.V. has € 1,302 million of loans outstanding.

The table below shows all outstanding loans as of December 31, 2021:

Lender	Collateral	Notional Amount in € million	Coupon	Rem. Term (y)
M.M. Warburg & Co	unsecured	50	0.290%	4.7
Commerzbank AG	secured	168	0.540%	7.7
Landesbank Baden-Württemberg	secured	300	0.677%	8.2
ING-DiBa AG	secured	100	0.864%	8.2
Berliner Sparkasse	secured	100	0.841%	8.2
Berlin Hyp	secured	184	0.780%	8.5
Commerzbank AG	secured	200	0.500%	5.9
Berlin Hyp	secured	200	0.750%	8.6
Total		**1,302**	**0.670%**	**7.8**

Commercial Papers

During the financial year, there were no commercial paper transactions. As of November 2021, the commercial paper program was amended and restated and Vonovia SE became the new Issuer of the Multi-Currency Commercial Paper Program. Therefore, as of December 31, 2021, FINANCE B.V. has no current debt instruments outstanding.

Operations During the Period

On January 28, 2021, the company issued a € 500 million bond under the EMTN Program. Bond 025 has a tenor of 20 years and a coupon of 1.000%.

On February 26, 2021, FINANCE B.V. received € 200 million by means of a secured loan. This new credit agreement with Berlin Hyp AG was already undersigned by FINANCE B.V. on December 3, 2020. The interest rate of the loan is 0.750% with a tenor of ten years.

On January 8, 2021, the Management Board of Vonovia SE discussed restructuring FINANCE B.V. during the course of 2021. In order to increase the efficiency of the Group's finance activities, the Management Board of Vonovia SE expressed its intention to merge FINANCE B.V. into its sole shareholder Vonovia SE. As Vonovia SE already stands as guarantor for all outstanding financial liabilities of FINANCE B.V., no material effects are expected in connection with the restructuring.

On September 30, 2021, the existing revolving credit faciltity agreement was amended and the company was replaced as the original borrower by Vonovia SE. Vonovia SE became the new original borrower and guarantor of the EUR 2.0 billion facility, which was increased to EUR 3.0 billion before year end.

On October 7, 2021, the company assumed an existing margin loan between Aggregate Holdings Invest S.A. and three relationship banks in the amount of € 250 million. The collateral for this loan is Aggregate Holdings' stake in Adler Group S.A. of 31,249,390 shares. The term of the loan is 18 months and the interest percentage is 2%. The company is also the calculating agent for the margin loan, and calculates the loan-to-value on a daily basis. The LTV of the secured loan must be below 80% at all times, and was reduced to 75% after a rating event at the level of Adler. The LTV as of December 31, 2021, was 73.7%.

The fair value of the margin loan at issuance was € 229.8 million. The difference between the initial fair value and the nominal amount of the margin loan of € 20.2 million is attributable to a call option that was granted to Vonovia SE. This amount was recognized at the level of the company as a withdrawal from the capital reserve and at the level of the parent company as a corresponding decrease of the investment in FINANCE B.V. As per year end an incurred loss of € 15.9 million was recorded.

Vonovia SE will indemnify and hold harmless the company from any cost or loss the company may incur from entering this margin loan, up to an amount of the loan (being € 250 million). Therefore, the company recorded a receivable on Vonovia SE for the amount of the recorded incurred loss at year end.

On October 8, 2021, the company repaid the maturing € 500 million of Bond 005 by decreasing the intercompany loan with Vonovia SE.

On December 17, 2021, the company repaid the maturing € 1,000 million hybrid (Bond 008) by decreasing the inter-company loan with Vonovia SE.

In order to be prepared for the IBOR reform and the transition to new, alternative risk-free rates, the company has analyzed the impact of these changes on current documentation and valuation and will continue to monitor the timeline of events closely.

Since an employee of the front office and the accountant left the company, the company has three employees in total as of December 31, 2021, compared to five employees as of December 31, 2020.

Financial Result

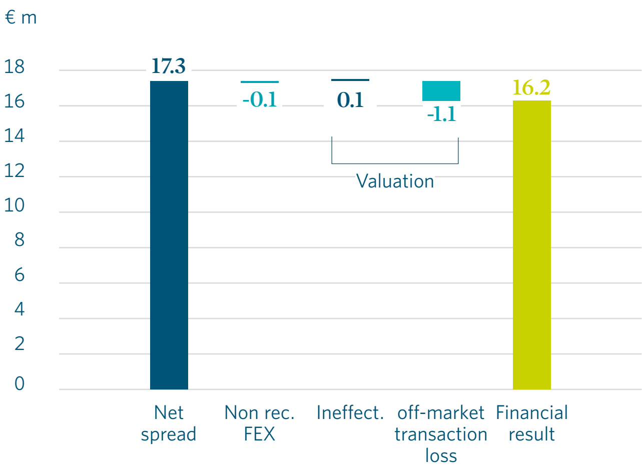
FINANCE B.V. closed the 2021 fiscal year with a net income of € 13.0 million, which was essentially driven by the normal course of business. The company earned a reasonable income of € 54.4 million from the margin between the interest incurred on borrowing and interest earned from lending.

After subtracting € 24.6 million of amortized finance expenses, € 9.6 million of amortized "frozen" OCI from the termination of several pre-hedges and € 2.9 million in swap effects, the net spread is € 17.3 million.

Below is the reconciliation of the amounts between the gross and net spread calculation as well as the interest income and expenses as mentioned in the Notes of the profit and loss statement:

Interest and Similar Income and Expenses (see Note in P&L) in € thousand	**Gross Spread**	Swaps	Financial Expenses	Amort. Frozen OCI – Prehedges	Amort. Frozen Ineffectiveness – Prehedges	**Net Spread**
Interest income from affiliates/shareholder	340,078	–	–	–	–	340,078
Interest income from third parties	3,352	10,929	–	–	767	15,048
						355,126
Interest expenses from EMTN bonds	-212,842	–	–	–	–	-212,842
Interest expenses hybrid bond (perpetual)	-38,356	–	–	–	–	-38,356
Interest expenses from USD bond	-10,929	–	–	–	–	-10,929
Interest expenses from secured financings	-8,490	–	–	–	–	-8,490
Interest expenses from term loan	-2,468	–	–	–	–	-2,468
Fair value adjustment external margin loan	-15,933	–	–	–	–	-15,933
Interest expenses from swaps	–	-13,795	–	–	–	-13,795
Interest expenses from liquidation forward swaps	–	–	–	-9,626	-767	-10,393
Other interest expenses to third parties	–	–	-24,642	–	–	-24,642
						-337,848
Total	**54,412**	**-2,866**	**-24,642**	**-9,626**	**–**	**17,278**

The picture hereafter shows the bridge between the net spread and the financial result. The relatively small amount of non-recoverable financial expenses of € 0.1 million relate mainly to agency fees (listing, paying) related to the bonds.



The valuation effects result from ineffectiveness from the hedge accounting methodology in the amount of positive € 0.1 million and from the first-day loss of the CCS in the amount of € 1.1 million.

FINANCE B.V. is included in the consolidated financial statements of Vonovia SE prepared in accordance with IFRS as endorsed in the EU.

Risk Management

Within the Vonovia Group, Vonovia SE serves as the management holding company and the cash-pool leader. FINANCE B.V. is an integral part of the Vonovia SE risk management and internal control system and is monitored by the middle office of the Vonovia Treasury department. This department takes care of the main business risks of FINANCE B.V., which include interest rate risk, liquidity risk, counterparty risk and, to a certain degree, currency risk. Vonovia Treasury is also responsible for executing reasonable hedging of these risks. FINANCE B.V. is also subject to regular internal audit procedures.

The operational execution of tasks and day-to-day business activities are performed by the staff of FINANCE B.V.

The shareholder Vonovia SE has a series of standards, procedures and systems for identifying, measuring and managing different types of risk. These are described in its annual reports, which are publicly available at www.vonovia.de.

To support the Management Board's external representations, Management takes responsibility and covers financial and non-financial reporting disclosures, financial reporting controls, compliance with the Code of Conduct and other Vonovia SE rules, as well as fraud and irregularities in their yearly Letter of Representation (LoR).

In terms of specific content, the main features of the compliance management system are Vonovia's Code of Conduct, which focuses on ethical values and statutory requirements and reinforces the personal responsibility of employees, Vonovia's Compliance Guidelines and a Business Partner Code setting out requirements that the company's contractual partners have to meet. An external ombudsman is available to all employees and business partners as a confidant in respect of compliance matters.

In 2020, Vonovia focused on establishing a system to prevent and combat corruption: A new anti-corruption policy and a policy designed to protect whistleblowers form the basis for these efforts. The existing system featuring an independent ombudsman is to be supplemented and expanded to include a hotline that allows whistleblowers to remain anonymous. An additional anti-money laundering policy addresses the particular field of money laundering in the real estate sector and also supports efforts to combat abuse in this area.

Organizationally, risk management is directly assigned to the Management Board of Vonovia SE, which regularly monitors the risk management's effectiveness. The Management Board has overall responsibility for the risk management system. It decides on the organizational structures and workflows of risk management and the provision of resources. It approves the documented risk management findings and takes account of them in steering the company. The Audit Committee of the Supervisory Board of Vonovia SE monitors the effectiveness of the risk management system. Executives belonging to the first level below the Management Board are appointed as risk owners and, in this role, assume responsibility for the identification, assessment, documentation and communication of all material risks in their areas of responsibility. The Supervisory Board of FINANCE B.V. makes use of these assessments in its own risk evaluation. FINANCE B.V. generally has a conservative attitude toward risk and avoids any high-risk appetite.

Financial risks have been identified as the main risks to be monitored. The financial risks of the company are managed by matching interest expenses from its borrowings with interest income from loans to Group companies. Interest rate risk and foreign currency risk are generally mitigated by corresponding derivative instruments. Derivative contracts are entered into with major financial institutions with investment-grade credit ratings. Derivatives are not collateralized, but Vonovia SE acts as a guarantor for cross-currency-swaps.

In order to minimize liquidity risk, cash flow risk and fair value risk, FINANCE B.V. is part of the Vonovia Group cash-pooling system. There is a significant concentration of credit risk as all borrowings are on-lent to Vonovia Group companies. However, the sole shareholder acts as a general guarantor for all borrowings. Therefore, the risk of FINANCE B.V. is the same as that of Vonovia SE. Based on the comfortable equity position of FINANCE B.V. and the credit ratings of Vonovia SE, both risks are under control.

The following table shows that the current risk profile is determined on the basis of this risk analysis and the control measures. The current risk profile is assessed and compared with the desired risk profile. Action plans are drawn up for each risk if the current profile is graded at a higher level than the desired risk profile in order to further control/reduce the existing exposure. Thus far, no action plan has become necessary.

Risk Area	Risks	Controls/Mitigation	Risk Appetite Low	Risk Appetite Medium	Risk Appetite High
Strategic	Uncertainty of funding costs	Continuous monitoring of debt markets and forward-looking decision-making approach		○	
	Funding requirements and funding mix for rating agencies and covenants	Covenant management		○	
	Implementation of new technologies (blockchain)	Extensive "test environment" with low volumes, renowned investors and external advisors		○	
Operational	Liquidity risk	Cash pool with Vonovia SE	○		
	Refinancing risk	Increased debt issuance limits, diversified financing alternatives (CP/RCF/secured/unsecured)		○	
Financial	Foreign currency risk (USD/SEK)	Hedging with FX derivatives (forwards, options, swaps), asset-liability management	○		
	Credit risk (CVA/DVA)	Continuous monitoring/analysis	○		
	Cash flow interest rate risk	Hedging with IR derivatives (swaps, swap options)	○		
Compliance	International tax compliance	Bilateral APA	○		
	Compliance with Code of Conduct/ corp. governance	Continuous monitoring		○	
	New regulatory requirements (MiFID II, EMIR Refit)	Continuous monitoring	○		

○ = Current risk profile ○ = Preferred risk profile

Environmental issues

We believe that achieving the goals set out in the Paris Agreement is one of the greatest challenges of our time. Vonovia is living up to its responsibility in this area and supports both the global objective, and the German government's non-current objective, of achieving a virtually climate- neutral housing stock by 2050.

