Financial Report 2020

Vonovia Finance B.V., Amsterdam

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Supervisory Board Report 2020

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 five members. Three members are also representatives of the sole shareholder, while the other members are external SVB members. All external SVB members are independent in accordance with the Corporate Governance Code and the SVB Rules of Procedure.

Prof. Dr. A. Stefan Kirsten, 60, male, Chairman
(former CFO of Vonovia SE)

Helene von Roeder, 50, female, Vice-Chairman
(CFO of Vonovia SE)

Simone Schumacher, 38, female
(Head of Accounting BMW Finance N.V.)

Olaf Weber, 48, male
(Head of Finance and Treasury of Vonovia SE)

Dr. Fabian Heß, 46, male
(General Counsel of Vonovia SE)

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 three meetings during the year. On March 3, 2020, a conference call was held to discuss the 2019 draft financial statements, which were consequently pre-approved.

The two following meetings were also held as conference calls due to COVID-19 restrictions – one on April 1, 2020, and one on September 9, 2020. During these meetings, the following items, among others, were discussed:

> Operational business and performance up to December 31, 2019, and June 30, 2020
> Financial strategy of the company
> Board report 2019 and audit plan 2019 of the independent auditor
> Internal audit of the company
> Digital issuance of registered notes based on blockchain technology
> Recruiting
> Bilateral APA filing request
> Outlook 2020 / 2021 on liquidity, tax, and corporate governance

Every board member joined the conference calls for all three meetings. The external independent auditor attended the conference call on April 1, 2020.

During two SVB-only meetings (without the Management Board) held via conference call on April 1, 2020, and September 9, 2020, 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 2020, 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.

In May 2020, Thorsten Arsan informed the Supervisory Board that he had decided to take an opportunity outside the Vonovia Group and thus resigned from his position as Managing Director of FINANCE B.V. during the course of the year.

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 large volume of secured structured financing this year. Moreover, the SVB is satisfied with how the company has managed the COVID-19 restrictions.

Amsterdam, March 8, 2021

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Prof. Dr. A. Stefan Kirsten (Chairman)

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Management Report 2020

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 a long-term credit rating of BBB+ (investment-grade rating) for Vonovia SE from Standard & Poor's (S&P), the company has good access to international capital markets at affordable conditions, which ensures sufficient liquidity at all times. The senior unsecured bonds share the same BBB+ investment-grade rating as Vonovia SE. The hybrid bond has a regular rating two notches lower at BBB-. The short-term credit rating of A-2 from S&P has been confirmed.

On December 13, 2019, Vonovia SE also received a long-term credit rating of A- from the European rating agency Scope, which was confirmed again on August 17, 2020. This rating is one notch better than the BBB+ rating from S&P.

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. The company has entered into an advance pricing agreement (APA) with the Dutch tax authorities for the period until December 31, 2020. In addition, FINANCE B.V. filed for a Dutch-German bilateral Advance Pricing Agreement (BAPA) in 2019 in order to mitigate the future risk of double taxation for the years 2018–2020 with a rollback for the years 2016–2017. 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 a qualified monitoring of the financing activities.

The Vonovia Group's broad access to the 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 hybrids. 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 allows the company to raise funds on relatively short notice without significant administrative efforts. The EMTN Program with a total issuance volume of € 20.0 billion is updated annually, and the corresponding base prospectus is supplemented each time new material information becomes available. The most recent update was on March 26, 2020. Each update and supplement of the program is 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. The total utilization of the EMTN Program issuance volume is € 15,300 million as of December 31, 2020.

The table below shows all the outstanding bonds as of December 31, 2020:

Bond Program/Type	#	Notional Amount in € million	Avg. Coupon	Rem. Term (y)
USD-bond	1	185	4.580%	2.8
Hybrid	1	1,000	4.000%	1.0
EMTN fix	26	14,700	1.444%	6.0
EMTN floating	1	600	0.450%	2.0
Total	**29**	**16,485**	**1.598%**	**5.5**

As of December 31, 2020, FINANCE B.V. has a total indebtedness of € 16,485 million related to the bond program, not including commercial papers and loans, which has been on-lent to Vonovia Group entities. The average coupon is 1.598% and the average maturity is 5.5 years.

The maturity for the € 1,000 million hybrid bond is based on the first opt-out date on December 17, 2021.