Vonovia's issuance of the Green bond in 2021 and the new Sustainable Finance Framework of 2022 stressed the importance of the environment in the way we work.

Employee issues

The satisfaction of our employees is a decisive indicator for allowing us to assess our appeal as an employer. In 2021, Vonovia conducted a comprehensive survey among all their German and Dutch employees in this regard by an external service provider. To ensure that the results of the survey and the opinions expressed by our employees actually translate into improvements, Vonovia has decided to implement a structured bottom-up process: The results of the survey are discussed by the employees together with their direct managers and the team works together to identify the action to be taken. Going forward, employee satisfaction value will be introduced as a key performance indicator.

Appreciation, performance, responsibility and team spirit are at the center of our corporate culture. These are the values that will allow us to rise to the challenges facing our sector and achieve our corporate objectives.

Impact of COVID-19 on the Company's Business

FINANCE B.V. is continuing to monitor the situation and its evolution. The company is taking deliberate measures to keep its people safe, its environment protected and its business strong. The financial position is unaffected with no increase in incurred losses or similar asset impairments. The annual valuation of investment properties in the 20 most important cities has shown no negative developments; in fact, values have increased once again. The performance and cash flows of the business have remained in line with the budget so that Vonovia was able to reaffirm its guidance for capital markets. On this basis, FINANCE B.V. and Vonovia SE are able to perform any upcoming debt servicing. Furthermore, both companies have demonstrated with their current business models and performance that debt capital markets are wide and deep enough to issue bonds with a magnitude of € 10,100 million.

As explained in Note 1.3.1 "Impact of COVID-19 on the Company's Business" in the financial statements, the COVID-19 outbreak and the resulting measures taken by various governments to contain the virus have had a limited impact on the company's business and financial results in 2021.

FINANCE B.V. carefully manages its credit risks and subjects all of its counterparties to stringent creditworthiness tests. The company continuously monitors their financial strengths to adequately respond to any changes in situation. To date, the company has not had any collectability issues from counterparties. None of the Group's affiliates are or have been in a default position and there are no indications to date that this will occur.

In addition to the effects already known, the macroeconomic uncertainty is causing disruption to economic activity and the global market. However, it is too early to predict the non-current impact on the company's business and financial results. The scale and duration of the pandemic remain uncertain.

Outlook

On January 8, 2021, the Management Board of Vonovia SE discussed restructuring FINANCE B.V. during the course of 2021. In order to increase the efficiency of the Group's finance activities, the Management Board of Vonovia SE expressed its intention to merge FINANCE B.V. into its sole shareholder Vonovia SE. As Vonovia SE already stands as guarantor for all outstanding financial liabilities of Finance B.V., no material effects are expected in connection with the restructuring.

The timing of the merger still remains unknown, as discussions with the relevant authorities are still ongoing. Discussions with the Federal Ministry of Finance (BZSt) have begun, resulting in two meetings in Bonn in order to explain the case at hand.

We hope that the two countries' authorities will reach a mutual agreement on the case at hand and that the restructuring can go ahead. Until that time, the Management Board expects a positive result for 2022 based on the profit margin from the normal course of business.

The purpose of the law on management and supervision (Wet Bestuur en Toezicht) is to attain a balance of men and women (at least 30% of each gender) on the boards of directors and supervisory boards of large entities. After considering the current nature and activities of the Group and the knowledge and expertise of the current board members, the existing composition of the Management Board and the Supervisory Board is considered appropriate.

However, the new law will be taken into account when appointing future members of the Management Board and the Supervisory Board. The male/female ratio of the Supervisory Board is greater than 30%.

At this stage, the impact of COVID-19 on the activities and results of FINANCE B.V. remains limited due to the continuing need for financial services within the Vonovia Group affiliates it serves.

The Management Board is confident that FINANCE B.V. will navigate through these challenging times with ongoing operations while keeping its people safe, its environment protected and its company strong. During the year of 2021, the company's liquidity position remained strong. At this stage, the company has no intention to implement any measures that would impact its business plan. However, the company is continuing to monitor the situation and the evolution of the COVID-19 outbreak in order to implement necessary measures in a timely manner if needed.

These days our key financial figures are only secondary. We stand in solidarity with the people of Ukraine. Our thoughts are with the men and women who had to flee their homeland to escape from war, bring their children and grandchildren to safety and save their lives. The Management Board is very pleased with the intention of Vonovia SE to provide apartments quickly and with minimal red tape so that Ukrainians can have peace and safety, and we hope that this senseless war ends soon.

Amsterdam, April 11, 2022

Original has been signed by
Iwan Oude Roelink (Chairman)

Original has been signed by
Rick van Dijk

Responsibility Statement

The Management Board has declared that, to the best of its knowledge:

> The financial statements for the year ending December 31, 2021, which have been prepared in accordance with the Netherlands Civil Code, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the company.

> The Management Report includes a fair review of the development and performance of the business and the position of the company, together with the description of the principal risks and uncertainties they face, as required pursuant to section 5:25c of the Dutch Financial Markets Supervision Act ("Wet op het financieel toezicht").

Amsterdam, April 11, 2022

Original has been signed by
Iwan Oude Roelink (Chairman)

Original has been signed by
Rick van Dijk

Financial Statements

Balance Sheet as of December 31, 2021

(before distribution of profit/loss)

in € thousand	Note	Dec. 31, 2020	Dec. 31, 2021
Assets			
Non-current assets			
Tangible non-current assets	5	2	2
Financial non-current assets			
Receivables from affiliated companies and shareholder	6	17,445,922	16,395,915
Receivables from third party	7	–	217,225
Receivables from derivatives	23	18,370	35,204
Deferred tax assets	8	2,398	1,352
		17,466,692	16,649,698
Current assets			
Financial current assets			
Receivables from affiliated companies and shareholder	6	261,756	294,918
Receivables from derivatives	23	424	634
Other assets	9	1,327	1,871
Cash and cash equivalents	10	0	–
		263,507	297,423
Total assets		**17,730,199**	**16,947,121**

in € thousand	Note	Dec. 31, 2020	Dec. 31, 2021
Equity and Liabilities			
Equity			
Shareholders' equity		18	18
Share premium reserve		100,000	79,807
Cash flow hedge reserve	23	-25,405	-11,840
Other reserves		26,044	35,221
Unappropriated profit		9,177	13,042
Total shareholders' equity	11	109,834	116,248
Non-current liabilities			
Liabilities to banks	12	1,100,622	1,300,216
Bonds	13	14,899,106	13,316,082
Derivative financial liabilities	23	9,102	4,402
		16,008,830	14,620,700
Current liabilities			
Bonds	13	499,539	2,098,663
Hybrid bond	11/13	998,328	–
Liabilities from affiliated companies	6	236	287
Accrued liabilities	14	112,828	111,205
Other liabilities	14	604	18
		1,611,535	2,210,173
Total equity and liabilities		**17,730,199**	**16,947,121**

Income Statement for the Year from January 1 to December 31, 2021

in € thousand	Note	Jan.–Dec. 2020	Jan.–Dec. 2021
Income			
Interest and similar income	15	331,142	355,180
Expenses			
Interest and similar expenses	15	-319,250	-338,992
Financial result		**11,892**	**16,188**
Other operating income		0	–
Personnel expenses	16	-645	-349
Depreciation of tangible non-current assets	17	-3	-1
Other operating expenses	19	-329	-338
Total expenses		**-977**	**-688**
Profit before taxation		**10,915**	**15,500**
Income taxation	20	-1,738	-2,458
Profit for the year		**9,177**	**13,042**

The notes on page 16 to 38 are an integral part of these financial statements.

Statement of Cash Flows for the Year from January 1 to December 31, 2021

in € thousand	Note	Jan.–Dec. 2020	Jan.–Dec. 2021
Profit for the year		9,177	13,042
Adjustments for non-cash items			
Loss (gain) on revaluation of financial instruments		-91,544	34,815
Revaluation of Cash flow hedge reserve		19,485	13,565
Deferred tax assets	8	1,871	1,047
Income taxation		-133	1,411
Changes in operating assets and liabilities			
Receivables from affiliated companies and shareholder	6	-2,276,278	1,029,427
Derivative financial instruments	23	9,015	-21,744
Accrued liabilities	14	19,344	-1,623
Other assets	9	-954	-545
Other liabilities	14	435	-586
Tax paid		133	-1,411
Cash flows from operating activities		-2,309,449	1,067,398
Tangible non-current assets	5	-1	–
Receivables from third party	7	–	-250,000
Cash flows from investing activities		-1	250,000
Proceeds from liabilities due to affiliated companies	14	236	51
Proceeds from issuing bonds	13	2,477,716	480,824
Repayment of bonds	13	-1,051,226	1,497,867
Proceeds from liabilities due to banks	12	882,724	199,594
Cash flows from financing activities		2,309,450	-817,398
Net increase/(decrease) in cash and cash equivalents		0	0
		0	0
Movements in cash and cash equivalents can be broken down as follows:			
Balance as of January 1		0	0
Movement during the year		–	–
Balance as of December 31		0	0

Notes to the Financial Statements 2021

1 General Information

1.1 Activities

The business purpose of Vonovia Finance B.V. ("the company" or "FINANCE B.V."), with its statutory domicile in Amsterdam, is to raise funds on international debt markets through the issuance of unsecured and unsubordinated bonds as well as an unsecured and subordinated hybrid bond, commercial papers and, since 2019, secured and unsecured loans for Vonovia SE, Bochum, Germany, and its affiliated companies and to on-lend the raised funds to Vonovia SE and its Group companies for the purposes of Group financing and, in the year of 2021, for a third party.

The head office (principal place of business) is located at Apollolaan 133, 1077 AR Amsterdam, The Netherlands. The company is registered under the number 58224416 at the Dutch Chamber of Commerce ("KvK.").

Based on a comfortable platform of equity and debt investors and non-current credit ratings of BBB+ (S&P), A3 (Moody's) and A- (Scope) for Vonovia SE, the company has excellent access to international capital markets at affordable conditions, which ensures sufficient liquidity at all times. The senior unsecured bonds share the same investment-grade rating as Vonovia SE. The hybrid bond has a regular rating two notches lower. That, combined with the Vonovia SE unlimited and unconditional guarantee, should be considered the basis for FINANCE B.V.'s activities on international debt markets.

The operations of FINANCE B.V. comprise the following:

> to participate in, finance, hold any other interest in, or to conduct management of other legal entities, partnerships, or enterprises;
> to furnish guarantees, provide security, warrant performance, or in any other way assume liability, whether jointly, severally, or otherwise, for or in respect of obligations of Group companies or other legal parties;
> to do anything that, in the broadest sense of the words, is connected with or may be conducive to the attainment of these objects.

1.2 Group Structure

FINANCE B.V. is a member of the Vonovia Group. The ultimate parent of the Group is Vonovia SE with its legal domicile in Bochum, Germany. Vonovia SE is also the direct parent company of FINANCE B.V. The decision has been made to merge FINANCE B.V. into Vonovia SE, but the discussion with the tax authorities is ongoing. These financial statements cover the year 2021, which ended on the balance sheet date of December 31, 2021. The financial statements of FINANCE B.V. have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code and are included in the Vonovia SE consolidated financial statements prepared according to IFRS as endorsed in the EU. These financial statements are published in the German legal gazette and are available on Vonovia's website at www.vonovia.de.

1.3 Going Concern

The financial statements of the company have been prepared on the basis of the going concern assumption. The company generated a net profit of € 13,042 k for the year from January 1 to December 31, 2021 (January 1 to December 31, 2020: € 9,177 k), which, together with the negative hedge reserve, resulted in net equity of € 116,248 k (December 31, 2020: € 109,834 k) for the shareholder's equity. In 2020, the hybrid bond with € 998,328 k was included, and the total capital base had a value of € 1,108,162 k as of December 31, 2020.

In the future, the earnings of the company will be determined by income items associated with the on-lending of raised funds and profitability will be based on the margins obtained from on-lending in excess of the interest to be paid on the notes and the operational charges.

The negative working capital situation of the company will not be an issue because the current bonds have also been offset by the receivables of the affiliated companies, which are, however, generally recognized as Non-current receivables. In addition, the repayment of bonds or loans expected to be refinanced at any time by the addition of new bonds or loans. Based on that, FINANCE B.V. will achieve a reasonable profit under these circumstances and no significant going concern risks have been identified. Finally, FINANCE B.V. is supported by the unconditional and unlimited guarantee of Vonovia SE. The financial statements of the company have been prepared on the basis of the going concern assumption.

1.3.1 Impact of COVID-19 on the Company's Business

The shares of Vonovia Group represents a loss for more than 10% in 2021 to arise from the DAX - Index increased, but Vonovia Goup's operating business is only marginally affected by the coronavirus pandemic. To date, Vonovia's business model has proven to be robust and largely resilient in these times. There has been no material impact. As FINANCE B.V. is the finance subsidiary of the Vonovia Group, the entity's situation is very similar to that of the Vonovia Group.

FINANCE B.V. is continuing to monitor the situation and its evolution. The company is taking deliberate measures to keep its people safe, its environment protected and its business strong. The COVID- 19 outbreak and resulting measures taken by various governments to contain the virus had a limited impact on the company's business and financial results in the year of 2021. In 2021, S&P affirmed the BBB+ rating with positive outlook. The rating improvement was driven by the robustness and resilience of the Group's business. Furthermore, Vonovia obtained a A3 rating from Moody's, and Scope confirmed its A- rating. FINANCE B.V. is an integral part of the Vonovia SE risk management and internal control system. In order to minimize liquidity risk, cash flow risk and fair value risk, FINANCE B.V. is part of the Vonovia Group cash-pooling system. Vonovia SE acts as a guarantor for all borrowings which are on-lent to Vonovia Group, so the incurred losses of the IC loans are limited to FINANCE B.V. Nothing has changed under COVID-19 for these risks, so no impairment assessment has been carried out. As of the end of 2021, the company has had no collectability issues from counterparties. None of the Group's affiliates are or have been in a default position and there are no indications to date that this will occur.

The Company has not prepared a separate cash flow forecast for the next 15 months, because the shareholder decided to merge FINANCE B.V. into Vonovia SE in 2021. Due to administrative reasons of the tax-authorities in Germany and The Netherlands, the merger process is currently on hold until the decisions of the tax authorities in Germany and to proceed are obtained. The performance and the cash flows of the business have remained in line with the budget, which means that Vonovia can confirm the 2021 guidance for the capital markets. On this basis, Finance B.V. and Vonovia SE are able to perform any upcoming dept-services. Furthermore, FINANCE B.V. has demonstrated that with such a business model and performance, the debt capital markets are wide and deep enough to raise funds with a magnitude of € 2.7 billion in 2021.

However, it is too early to predict the non-current impact on the company's business and financial results. The scale and duration of the pandemic remain uncertain. During the year 2021, the company's liquidity position remained strong. At this stage, FINANCE B.V. has no intention to implement actions impacting its business plan. However, the company is continuing to monitor the situation and evolution of the COVID-19 outbreak in order to implement the necessary actions in a timely manner it needed.

1.4 Related Party Transactions

All legal entities that can be controlled, jointly controlled, or significantly influenced are considered to be a related party. Furthermore, entities that can control the company are considered related parties. In addition, statutory directors and other key personnel of FINANCE B.V. or of the shareholder or ultimate parent and close relatives are regarded as related parties.

All transactions between the company and related parties are disclosed in the notes insofar as they are not at arm's length. The nature, extent, and other information are disclosed if this is required to provide a true and fair view.

1.5 Estimates

Preparing financial statements and applying relevant rules may require the use of critical accounting estimates, which requires exercising professional judgment. Estimates used in these financial statements are limited to the use of other assets, accrued liabilities for general expenses, and other liabilities based on tax experience and sound professional judgment. This predominantly applies to the determination of derivative instruments' fair value (Note 23) and the fair value calculations of the receivables from affiliated companies and shareholders (Note 6).

If it is necessary to provide a view in accordance with the nature of these estimates and judgments, including the related assumptions, is disclosed in the Notes for the financial statement items in question.

Unless explained otherwise, the estimates made by the management in preparing the 2021 financial statements are similar to those used in the 2020 financial statements.

1.6 Accounting Policies for the Statement of Cash Flows

The statement of cash flows has been prepared using the indirect method. The cash items disclosed in the statement of cash flows comprise cash at banks and cash in hand, except for deposits with a maturity longer than three months. Cash flows denominated in foreign currencies have been translated at average estimated foreign exchange rates. Exchange differences affecting cash items are shown separately in the statement of cash flows. The receivables to affiliated companies and shareholder, Interest paid and received and income taxes are included in cash from operating activities. The changes of tangible non-current assets and the Receivables from third party have been settled in the cash flow from investing activities. Cash flows form financing activities are proceeds from liabilities due to affiliated companies, proceeds from issuing bonds, repayments of bonds and also proceeds from liabilities due to banks. Transactions are not resulting in cash inflow or outflow are listed under Adjustments for non-cash items.

After adoption of the 2020 financial statements, management identified that the statement of cash flows in these financial statements was not presented in accordance with Dutch GAAP. Most of cash flows for the 2020 were presented as cash flows from operating activities whilst these should be classified in appropriate category according to their nature. The comparative financial information in the current period statement of cash flows has been adjusted in order to present it in accordance with Dutch GAAP. As a result of these changes, the cash flows from operating activities over 2020 changed from € 3 k to € -2,309 k, the cash flows from investing activities changed from € -3 k to € -1 k and the cash flows of financing activities changed from € 0 k to € 2,309 k as a result of the changes. There is no impact on the Company's equity or net results for the year 2020

1.7 Comparison with Previous Period
The valuation principles and method of determining the result are the same as those used in the previous period, only the prior year numbers have been changed. .

2 Principles of Valuation for Assets and Liabilities

2.1 Dutch Accounting Standards
The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

2.2 General
The financial statements are denominated in euros. All amounts have been rounded to the nearest thousand.

Generally, assets and liabilities are stated at the amounts at which they were acquired or incurred, or at fair value. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred.

The balance sheet, income statement, and statement of cash flows include references to the notes.

2.3 Foreign Currencies

Functional Currency
Items in the financial statements of FINANCE B.V. are stated with due observance of the currency of the primary economic environment in which the respective Group company operates (the functional currency); FINANCE B.V. and Vonovia SE are both in the eurozone and the functional currency of both is the euro.

Transactions, Receivables, and Liabilities
Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate prevailing as of the balance sheet date. Investments are stated at the historical exchange rate. Transactions denominated in foreign currencies during the reporting period are recognized in the financial statements at the exchange rate as of the transaction date.

In the income statement, foreign exchange gains and losses resulting from the settlement of such transactions and from translation at period-end exchange rates are recognized, except when deferred in equity as qualifying hedges.

Translation differences on non-monetary assets held at cost are recognized using the exchange rates prevailing as of the dates of the transactions.

Foreign exchange differences arising upon the settlement or conversion of monetary items are recognized in the income statement in the period that they arise, unless they are hedged.

Hedging
In respect of any positions in the balance sheet that are covered by cross-currency interest rate swaps, which mitigate foreign currency risk and interest rate risk, or by foreign exchange forward contracts, the differences in values calculated at mid-rates at the end of the period and contract rates are allocated to the respective principals of the loans. If the loan taken is denominated in a currency other than euros, the respective correction is allocated to this loan. Otherwise, the relevant loan granted is corrected. The underlying EUR/USD exchange rate as of December 31, 2021, was fixed at 1.1326 and as of December 31, 2020, was fixed at 1.2271. The company applies cash flow hedging for derivative financial instruments that meet certain criteria. Refer to note 2.15.

2.4 Tangible Non-current Assets
Tangible non-current assets are valued at historical cost or production cost including directly attributable costs less straight-line depreciation based on the expected future life and impairments.

Equipment, furniture, and office equipment are depreciated over periods of between three and ten years. A depreciation period of three years is used for computer hardware.

2.5 Financial Non-current Assets

Offsetting financial insstruments
A financial asset and a financial liability are offset when the entity has a legally enforceable right to set off the financial asset and financial liability and the company has the firm intention to settle the balance on a net basis or to settle the asset and the liability simultaneously.

If there is a transfer of a financial asset that does not qualify for derecognition in the balance sheet, the transferred asset and the associated liability are not offset.

Loans, Particularly Loans to Affiliated Companies
Loans and receivables to Group companies with an term of more than one year are treated as financial non-current assets. These loans and receivables are initially valued at the fair value of the amount owed, which normally consists of the face value. They are subsequently measured at amortized cost; FINANCE B.V. does not issue loans if it is clear from the outset that they will not be repaid.

Loans, Particularly Loans to Third Parties
Loans to third parties with an original term of more than one year are treated as financial non-current assets. These loans and are initially valued at the fair value of the amount owed, which normally consists of the face value. Subsequent measurement is loss and at amortized cost. The conditions required for measuring the loans at amortized cost have been sufficiently checked and satisfied.

2.6 Impairment of Non-current Assets
On each balance sheet date, the company tests whether there are any indications of non-current assets being subject to impairment. If any such indications are present, the realizable amount of the asset is determined. If this proves to be impossible, the recoverable amount of the cash-generating unit to which the asset belongs is identified. An asset is subject to impairment if its carrying amount is higher than its realizable value; the realizable value is the higher of the fair value less disposal costs and the value in use.

An impairment loss is directly recognized in the income statement and the carrying amount of the asset concerned is concurrently reduced.

The fair value less disposal costs is initially based on a binding sale agreement; if there is no such agreement, the fair value less disposal costs is determined based on the active market, whereby the prevailing bid price is usually taken as the market price. For the determination of the value in use, an estimate is made of the future net cash flow in the event of continued use of the asset.

If it is established that an impairment which was recognized in the past no longer exists or has been reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment loss for the asset concerned had been reported.

The amount of an impairment loss incurred on financial assets stated at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed upon initial recognition). If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event that occurred after the impairment was recognized, the previously recognized impairment loss will be reversed. The reversal will not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized on the date the impairment was reversed. The amount of the reversal will be recognized through profit or loss.

2.7 Deferred Taxes
Deferred income tax assets are recognized to provide for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. This is done with the understanding that deferred income tax assets are recognized only to the extent that it is probable that a future taxable profit will be available against which the temporary differences and fiscal losses can be utilized.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized.

Deferred income taxes are recognized at face value.

2.8 Current Assets

Receivables and Other Assets
Trade receivables are recognized initially at fair value and subsequently measured at amortized cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest income are recognized using the effective interest method. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Current receivables are due and will be received within one year.

2.9 Cash and Cash Equivalents
Cash and cash equivalents include cash on hand, bank balances, and deposits held at call with maturities under three months. Bank overdrafts are shown as borrowings under current liabilities. Cash and cash equivalents are stated at nominal value.

2.10 Equity

Shareholders' equity
Issued financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholders' equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution. Issued financial instruments that are designated as a financial liability by virtue of the economic reality are presented under liabilities.

Incremental costs directly attributable to the purchase, sale, and/or issue of new shares are shown in equity as a deduction, net of tax, from the proceeds

Share premium reserve
Amounts contributed by the shareholder 's of the Company in excess of the nominal share capital, are accounted for as

share premium. This also includes additional capital contributions by existing shareholders without the issue of shares or issue of rights to acquire shares of the Company.

Cash flow hedge reserve

The Cash flow hedge reserve comprises the effective portion of the accumulated net change in the fair value of cash flow hedge instruments for hedged transactions. This Cash flow hedge reserve is released during the period that the cash flows from the hedged items are realized. The Cash flow hedge reserve is not freely distributable in accordance with the Dutch Civil Code.

Other Reserves

The Other reserves comprise the accumulated net income and loss of the Company.

Capital Base

The classification of the hybrid bond on the balance sheet as of the year 2020 was as current liabilities. Pursuant to Dutch Accounting Standard 240, the presentation of the hybrid bond in the financial statements follows the legal form of the instrument. The hybrid bond is therefore presented as a liability under the capital base.

2.11 Non-current Liabilities

Liabilities to Banks

Loans issued by banks are initially measured at fair value and subsequently at amortized cost net of transaction costs. Released transaction costs lead to an altered subsequent measurement. All non-current amounts due from loans issued by banks have a maturity of over one year. Debt issuance costs are netted against a nominal amount as part of determining the amortized cost value.

Bonds

Bonds are initially measured at fair value less transaction costs. The subsequent measurement is calculated with the effective interest rate method at amortized cost. All non-current amounts due from bonds have a maturity of over one year. Debt issuance costs are netted against a nominal amount as part of determining the amortized cost value.

The difference between stated book value and the mature redemption value is accounted for as interest cost in the income statement on the basis of the effective interest rate during the estimated term of the non-current debts.

2.12 Current Liabilities

Current liabilities with a remaining maturity of one year or less are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, which equals the amount received, taking into account of any premiums or discounts, less transaction cost.

Bonds

Bonds are initially recognized at fair value and subsequently valued at amortized cost net of transaction costs. All current amounts payable from bonds within one year are disclosed under current liabilities. This specifically includes accrued interest.

Accrued Liabilities

Accruals are stated at the amount required, based on sound business judgment and valued at expected cost. Accrued liabilities comprise outstanding invoices.

Other Liabilities

Upon initial recognition, current liabilities are recognized at fair value. After initial recognition, current liabilities are recognized at amortized cost, which equals the amount paid, taking into account premiums or discounts, less transaction costs. This is usually the nominal value.

The difference between stated book value and the mature redemption value is accounted for as interest cost in the income statement on the basis of the effective interest rate during the estimated term of the non-current debts.

Current and Deferred Income Tax

The current Dutch nominal tax rate of 25% has been applied. For deferred taxes, 25.8% is used.

2.13 Accounting Policies for Operational Lease and Rental Contracts

Operational lease contracts exist whereby a large part of the risks and rewards associated with ownership are not incurred by or for the benefit of FINANCE B.V. lease contracts are recognized as operational leasing. Lease payments are recorded in the income statement on a straight-line basis, taking into account reimbursements received from the lessor, for the duration of the contract.

2.14 Provisions

Provisions are recognized for legally enforceable or constructive obligations arising from past events, existing as of the balance sheet date, the settlement of which is likely to require an outflow of resources whose extent can be reliably estimated.

Provisions are measured on the basis of the best estimate of the amounts required to settle the obligations as of the balance sheet date. Unless indicated otherwise, provisions are stated at the present value of the expenditure that is expected to be required to settle the obligations.

If some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received when the entity settles the obligation. The reimbursement shall be treated as a separate asset.

2.15 Financial Instruments

Securities included in non-current and current assets as well as liabilities and derivative financial instruments are initially and subsequently measured at fair value. The company applies cash flow hedge accounting to hedge currency risk on borrowings and loans. While the derivative is stated at fair value, the hedged item is measured at amortized cost. The gain or loss relating to the ineffective portion is recognized in the income statement within financing costs.

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's-length transaction. If no fair value can be readily and reliably established, fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques. Valuation techniques include using recent arm's-length market transactions between knowledgeable, willing parties, if available; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models, allowing for entity-specific inputs.

The company applies hedge accounting. The company documents the relationship between hedging instruments and hedged items as of the inception of the transaction. The company also documents its assessment, both as of hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

With a cash flow hedge, the changes in fair value of the derivative hedging instrument are initially recognized in the cash flow hedge reserve to the extent that the hedge is effective. Amounts accumulated in the cash flow hedge reserve are reclassified to the income statement at the same time that the underlying hedged item affects net income. To the extent that the hedge is ineffective, the change in fair value is immediately recognized in net interest.

The company will discontinue hedge accounting in the following cases:

> The hedging instrument expires or is sold, terminated, or exercised.
> The hedge no longer meets the criteria for hedge accounting.
> The company revokes the designation.

To measure the cross-currency swap or the floater, the company discounts the floating future cash flows using available market data. The calculated cash flows result from the contract conditions and the US dollar forward exchange rate (development of exchange rates expected by the market). Discounting is based on market interest rate data as of the reporting date for comparable instruments (EURIBOR rate of the same tenor). The fair value contains the credit risk of the cross-currency swaps and therefore permits adjustments for the company's own credit risk or for the counterparty's credit risk.

3 Principles for Recognition of Income and Expenses

3.1 General

Result is determined as the difference between the realizable value of services rendered and the costs and other charges for the period. Results on transactions are recognized in the period in which they are realized; losses are taken as soon as they are foreseeable.

3.2 Revenue Recognition, Financial Income, and Expenses

Interest income and costs from interest expenses are allocated to the reporting period in which they occur following the matching principle. Interest income and expenses are accounted for using the effective interest method, taking into account all relevant transaction costs.

3.3 Exchange Rate Differences

Exchange rate differences arising upon the settlement of monetary items are recognized in the income statement in the period that they arise unless hedged.

3.4 Other Operating Income and Expenses

Other operating income and expenses include income and expenses that are not directly attributable to the interest income and expenses and are resulting at the realizable value. Gains and losses upon the sale of tangible non-current assets are included in other operating income or other operating expenses, respectively. Costs are allocated to the period to which they relate.

3.5 Personnel Expenses

Salaries and social security contributions are charged to the income statement based on the terms of employment where they are due to employees and the tax authorities, respectively. There are no pension commitments for the management board, supervisory board or any other employees of Finance B.V.

3.6 Depreciation of Tangible Non-current Assets

Tangible non-current assets are depreciated over their expected useful lives as of the inception of their use. Future depreciation is adjusted if there is a change in estimated useful life.

3.7 Taxation

FINANCE B.V. has reached an agreement with the Dutch tax authorities regarding an advance pricing agreement ("APA") for the period of establishment until December 31, 2020. Additionally, an application process for a bilateral APA ("BAPA") was initiated in 2019. The BAPA/APA rulings as per December 31, 2020 have been used until the new rulings are finalized.

The current tax position is not calculated on the basis of the ordinary profit or loss but by using the margin applied for the BAPA; the current income tax occurs even with a potential loss. Changes in deferred tax assets and deferred tax liabilities are also taken into account.

Deferred tax assets are recognized for all deductible temporary differences between the value of the assets and liabilities under tax regulations, on the one hand, and the accounting policies used in these financial statements, on the other, on the understanding that deferred tax assets are only recognized insofar as it is probable that future taxable profits will be available to offset the temporary differences and available tax losses.

4 Financial Instruments and Risks

Risks associated with financial instruments are subject to the risk management system of the Vonovia Group and are monitored in particular through the middle office located in the Vonovia Group Finance and Treasury department.

COVID-19

FINANCE B.V. is of the opinion that COVID-19 yields no impact on the procedures executed by the risk management system of Vonovia Group. The risk management procedures in place adequately cover the risks associated with financial instruments. Therefore, no amendments to this system are deemed necessary as a result of COVID-19.

4.1 Market Risk

Currency Risk for the Yankee Bond

FINANCE B.V. mainly operates in the European Union. The currency risk for the company largely concerns positions and future transactions in US dollars. The functional currency of FINANCE B.V. is the euro and the majority of the asset side consists of positions in euros, hence exposing the company to the currency risk between the US dollar and the euro. Management has determined, based on risk assessment, that some of these currency risks need to be hedged. Forward exchange contracts are used for this purpose. Receivables and payables denominated in US dollars are hedged to the extent that it is highly probable that the purchases will occur.

The cash-effective currency risks arising in connection with the issuance of bonds in US dollars have been eliminated by the simultaneous contracting of cross-currency swaps by FINANCE B.V.

Interest Rate Risk

Risks associated with movements in interest rates are addressed through adequate interest rate hedges. Loans to affiliated companies are generally on fixed terms.

In the course of its business activities, FINANCE B.V. is exposed to cash-effective interest rate risks as a result of floating-rate debt as well as new and follow-on loans. Within this context, the interest markets are continually monitored by the Treasury department. Its observations are incorporated into the risk management and financing strategy.

4.2 Credit Risk

Vonovia SE acts as a management holding and cash-pool leader within the Vonovia Group. FINANCE B.V. is an integral part of the Vonovia risk management and control system. The risk of default arising from financial assets and derivative financial instruments involves the risk of default by counterparties. The receivables from third party have a bad debt risk by the measurement at amortized costs.

The maximum loss from a derivative instrument is equal to its positive fair value. Risk is additionally limited through a limit system, which is based on credit assessments by the Treasury middle office, which uses announcements from international rating agencies to make these assessments. Generally, only banks with a non-current credit rating at least equal to that of Vonovia SE are defined as eligible counterparties of FINANCE B.V.

4.3 Liquidity Risk

The company uses several banks that are selected at Group level. The liquidity risk is monitored by assuring that the critical terms of the relevant items match between the hedged item and hedging instrument. Finally, FINANCE B.V. is supported by the unconditional and unlimited guarantee of Vonovia SE.

4.4 Price Risk

FINANCE B.V. incurs risk regarding the valuation of financial instruments disclosed under non-current assets and within current assets. The company manages market risk by stratifying the portfolio and imposing limits.

4.5 Notes to the Statement of Cash Flows

The cash flow statement shows how the cash of FINANCE B.V. has changed during the year of 2021 as a result of cash inflows and outflows. A distinction is made between changes in cash flow from operating activities, investing activities, and financing activities. The allocation of company activities in the cash flow statement was changed compared to the previous year.

The cash flow from operating activities is determined from the profit for the period using the indirect method and the Adjustments for non-cash items. However, the main position; receivables to affiliated companies and the shareholder decreased because a few of the loans to the -Vonovia Group companies were paid back in 2021.

Changes in tangible non-current assets were settled in the cash flow from investing activities and also the new receivable from a third party with nominal of € 250 million.

A new bond of € 500 million was issued in January and the loan from BerlinHyp AG was paid out in February for € 200 million, but the repayment of bonds were higher, included the perpetual hybrid paid back at his first call date in December. All the transactions listed below, results in the cash flow from financing activities.

5 Tangible Non-current Assets

Tangible non-current assets comprise office equipment and computer hardware, subject to depreciation.

in € thousand	Dec. 31, 2020	Dec. 31, 2021
Acquisition cost as of January 1	34	34
Additions during the year	–	–
Disposals during the year	–	-11
Acquisition cost as of December 31	34	23
Accumulated depreciation as of January 1	29	32
Depreciation for the year	3	1
Accumulated depreciation disposals	–	-12
Accumulated depreciation as of December 31	32	21
Total book value	**2**	**2**

6 Receivables from Affiliated Companies and Shareholder

Receivables from affiliated companies and shareholder are related to Group financing, the interest on the receivables is based on the interest rates of the bonds. The receivables from intercompany loans bear an average interest rate, as of December 31, 2021, of 1.5920% for EMTNs, Yankee, and commercial papers (as of December 31, 2020: 1.6779%) and 4.2280% for the perpetual hybrid (as of December 31, 2020, 4.2328%), and the contracts have an unlimited term; therefore, all intercompany loans are unsecured, non-current loans. In addition, there are receivables from the cash pool agreement with Vonovia SE as of December 31, 2021. These bear interest at EONIA -0.25% (December 31, 2020: EONIA -0.25%). Receivables from cash pooling are classified as current assets on the balance sheet; these are unsecured and unlimited.

The company used its EMTN Program in the amount of € 500 million in January 2021, and passed the liquidity on to the Vonovia Group. Refer to note 12 for further disclosures of the debt issued by FINANCE B.V.

The company has not granted nor has not been asked to grant any payment holidays on their loans to Group companies.

As of the balance sheet date, no non-current receivables from affiliated companies and shareholder were subject to impairments.

in € thousand	Dec. 31, 2020	Dec. 31, 2021
Vonovia SE	11,199,288	10,275,553
Deutsche Annington Acquisition Holding GmbH	1,361,857	1,530,524
Deutsche Annington Beteiligungsverwaltungs GmbH	752,387	643,439
Gagfah GmbH	556,318	553,928
Südost Woba Dresden GmbH	389,508	375,287
Süddeutsche Wohnen GmbH	341,148	338,053
Wohnungsgesellschaft Norden mbH	297,099	297,099
Wohnbau Nordwest GmbH	228,914	228,914
Gagfah Erste Grundbesitz GmbH	194,530	194,530
Deutsche Annington Holdings Eins GmbH	201,437	191,075
Bremische Ges. f. Stadtern.-entw. & Wohnungsbau mbH	163,847	163,847
Kieler Wohnungsbaugesellschaft mbH	174,265	158,938
Wohnungsbau Niedersachsen GmbH	137,314	132,286
Beamten Baugesellschaft Bremen GmbH	121,550	121,550
Deutsche Annington Holdings Zwei GmbH	114,833	114,833
Prima Wohnbauten Privatisierungs-Management GmbH	113,268	113,268
DA DMB Netherlands B.V.	106,773	105,036
DAIG 1. Objektgesellschaft mbH	78,036	78,036
Deutsche Annington Wohnungsgesellschaft IV GmbH & Co. KG	62,953	62,953
Deutsche Annington Rhein-Ruhr GmbH & Co. KG	61,422	61,422
Osnabrücker Wohnungsbauges. mbH	74,003	58,399
Vonovia Immobilienmanagement one GmbH	60,382	55,724
Gagfah Acquisition 1 GmbH	55,290	54,407
Vonovia Elbe Wohnen GmbH	54,980	53,374
Bundesbahn-Wohnungsbauge. Kassel GmbH	47,268	47,268
Deutsche Annington Wohnungsgesellschaft I mbH	39,811	39,811
DAIG 9. Objektgesellschaft B.V.	35,203	32,883
DAIG 21. Objektgesellschaft B.V.	27,831	27,831
DAIG 20. Objektgesellschaft B.V.	24,877	24,120
Deutsche Annington Heimbau GmbH	23,288	21,875
DAIG 19. Objektgesellschaft B.V.	21,404	21,404
DAIG 13: Objektgesellschaft B.V.	22,552	20,090
DAIG 2. Objektgesellschaft mbH	18,896	18,896
Vonovia Immobilienmanagment two GmbH	18,781	18,781
GBH Acquisition GmbH	26,246	17,513
DAIG 4. Objektgesellschaft mbH	17,109	17,109
Deutsche Annington DMB Eins GmbH	16,639	16,200
DAIG. 22. Objektgesellschaft B.V.	14,475	14,475
DAIG 10. Objektgesellschaft B.V.	12,078	12,078
DAIG 3. Objektgesellschaft mbH	11,061	11,061
Fjord Immobilien GmbH	-	10,926
DAIG 11. Objektgesellschaft B.V.	11,552	10,773
Siege Siedlungsgesellschaft mbH Mainz	9,720	9,720

in € thousand	Dec. 31, 2020	Dec. 31, 2021
DAIG 24. Objektgesellschaft B.V.	9,167	9,167
DAIG 23. Objektgesellschaft B.V.	7,979	7,979
Gagfah Acquisition 2 GmbH	25,995	7,796
DAIG 17. Objektgesellschaft B.V.	6,322	6,322
Börsenhof A Besitz GmbH	5,649	5,649
Liegenschaften Weissig GmbH	2,184	2,100
DAIG. 25. Objektgesellschaft B.V.	1,071	1,071
Woba Dresden GmbH	542	542
Gagfah M Immobilien-Management GmbH	76,299	–
NILEG Norddeutsche Immobiliengesellschaft mbH	5,987	–
DAIG 18. Objektgesellschaft B.V.	4,534	–
Total (non-current)	17,445,922	16,395,915
Vonovia SE cash pooling (current)	261,756	294,918
Total (non-current and current)	**17,707,678**	**16,690,833**

The fair value of the receivables from affiliated companies and shareholder is € 752 million higher than amortized cost due to the decrease of the market interest rate (December 31, 2020: € 1,372 million higher).

Non-current Loans to Affiliated Companies and Shareholder

in € thousand	2020	2021
Balance as of January 1	15,212,462	17,445,922
Additions	4,015,448	179,593
Terminations	–	-86,820
Repayments during the year	-1,781,988	-1,142,780
Balance as of December 31	**17,445,922**	**16,395,915**

7 Receivables from Third Party

On October 7, 2021, FINANCE B.V. assumed a “Lombard loan” of around € 250 million principal amount extended to Aggregate Holdings S.A., which is secured by 26.6% of the shares in the Adler Group, from a banking consortium at the request of Vonovia SE. As part of the transaction, Vonovia SE received a call option for 13.3% of the shares in Adler-Group S.A. with a term of eighteen months from Aggregate Holding S.A. free of charge. The transaction involves Vonovia SE undertaking to indemnify FINANCE B.V. against, and compensate it for, all expenses or losses incurred in connection with the Lombard loan.

On October 7, 2021, there was a positive fair value of € 20.2 million at the time of the addition for the call option. The fair value of the Lombard loan granted came to € 229.8 million. The value of the option added was recognized at the level of Vonovia SE as decreasing the value of the equity interest in FINANCE B.V. and at the level of FINANCE B.V. as a corresponding withdrawal with the € 20.2 million from the capital reserve.

As of December 31, 2021, amortization within net interest of positive € 3.4 million was applied to the Lombard loan based on the amortized cost approach using the effective interest method, and the assessment of the lifetime incurred losses gave rise to expenses of € 15.9 million that affected net income in the net interest of FINANCE B.V.; Vonovia SE has compensated for this expense as part of the indemnification against all expenses or losses.

8 Deferred Tax Assets

The deferred tax assets are especially dependent on changes in the currency rate from the bond in US dollars. Furthermore, the deferred tax assets are based on temporary differences from the valuation of the financial instruments; for more information, see Note 23. The position as a whole is of a non-current nature. The deferred tax assets are mainly based on the Yankee bond and the cross-currency swap for this bond. All the instruments are non-current.

Effective January 1, 2022, the corporate tax rate increases to 25.8%. For taxable income up to € 395 k (2021: € 245 k), a tax rate of only 15% (2021: 15.0%) is applicable. The calculation of DTA for 2021 is based on 25.8%.

In the future, the deferred tax assets will be used as follows:

Deferred Tax Assets

in € thousand	Cross-Currency Swap	Floater	Yankee Bond	Other	**Total**
As of January 1, 2021	**-4,592**	**2,264**	**4,726**	**–**	**2,398**
Addition during the period	–	–	–	–	–
Change recognized in movement in deferred taxes on derivative financial instruments	-4,490	-1,140	4,584	–	-1,046
As of December 31, 2021	**-9,082**	**1,124**	**9,310**	**–**	**1,352**

in € thousand	Cross-Currency Swap	Floater	Yankee Bond	Other	**Total**
As of January 1, 2020	**-6,314**	**2,387**	**8,196**	**–**	**4,269**
Addition during the period	–	–	–	–	–
Change recognized in movement in deferred taxes on derivative financial instruments	1,722	-123	-3,470	–	-1,871
As of December 31, 2020	**-4,592**	**2,264**	**4,726**	**–**	**2,398**

9 Other Assets

The other assets in the amount of € 1,871 k (December 31, 2020: € 1,327 k) pertain to accrued interests with € 1,181 k and receivables for taxes on income with € 655 k (December 31, 2020: € 334 k). The fair value of the other assets approximates the book value.

10 Cash and Cash Equivalents

Cash and cash equivalents are not restricted with regard to their use.

11 Shareholders' Equity & Capital Base

The authorized share capital of FINANCE B.V. amounts to € 18 k (2020: € 18 k) and consists of 18,000 ordinary shares with a nominal value of € 1 each.

The Management Board has proposed to add the net profit of the year amounting to € 13,042 k (year ended December 31, 2020: net profit € 9,177 k) to the other reserves.

The decrease of the Share premium reserve amount to € 20,193 k related to the positive fair value at the time of the addition for the call option of the receivables from third party.

Presentation of the Hybrid Bond

The hybrid bond was paid back in December 2021, on its first issuer call option on the first termination date. Until the first termination date on December 17, 2021, the hybrid bond beared interest at a rate of 4.0% p.a. As of December 31, 2020 the hybrid bond was shown as current liabilities. Pursuant to Dutch Accounting Standard 240, the presentation of the hybrid bond in the financial statements follows the legal form of the instrument. The hybrid bond is therefore presented as a liability under the capital base. The hybrid bond's accrued liabilities for the prior year 2020 totaling € 1,644 k are shown under "Accrued Liabilities" (Note 13).

Statement of Changes in Equity & Capital Base

in € thousand	Shareholders' Equity	Share Premium Reserve	Cash Flow Hedge Reserve	Other Reserves	Unappropriated Profit/Loss	**Total Shareholders' Equity**	Hybrid Bond	**Total Capital Base**
As of January 1, 2021	18	100,000	-25,405	26,044	9,177	**109,834**	998,328	**1,108,162**
Appreciation of hybrid bond						**-**	1,672	**1,672**
Termination of hybrid bond	–	–	–	–	–	**-**	-1,000,000	**-1,000,000**
Other reserves	–	–	–	9,177	-9,177	**-**	–	**-**
Unappropriated profit	–	–	–	–	13,042	**13,042**	–	**13,042**
Development of Cash flow hedge reserve	–	–	13,565	–	–	**13,565**	–	**13,565**
Decrease of Share premium reserve	–	-20,193	–	–	–	**-20,193**	–	**-20,193**
As of December 31, 2021	**18**	**79,807**	**-11,840**	**35,221**	**13,042**	**116,248**	**-**	**116,248**

in € thousand	Shareholders' Equity	Share Premium Reserve	Cash flow Hedge Reserve	Other Reserves	Unappropriated Profit/Loss	**Total Shareholders' Equity**	Hybrid Bond	**Total Capital Base**
As of January 1, 2020	18	100,000	-44,889	17,182	8,862	**81,173**	996,690	**1,077,863**
Appreciation of hybrid bond	–	–	–	–	–	**-**	1,638	**1,638**
Other reserves	–	–	–	8,862	-8,862	**-**	–	**-**
Unappropriated profit	–	–	–	–	9,177	**9,177**	–	**9,177**
Development of Cash flow hedge reserve	–	–	19,484	–	–	**19,484**	–	**19,484**
As of December 31, 2020	**18**	**100,000**	**-25,405**	**26,044**	**9,177**	**109,834**	**998,328**	**1,108,162**

12 Liabilities to Banks

In 2021, the second loan from Berlin Hyp AG with an amount of € 200 million was paid out in February 2021 after signing the loan in 2020. FINANCE B.V. has outstanding loans of € 1,300 million as of December 31, 2021, of which € 50 million are unsecured loans and € 1,250 million are secured loans.

Loan	Amount in € million	Lender	Collateral	Coupon	Maturity
No. 1 signed Sept. 19	50 – unsecured	M.M.Warburg & Co.	Vonovia SE	0.290%	Aug. 28, 2026
No. 2 signed Sept. 19	168 – secured	Commerzbank AG	Vonovia SE and GAGFAH GmbH	0.540%	Sep. 17, 2029
No. 3 signed Feb. 20	300 – secured	LBBW	GAGFAH GmbH and DA Beteiligungsverwaltungs GmbH	0.677%	Feb. 25, 2030
No. 4 signed Mar. 20	100 – secured	ING-Diba	GAGFAH GmbH and DA Beteiligungsverwaltungs GmbH	0.864%	Mar. 2, 2030
No. 5 signed Mar. 20	100 – secured	Berliner Sparkasse	GAGFAH GmbH and DA Beteiligungsverwaltungs GmbH	0.841%	Mar. 9, 2030
No. 6 signed July 20	184 – secured	Berlin Hyp AG	DA Beteiligungsverwaltungs GmbH	0.780%	July 9, 2030
No. 7 signed Nov. 20	200 – secured	Commerzbank AG	DA Beteiligungsverwaltungs GmbH	0.500%	Nov. 23, 2027
No. 8 signed Dec. 03	200 – secured	Berlin Hyp AG	BUWOG – Berlin Wohnen GmbH and DA Beteiligungsverwaltungs GmbH	0.750%	Dec. 3,2030

in € thousand	**Balance as of Dec. 31, 2021**	Repayment obligation within 1 year	Remaining maturity 1–5 years	Remaining maturity >5 years
Loan unsecured	**50,000**	–	50,000	–
Loans secured	**1,250,216**	–	–	1,250,216
	1,300,216	**–**	**50,000**	**1,250,216**

Movement of liabilities to banks

in € thousand	**2020**	**2021**
Balance as of January 1	217,899	1,100,622
Additions	882,723	199,594
Repayments during the year	–	–
Balance as of December 31	**1,100,622**	**1,300,216**

The fair value of the liabilities to banks is € 14 million higher than their carrying value due to the decrease of the market interest rate (December 31, 2020: € 38 million higher).

13 Bonds and Commercial Papers

The non-current and current liabilities comprise the following bonds, issued by December 2021:

Bond	VNA*	ISIN Code	Denomination	Coupon	Maturity
Yankee bond	004	US25155FAB22	$ 50 k	5.000% unlisted	10-2023
EMTN 2014	007	DE000A1ZLUN1	€ 1,000	2.125% listed	07-2022
EMTN 03/2015 2	009B	DE000A1ZY989	€ 1,000	1.500% listed	03-2025
EMTN 12/2015 3	010C	DE000A18V146	€ 100 k	2.250% listed	12-2023
EMTN 06/2016 1	011A	DE000A182VS4	€ 100 k	0.875% listed	06-2022
EMTN 06/2016 2	011B	DE000A182VT2	€ 100 k	1.500% listed	06-2026
EMTN 12/2016	013	DE000A189ZX0	€ 100 k	1.250% listed	12-2024
EMTN 01/2017 1	014A	DE000A19B8D4	€ 100 k	0.750% listed	01-2022
EMTN 01/2017 2	014B	DE000A19B8E2	€ 100 k	1.750% listed	01-2027
EMTN 09/2017	015	DE000A19NS93	€ 100 k	1.125% listed	09-2025
EMTN 01/2018 1	017A	DE000A19UR61	€ 100 k	0.750% listed	01-2024
EMTN 01/2018 2	017B	DE000A19UR79	€ 100 k	1.500% listed	01-2028
EMTN 03/2018 1	018A	DE000A19X793	€ 100 k	EURIM03+45bps listed	12-2022
EMTN 03/2018 2	018B	DE000A19X8A4	€ 100 k	1.500% listed	03-2026
EMTN 03/2018 3	018C	DE000A19X8B2	€ 100 k	2.125% listed	03-2030
EMTN 03/2018 4	018D	DE000A19X8C0	€ 100 k	2.750% listed	03-2038
EMTN 07/2018	019	DE000A192ZH7	€ 100 k	0.875% listed	07-2023
EMTN 01/2019	020	DE000A2RWZZ6	€ 100 k	1.800% listed	06-2025
EMTN 09/2019 1	021A	DE000A2R7JD3	€ 100 k	0.500% listed	09-2029
EMTN 09/2019 2	021B	DE000A2R7JE1	€ 100 k	1.125% listed	09-2034
EMTN 10/2019 1	022A	DE000A2R8NC5	€ 100 k	0.125% listed	04-2023
EMTN 10/2019 2	022B	DE000A2R8ND3	€ 100 k	0.625% listed	10-2027
EMTN 10/2019 3	022C	DE000A2R8NE1	€ 100 k	1.625% listed	10-2039
EMTN 04/2020 1	023A	DE000A28VQC4	€ 100 k	1.625% listed	04-2024
EMTN 04/2020 2	023B	DE000A28VQD2	€ 100 k	2.250% listed	04-2030
EMTN 07/2020 1	024A	DE000A28ZQP7	€ 100 k	0.625% listed	07-2026
EMTN 07/2020 2	024B	DE000A28ZQQ5	€ 100 k	1.000% listed	07-2030
EMTN 01/2021	025	DE000A287179	€ 100 k	1.000% listed	01-2041

* VNA stands for the internal Vonovia number for bonds as mentioned on the Investor relation website.

The bonds issued are unsecured and unsubordinated.

The EMTNs are listed on the Luxembourg Stock Exchange. The Yankee bond has been issued in a private placement exclusively to qualified investors in accordance with Rule 144A under the US Securities Act.

On January 28, 2021, the company issued a € 500 million bond under the EMTN Program. The bond has a maturity of 20 years.

The company paid back EMTN bond (Bond 005) with a nominal value of € 500 million in October 2021 and used the first issuer call option on the first termination date of the hybrid bond (Bond 008) with a nominal value of € 1,000 million. The bond was paid back in December 2021.

in € thousand	Book Value Dec. 31, 2020	Book Value Dec. 31, 2021	Market Value Dec. 31, 2020	Market Value Dec. 31, 2021
Non-current				
Yankee bond 2	201,973	219,272	220,332	233,666
EMTN 2014	498,750	–	517,850	–
EMTN 03/2015 2	495,245	496,321	535,310	522,055
EMTN 12/2015 3	994,474	996,275	1,071,210	1,045,960
EMTN 06/2016 1	498,932	–	508,095	–
EMTN 06/2016 2	496,518	497,125	541,335	525,175
EMTN 12/2016	993,459	995,051	1,055,900	1,032,630
EMTN 01/2017 1	499,465	–	505,345	–
EMTN 01/2017 2	496,570	497,084	551,370	532,560
EMTN 09/2017	497,047	497,654	528,565	515,710
EMTN 01/2018 1	497,359	498,216	513,375	508,060
EMTN 01/2018 2	496,341	496,833	548,580	526,380
EMTN 03/2018 1	599,073	–	602,700	–
EMTN 03/2018 2	703,752	703,047	755,937	734,489
EMTN 03/2018 3	494,557	495,089	583,370	549,650
EMTN 03/2018 4	489,067	489,546	646,230	577,995
EMTN 07/2018	497,654	498,576	512,940	506,580
EMTN 01/2019	497,837	498,287	540,950	525,820
EMTN 09/2019 1	493,934	494,611	512,115	490,990
EMTN 09/2019 2	497,550	497,711	530,920	486,245
EMTN 10/2019 1	498,477	499,148	503,840	502,075
EMTN 10/2019 2	494,001	494,864	517,915	500,640
EMTN 10/2019 3	489,355	489,833	557,260	496,195
EMTN 04/2020 1	497,540	498,252	513,375	508,060
EMTN 04/2020 2	492,876	493,555	585,950	555,490
EMTN 07/2020 1	745,509	744,947	774,945	758,490
EMTN 07/2020 2	741,791	743,961	794,430	757,575
EMTN 01/2021	–	480,824	–	442,560
Total	**14,899,106**	**13,316,082**	**16,030,144**	**13,835,050**
Current				
EMTN 2013	499,539	–	515,010	–
EMTN 2014	–	499,507	–	506,440
EMTN 06/2016 1	–	499,659	–	501,900
EMTN 01/2017 1	–	499,955	–	500,245
EMTN 03/2018 1	–	599,542	–	602,214
Hybrid bond (perpetual)	998,328	–	1,034,380	–
Total Non-current and current	**16,396,973**	**15,414,745**	**17,579,534**	**15,945,849**

The Multi-Currency Commercial Paper Program supports flexible and broad access to capital markets. Since 2017, the company has acted as an issuer under the commercial paper program established by the company. Debt issuances under these programs have unconditional and irrevocable guarantees from Vonovia SE. During the year 2021, the commercial paper program was amended and restated by the new issuer, Vonovia SE. The last commercial papers for FINANCE B.V. were paid back in February 2020.

The US dollar market value of the USD bond was USD 264,650,000 (December 31, 2020: USD 270,370,000).

The valuation of the Yankee bond is calculated using standard market valuation methods for such instruments on the basis of the market data provided by an accredited market data vendor.

The determined rates were verified in regard to the implicit risk premiums.

Vonovia SE serves as the guarantor of the bonds and associated interest obligations of its subsidiary FINANCE B.V. These obligations result from the issuance of bonds in the amount of € 15,415 million.

in € thousand	Balance as of Dec. 31, 2021	Repayment Obligation within 1 year	Remaining Maturity 1–5 years	Remaining Maturity > 5 years
EMTN bonds	15,195,473	2,098,663	6,677,952	6,418,858
Hybrid bond (perpetual)	–	–	–	–
Yankee bond	219,272	–	219,272	–
	15,414,745	**2,098,663**	**6,897,224**	**6,418,858**

in € thousand	Balance as of Dec. 31, 2020	Repayment Obligation within 1 year	Remaining Maturity 1–5 years	Remaining Maturity > 5 years
EMTN bonds	15,196,672	499,539	7,565,312	7,131,821
Hybrid bond (perpetual)	998,328	998,328	–	–
Yankee bond	201,973	–	201,973	–
	16,396,973	**1,497,867**	**7,767,285**	**7,131,821**

Movement of Bonds

in € thousand	2020	2021
Balance as of January 1	15,062,027	16,396,973
Additions	2,477,716	480,824
Repayments during the period	-1,051,226	-1,497,867
Change in valuation rate	-91,544	34,815
Balance as of December 31	**16,396,973**	**15,414,745**

Repayment obligations falling due within twelve months are included in current liabilities.

The fair value of the bonds is € 531 million higher than the book value of the bonds (December 31, 2020: €1,183 million higher).

14 Accrued Liabilities/Other Liabilities

Obligations with a maturity within one year are disclosed as current liabilities.

The current liabilities as of December 31, 2021, mainly result from accrued interest liabilities on issued bonds.

in € thousand Bond	Coupon	Interest payment	Dec. 31, 2020	Dec. 31, 2021
Yankee bond 2	5.000%	semi-annual October/April 2	2,518	2,729
EMTN 2013	3.625%	annual October 8	4,171	–
EMTN 2014	2.125%	annual July 9	5,094	5,094
EMTN 03/2015 2	1.500%	annual March 31	5,671	5,671
EMTN 12/2015 3	2.250%	annual December 15	1,048	1,048
EMTN 06/2016 1	0.875%	annual June 10	2,457	2,457
EMTN 06/2016 2	1.500%	annual June 10	4,212	4,212
EMTN 12/2016	1.250%	annual December 6	824	859
EMTN 01/2017 1	0.750%	annual January 25	3,495	3,503
EMTN 01/2017 2	1.750%	annual January 25	8,154	8,173
EMTN 09/2017	1.125%	annual September 8	1,772	1,772
EMTN 01/2018 1	0.750%	annual January 15	3,607	3,606
EMTN 01/2018 2	1.500%	annual January 14	7,213	7,212
EMTN 03/2018 2	1.500%	annual March 22	8,170	8,170
EMTN 03/2018 3	2.125%	annual March 22	8,235	8,234
EMTN 03/2018 4	1.750%	annual March 22	10,690	10,699
EMTN 07/2018	0.875%	annual July 3	2,182	2,182
EMTN 01/2019	1.800%	annual June 29	4,586	4,586
EMTN 09/2019 1	0.500%	annual September 14	747	747
EMTN 09/2019 2	1.125%	annual September 14	1,680	1,680
EMTN 10/2019 1	0.125%	annual April 6	462	462
EMTN 10/2019 2	0.625%	annual October 7	736	736
EMTN 10/2019 3	1.625%	annual October 7	1,892	1,892
EMTN 04/2020 1	1.625%	annual April 7	5,988	5,988
EMTN 04/2020 2	2.250%	annual April 7	8,291	8,291
EMTN 07/2020 1	0.625%	annual July 9	2,260	2,260
EMTN 07/2020 2	1.000%	annual July 9	3,617	3,617
EMTN 01/2021	1.000%	annual January 28	–	4,630
Hybrid bond (perpetual)	4.000%	annual December 17	1,644	–
Total			**111,416**	**110,510**
Senior loans			150	53
Compensation with swaps without cross-currency			135	145
Accruals			1,127	497
Total accrued liabilities			**112,828**	**111,205**
Liabilities			599	–
Trade payables			–	10
Other tax liabilities			5	8
Total other liabilities			**604**	**18**

The fair value of the current liabilities approximates the book value due to their current character.

Working Capital Facility/Revolving Credit Facility

In October 2018, Vonovia SE concluded an agreement on a new working capital facility/revolving credit facility amounting to € 1,000 million with Commerzbank AG via FINANCE B.V. In 2020, the contract increased to € 2,000 million.

In September 2021, the contract of working capital facility was amended for FINANCE B.V. and switched over to Vonovia SE by a new Facility Agreement at the same time. Vonovia SE became the new borrower and guarantor and the program increased to € 3,000 million in the year 2021.

15 Interest and Similar Income and Expenses

in € thousand	Jan.-Dec. 2020	Jan.-Dec. 2021
Interest income from affiliated companies and shareholder	319,323	324,145
Compensation incurred loss from shareholder	–	15,933
Interest income from third parties	11,819	15,048
Valuation effects from ineffectiveness	–	54
Total interest and similar income	**331,142**	**355,180**
Interest expenses from Euro/EMTN bonds	-213,248	-212,840
Interest expenses from Hybrid bond (perpetual)	-40,004	-38,356
Interest expenses from Yankee bond	-10,801	-10,929
Interest expenses from secured financings	-4,764	-8,490
Interest expenses from Term loan	-2,272	-2,468
Interest expenses from swaps	-13,327	-13,795
Interest expenses from liquidation Forward swaps	-10,393	-10,393
Other interest expenses to third parties	-21,357	-24,644
Valuation effects from off-market transaction loss	-2,665	-1,051
Non-recoverable finance expenses	-419	-93
Incurred loss of valuation effects from loan to third parties	–	-15,933
Total interest and similar expenses	**-319,250**	**-338,992**
Total financial result	**11,892**	**16,188**

In the period under review, € 9.6 million was reclassified to profit or loss from the cash flow hedge reserve.

In connection with the initial valuation of cross-currency swaps, interest is expensed in the income statement based on the difference between the net present value and the fair value.

This is attributable to the stringent financial risk management strategy, which does not permit holding a currency risk in connection with the issuance of the bonds in US dollars open, even temporarily.

The expenses from the term loan amount to € 2,468 k have been paid back by the shareholder and are also included under interest income from affiliated companies and shareholder.

16 Personnel Expenses

Personnel expenses are disbursed for employees as follows:

in € thousand	Jan.-Dec. 2020	Jan.-Dec. 2021
Wages and salaries	605	318
Social security charges	40	31
Total	**645**	**349**

17 Depreciation of Tangible Non-current Assets

Depreciation expenses of € 1 k (January–December 2020: € 3 k) pertain to the depreciation of tangible assets, which are comprised of office equipment.

18 Audit Fees

The following audit fees were expensed in the income statement in the reporting period:

Jan.–Dec. 2021 in € thousand	KPMG Accountants N.V.	Other KPMG Network	**Total KPMG Network**
Audit of the financial statements	85	–	85
Other audit services	–	–	–
Tax services	–	–	–
Other non-audit services	–	–	–
Total	**85**	**–**	**85**

Jan.–Dec. 2020 in € thousand	Pricewaterhouse-Coopers Accountants N.V.	Other PwC Network	**Total PwC Network**
Audit of the financial statements	87	–	87
Other audit services	8	–	8
Tax services	–	–	–
Other non-audit services	32	–	32
Total	**127**	**–**	**127**

The fees listed above relate to the procedures applied to the company by accounting firms and the external independent auditor as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act (Wet toezicht accountantsorganisaties – Wta) as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups. These fees relate to the audit of 2021 financial statements, regardless of whether the work was performed in 2021 and 2022.

The respective external auditor for the year have provided other non-audit services for the company amounting to € 0 k (January–December 2020: € 32 k), but these are included in "Interest and Similar Expenses." The non-audit services of 2020 performed by PricewaterhouseCoopers Accountants N.V. pertain to the comfort letter for the EMTN Program. These non-audit services are allowed under current regulations.

19 Other Operating Expenses

in € thousand	Jan.–Dec. 2020	Jan.–Dec. 2021
Consultancy fees	83	104
Independent auditor's remuneration	87	85
Rent and lease	84	86
IT and administration costs	31	21
Other costs	44	42
Total	**329**	**338**

The table below shows the financial obligation for office rent:

in € thousand	within 2022	within 2023–2026	beyond 2026
Rent and lease	105	263	–

20 Income/Loss Taxation

The taxation on the result of ordinary activities can be specified as follows:

in € thousand	Jan.–Dec. 2020	Jan.–Dec. 2021
Profit before taxation	10,915	15,500
Deferred tax assets	1,026	366
Current tax liabilities/assets	359	321
Corporate income taxation	-3,123	-3,145
Profit for the period	**9,177**	**13,042**

The effective tax rate is 15.86% (January–December 2020: 15.92%)

The nominal tax rate is 25.0% (January–December 2020: 25.0%)

FINANCE B.V. has reached an agreement with the Dutch tax authorities regarding an advance pricing agreement ("APA") for the period of establishment until December 31, 2018. A new APA with a period of validity from January 1, 2016, to December 31, 2020, was signed in January 2017. Additionally, an application process for a bilateral APA ("BAPA") was initiated in 2019. The prior APA/BAPA is used for the calculation until the new APA/BAPA is finalized.

The effective tax rate based on the following circumstance: The current tax position is not calculated on the basis of the ordinary profit or loss but by using the margin applied for the BAPA; the current income tax occurs even with a potential loss. In addition the 2021 Dutch corporation tax applies at 25,0%. For the taxable amount up to and including euro 245,000 the applicable tax rate is 15,0%. Furthermore, because of the BAPA, no deferred tax assets on tax loss carryforwards are taken into account. The deferred tax assets result only from the derivative instruments.

21 Related Parties

In accordance with the business purpose of the company, namely, raising funds from debt capital markets, the lending of funds to Vonovia SE or its affiliated companies reflects the related party relationships and is therefore related to Group financing activities.

All loans are granted to Group companies for Group financing purposes. The interest income mainly stems from these Group companies. The interest rates charged to Group companies are comprised of a weighted mix of interest rates from the issued bonds and loans plus a service charge margin on an arm's-length basis.

The company obtains services from the shared service center of Vonovia SE for which no service fees have been charged, because setting up the entity and implementing the operational activities were in the sole interest of Vonovia as the main beneficiary.

Therefore, any receivables and liabilities to Vonovia SE or its affiliated companies are related to the above-mentioned financing activities.Furthermore, there are not any transactions with participation by the management.

22 Average Numbers of Employees

As of December 31, 2021, the company has three employees (December 31, 2020: five), two of whom are men and one of whom is a woman (December 31, 2020: three men and two women). All employees work in the Netherlands. The two-person Management Board comprises only men; both of them work in the Netherlands. Services are obtained through the shared service functions of the Vonovia Group.

23 Financial Instruments

As of December 31, 2021, the financial instruments consist of an interest rate swap relating to a floater bond (Bond 018A) with a nominal volume of € 600 million (beginning of 2018) and two cross-currency swaps corresponding to a USD bond (Bond 004) with a total nominal volume of € 185 million (beginning of 2013: four cross-currency swaps with a total nominal volume of € 739.8 million).

Future changes in the value of the cash flow hedge reserve also relate to three hedging instruments unwound in October 2015. Corresponding future changes in value previously reported outside profit or loss under cash flow hedge reserve will be amortized through profit or loss in line with the expected cash flows from the underlying hedged items. In the year under review, € 9.6 million was reclassified to profit or loss, reducing the respective cash flow hedge reserve to € 18.7 million.

The main parameters and developments for the cash flow hedge reserve as well as the derivatives were as follows:

Development of Cash Flow Hedge Reserve Taking into Account Deferred Tax

		Development		
in € thousand	**Jan. 1, 2021**	Gross Amount	Deferred Tax	**Dec. 31, 2021**
Cash flow hedge reserve related to three unwound hedging instruments	**28,352**	-9,626	–	**18,726**
Interest rate swap floater (€ 600 million)	**6,826**	-4,700	1,140	**3,266**
Cross-currency swap	**-23,953**	-17,831	4,856	**-36,928**
Corresponding USD bond	**14,180**	17,180	-4,584	**26,776**
Cash flow hedge reserve according to balance sheet	**25,405**	-14,977	1,412	**11,840**

		Development		
in € thousand	**Jan. 1, 2020**	Gross Amount	Deferred Tax	**Dec. 31, 2020**
Cash flow hedge reserve related to three unwound hedging instruments	**37,978**	-9,626	–	**28,352**
Interest rate swap floater (€ 600 million)	**8,657**	-1,955	124	**6,826**
Cross-currency swap	**-31,322**	-8,065	-696	**-23,953**
Corresponding USD bond	**29,576**	-18,866	3,470	**14,180**
Cash flow hedge reserve according to balance sheet	**44,889**	-22,382	2,898	**25,405**

Development of Derivatives

in € thousand				Face-Value	Jan. 1, 2021	Development: Cash Flow Hedge Reserve	Development: Ineffec-tiveness Income Statement	Development: Off-market Loss Income Statement	Development: Re-classi-fication	Dec. 31, 2021
Passive hedge accounting				–	**–**	9,626	–	–	-9,626	**–**
Interest rate swap floater	Mar. 2018	4.75 years	3M EURIBOR	600,000	**-9,102**	4,700	–	–	–	**-4,402**
Cross-currency swap eff.	Oct. 2013	10 years	USD exchange rate	184,592	**31,938**	17,831	–	–	–	**49,769**
Cross-currency swap off-market loss transaction loss					**-13,568**	–	54	-1,051	–	**-14,565**
					18,370	17,831	54	-1,051	–	**35,204**
Market value (clean)				**784,592**	**9,268**	32,157	54	-1,051	-9,626	**30,802**
Accrued interest				–	**289**	–	–	–	–	**490**
Market value (dirty)				–	**9,557**	–	–	–	–	**31,292**

in € thousand				Face-Value	Jan. 1, 2020	Development: Cash Flow Hedge Reserve	Development: Ineffec-tiveness Income Statement	Development: Off-market Loss Income Statement	Development: Re-classi-fication	Dec. 31, 2020
Passive hedge accounting				–	**–**	9,626	–	–	-9,626	**–**
Interest rate swap floater	Mar. 2018	4.75 years	3M EURIBOR	600,000	**-11,057**	1,955	–	–	–	**-9,102**
Cross-currency swap eff.	Oct. 2013	10 years	USD exchange rate	184,592	**40,003**	-8,065	–	–	–	**31,938**
Cross-currency swap off-market transaction loss					**-10,903**	–	-1,672	-993	–	**-13,568**
					29,100	-8,065	-1,672	-993	–	**18,370**
Market value (clean)				**784,592**	**18,043**	3,516	-1,672	-993	-9,626	**9,268**
Accrued interest				–	**545**	–	–	–	–	**289**
Market value (dirty)				–	**18,588**	–	–	–	–	**9,557**

Development of Yankee Bond

in € thousand	Jan. 1, 2021	Development: via Cash Flow Hedge Reserve	Dec. 31, 2021
Yankee bond	**-18,906**	-17,180	**-36,086**

24 Further Information about the Bodies of the Company

The Management Board of Vonovia Finance B.V. consists of two members as of December 31, 2021.

Iwan Oude Roelink
Director of Vonovia Finance B.V.
Chairman of the Management Board

Rick van Dijk
Director of Vonovia Finance B.V

The Management has received remuneration for the 2021 fiscal year amounting to € 194 k for two members of the board (January–December 2020: € 367 k for three members of the board).

The Supervisory Board currently consists of four members.

Helene von Roeder
Chair of Supervisory Board
CFO of Vonovia SE

Simone Schumacher
Head of Accounting, BMW Finance N.V.

Olaf Weber
Head of Finance and Treasury, Vonovia SE

Dr. Fabian Heß
General Counsel of Vonovia SE

The members of the Supervisory Board received remuneration amounting to € 18 k in 2021 (January–December 2020: € 18 k).

The shares of the company entitle the shareholder to voting and profit rights, and the shares are all held by Vonovia SE, the holding company of the Vonovia Group. Vonovia SE is the leading German real estate company in the DAX 30 and a top company in the European real estate market.

25 Subsequent Events

On February 22, 2022, Finance B.V. terminated the loan that was granted on October 7, 2021 by repayment of a bank loan issued to Aggregate Holdings Invest. In the wake of the loan allocation, shares of the Adler Group that were previously held by Aggregate Holdings Invest S.A. were issued as security. As a result, control of 20.5% of the shares in the Adler Group went to Finance B.V. in the course of the debt recovery. Prior to the debt recovery, Finance B.V. had established a fiduciary relationship with Vonovia SE regarding the accrued shares and thereby transferred all rights from the commitment to Vonovia SE.

On February 16, 2022 Prof. Dr. Kirsten became member and new chairman of the Executive Board of Directors at Adler Group S.A.. In order to avoid potential conflicts of interest, he resigned from the Supervisory Board at FINANCE B.V. with immediate effect on the same day.

These days our key financial figures are only secondary. We stand in solidarity with the people of Ukraine. Our thoughts are with the men and women who had to flee their homeland to escape from war, bring their children and grandchildren to safety and save their lives. The Management Board is very pleased with the intention of Vonovia SE to provide apartments quickly and with minimal red tape so that Ukrainians can have peace and safety, and we hope that this senseless war ends soon.

Amsterdam, April 11, 2022

Management Board

Original has been signed by
Iwan Oude Roelink (Chairman)

Original has been signed by
Rick van Dijk

Other Information

Profit Appropriation According to the Articles of Association

The company's Articles of Association, specifically article 19, provide that the profits will be at the disposal of the Annual General Meeting. A resolution to pay out dividends will only be effective upon approval by the Management Board and if the equity exceeds the reserves that are required by law or the Articles of Association. The company can only make distributions to the shareholders and other entitled persons up to an amount that does not exceed the amount of the distributable reserves. The General Meeting may resolve to pay dividends from legally distributable reserves.

The Management Board has proposed to add the net profit of 2021 amounting to € 13,042 k (year ended December 31, 2020: net profit of € 9,177 k) to the other reserves.

Independent Auditor's Report

To: the General Meeting and Supervisory Board of Vonovia Finance B.V.

Report on the audit of the financial statements 2021 included in the financial report

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Vonovia Finance B.V as at December 31, 2021 and of its result and its cash flows 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 financial statements 2021 of Vonovia Finance B.V ("the Company") based in Amsterdam.

The financial statements comprise:

1 Balance Sheet as at December 31, 2021;
2 Income Statement for the Year from January 1 to December 31, 2021;
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 Vonovia Finance B.V in accordance with 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).

Our audit procedures were determined in the context of our audit of the financial statements as a whole. Our observations in respect of going concern, fraud and non-compliance with laws and regulations and key audit matter should be viewed in that context and not as separate opinions or conclusions.

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

Audit approach

Summary

Materiality

> Materiality of EUR 168 million.
> 0.99% of total assets.

Going concern, Fraud/Noclar

> Going concern: no significant going concern risks identified.
> Fraud & Non-compliance with laws and regulations (Noclar): management override of controls, is considered a (presumed) fraud risk.

Key audit matters

> Valuation and existence of the receivables from affiliated companies and shareholder.

Opinion

Unqualified.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 168 million. The materiality is determined with reference to the relevant benchmark total assets (0.99%). We consider total assets as the most appropriate benchmark since it is an asset oriented company, based on our analysis of the common information needs of the stakeholders, of which we believe the shareholders and bondholders to be the most important stakeholders. 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 supervisory board that misstatements identified during our audit in excess of EUR 8.3 million would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Initial audit engagement

Prior to accepting our appointment as auditors of Vonovia Finance B.V. effective 2021, we completed all the necessary steps to become fully independent of Vonovia Finance B.V. After being appointed we developed a comprehensive plan to ensure an effective transition from the predecessor auditor. Our transition activities included, but were not limited to, obtaining an initial understanding of the company and its business, its strategy and business risks, the IT landscape and the financial reporting. We assessed the opening balances and selection and consistent application of the accounting policies by discussing the audit with the predecessor auditor and reviewing their audit file and having inquiries with management on several occasions.

We ensured that our audit teams have the required competencies and skills needed for the audit. We added specialists and specialized team members to our team in the area of valuation, financial instruments and IT.

Audit response to going concern – no significant going concern risks identified

The Management Board performed its going concern assessment, in which amongst others the Company's high dependency of the group and affiliated companies' ability to fulfill its obligations towards the Company was considered. As disclosed in note 1.3 of the financial statements the Management Board did not identify any significant going concern risks. To assess the Management Boards' assessment, we performed, inter alia, the following procedures:

> we considered whether the Management Board's assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit;
> we analysed the Company's financial position as at year-end, and compared it to the previous financial year in terms of indicators that could identify significant going concern risks and considered how management addresses the negative working capital situation.
> we considered whether the outcome of our audit procedures, to determine the valuation of the intercompany loans, as described in the key audit matter on valuation and existence of loans, could indicate a significant going concern risk.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on the Management Boards' going concern assessment.

Audit response to the risk of fraud and non-compliance with laws and regulations

In the Management report, the Management Board describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations. As part of our audit, we have gained insights into the Company and its business environment, and assessed the design and implementation of the Company's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Company's code of conduct, whistleblowing procedures and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with Management Board and those charged with governance. As part of our audit procedures, we:

> assessed other positions held by Management Board members and paid special attention to procedures and compliance in view of possible conflicts of interest.
> considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud or non-compliance.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Company and did not identify any areas with a material effect on the financial statements.

We evaluated the fraud and non-compliance risk factors to consider whether those factors indicate a risk of material misstatement in the financial statements.

We assessed the presumed fraud risk on revenue recognition as irrelevant since the interest income is non-complex and does not require any significant judgement by management and as such no fraud risk has been identified.

Based on the above and on the auditing standards, we identified the following fraud and non-compliance risks that are relevant to our audit, including the relevant presumed risks laid down in the auditing standards, and responded as follows:

Management override of controls (a presumed risk)

Risk:
> Management Board is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Responses:
> We inquired the individuals involved in the financial reporting process and other parties who initiate, authorize, record, process and report transactions, journal entries and other adjustments whether they are aware of inappropriate or unusual and unsupported activity relating to the processing of journal entries and other adjustments.
> We assessed the design and implementation of controls over journal entries and post-closing adjustments.
> We assessed the reasonableness of high-risk manual journal entries, such as post-closing entries, by inspection of the supporting documentation of these journal entries based on our understanding of the business and other audit evidence obtained to evaluate whether such entries are indicative of management override of controls.
> We incorporated elements of unpredictability in our audit, which is performing test of details over the Management Board expenses incurred in the financial year.

Our procedures to address the identified risk of fraud in respect of management override of controls did not result in a key audit matter.

Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Our key audit matter

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 matter to the Management Board. The key audit matter is not a comprehensive reflection of all matters discussed.

Valuation and existence of the receivables from affiliated companies and shareholder

Description

We considered the valuation and existence of the receivables from affiliated companies and shareholder, as disclosed in note 6 to the financial statements for a total amount of €16,690 million to be a key audit matter. The Management Board has to identify and evaluate any objective evidence of impairment, which is inherently judgmental and because of the possible material impact an impairment may have on the financial statements. Furthermore an impairment or non-existence of the receivables from affiliated companies and shareholder may have a material effect on the financial statements. The Management Board monitors the need for changes in the methods, significant assumptions or the data used in making the accounting estimate by monitoring key performance indicators that may indicate unexpected or inconsistent performance.

Our response

We have considered the risk of a material misstatement related to the valuation and existence of the receivables from affiliated companies and shareholder as mentioned above, in planning and performing our audit. Our audit procedures comprised, amongst others:

> We gained an understanding of the internal control environment including the design and implementation of controls with respect to how the Management Board assess the valuation and existence of the receivables from affiliated companies and shareholder by performing a walkthrough, inquiries and inspection of the underlying documentation.
> We requested loan confirmations directly at the affiliated companies and shareholder stating the amount due as per year-end to determine the existence of the loans granted.
> We inspected the Company's accounting policy to ensure its incurred loss approach is in accordance with Dutch GAAP.
> We evaluated the recoverability of the loans to the affiliated companies and shareholder by analysing the financial situation of the affiliated companies and shareholder to which the loans have been provided by analysing current (public) financial data and its ability to repay the loans to the Company.
> Additionally, we inquired and performed a file review with the auditor of the ultimate parent company Vonovia S.E. and determined the appropriateness of the financial information used for our valuation procedures.
> We Assessed the adequacy of the disclosures in the financial statements in respect of Dutch GAAP.

Our observation

The results of our audit procedures relating to the valuation of the receivables from affiliated companies and shareholder were satisfactory and we consider the disclosures related to the receivables from affiliated companies and shareholder in the notes to the financial statements adequate.

Report on the other information included in the financial report

In addition to the financial statements and our auditor's report thereon, the financial report contains other information.

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

> is consistent with the financial statements and does not contain material misstatements; and
> contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and other information.7

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 less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the Supervisory Board as auditor of Vonovia Finance B.V. on 17 November 2021, as of the audit for the year 2021 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 audits of public-interest entities.

European Single Electronic Format (ESEF)

The Company has prepared its annual report in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in the XHTML format, including the financial statements of the Company has been prepared in all material respects in accordance with the RTS on ESEF.

The Management Board is responsible for preparing the annual report including the financial statements, in accordance with the RTS on ESEF. Our responsibility is to obtain reasonable assurance for our opinion whether the annual report is in accordance with the RTS on ESEF.

Our procedures taking into consideration Alert 43 of NBA (the Netherlands Institute of Chartered Accountants), included amongst others:

> obtaining an understanding of the entity's financial reporting process, including the preparation of the annual financial report in the XHTML- format;
> examining whether the annual report in the XHTML-format is in accordance with the RTS on ESEF.

Description of responsibilities regarding the financial statements

Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board 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, the Management Board 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. In that respect the Management Board under supervision of the Supervisory Board is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

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

The Supervisory board 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 engagement 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.

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.

A further description of our responsibilities for the audit of the financial statements is located at the website of de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at eng_oob_01.pdf (nba.nl). This description forms part of our auditor's report.

Zwolle, April 11, 2022

KPMG Accountants N.V.

Original has been signed by
Jan Jaap van den Berg RA

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