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

In the meantime, FINANCE B.V. has established itself as one of the most frequent bond issuers globally. Between 2013 and 2020, the annual average bond volume issued amounted to around € 2,725 million, which represents the 16th–largest issuer of the top 20 euro-investment-grade-ranked companies worldwide – as calculated by Dealogic as of January 5, 2021. With bond issuances throughout the 2020 fiscal year in the amount of € 2,700 million, FINANCE B.V. has successfully continued to take advantage of its strong positioning in the debt capital markets, even in times of increased economic uncertainty.

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. As of December 31, 2020, FINANCE B.V. has € 1,102 million of loans outstanding.

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The table below shows all the outstanding loans as of December 31, 2020:

Lender	Collateral	Notional Amount in € million	Coupon	Rem. Term (y)
M.M. Warburg & Co	unsecured	50	0.290%	5.7
Commerzbank AG	secured	168	0.540%	8.7
Landesbank Baden-Württemberg	secured	300	0.677%	9.1
ING-DiBa AG	secured	100	0.864%	9.2
Berliner Sparkasse	secured	100	0.841%	9.2
Berlin Hyp	secured	184	0.780%	9.5
Commerzbank AG	secured	200	0.500%	6.9
Total		**1,102**	**0.655%**	**8.6**

Commercial Papers

In order to complement these bonds and loans with maturities of one year and longer, a debt instrument with a maturity of less than a year has been launched. In 2017, a commercial paper program was established and currently has a volume of € 1,000 million. The commercial papers are sold via the company's dealer banks. The ultimate owners of these papers are large European companies with short-term excess cash.

The program has been very successful, since FINANCE B.V. receives more than it needs to repay due to the negative interest rate. The last tranches had a yield to maturity of negative 23 basis points. During the 2020 fiscal year, FINANCE B.V. received € 111 k as interest income due to the commercial paper program. At the beginning of 2020, € 300 million was outstanding under the program and was paid back on February 28, 2020. As of December 31, 2020, FINANCE B.V. has no short-term debt instruments outstanding.

Operations During the Period

On January 23, 2020, the company received the final report from the Dutch tax authorities confirming the good standing of the company in regard to the unilateral APA for the years 2016–2019.

On February 6, 2020, the company issued € 200 million and increased the nominal amount of bond 018B from an initial € 500 million to the present € 700 million via a tap. The original maturity date (March 22, 2026) and original coupon rate (1.500%) remain unchanged. The re-offer yield of the tap was 51bps and the new issue price was 105.9%, which resulted in issue proceeds of € 211.9 million.

On February 17, 2020, FINANCE B.V. signed a new credit agreement with LBBW for an amount of € 300 million. This secured loan has a maturity of ten years and a coupon rate of 0.677%.

These funds were used to repay the outstanding amount of € 300 million under the commercial paper program on February 28, 2020.

On March 2, 2020, FINANCE B.V. entered into a secured structured financing with ING-DiBa AG for an amount of € 100 million. The interest rate of the loan is 0.864% with a tenor of ten years.

On March 26, 2020, the company entered into another secured structured financing with Berliner Sparkasse for an amount of € 100 million. The interest rate of the loan is 0.841% with a tenor of ten years.

These funds were used to partially repay the remaining amount of € 301 million of bond 009A on March 30, 2020, which was tendered in September 2019 as part of the company's liability management exercise.

On April 7, 2020, the company issued a € 1,000 million dual-tranche under the EMTN Program. Bond 023A with a total volume of € 500 million has a coupon of 1.625% and a tenor of four years. Bond 023B with a total volume of € 500 million has a coupon of 2.250% and a tenor of ten years. The average re-offer yield of the issuance was 2.022%.

These funds have been used to refinance a secured loan, to acquire a 2.6% stake in Vesteda Residential Fund, and to increase Group's liquidity. Vesteda was acquired by Deutsche Annington Acquisition Holding GmbH.

On July 9, 2020, the company issued a € 1,500 million dual-tranche under the EMTN Program. Bond 024A with a total volume of € 750 million has a coupon of 0.625% and a tenor of six years. Bond 024B with a total volume of € 750 million has a coupon of 1.000% and a tenor of ten years. The average re-offer yield of the issuance was 0.883%.

These funds have been used mainly to refinance secured loans of the Group's companies Hembla and Victoria Park worth a total of € 1,300 million.

On July 9, 2020, the company entered into a secured structured financing with Berlin Hyp for an amount of € 184 million. The interest rate of the loan is 0.78% at a tenor of 10 years.

On July 22, 2020, S&P affirmed the BBB+ rating for Vonovia SE with a stable outlook and simultaneously improved the business risk profile from "strong" to "excellent." The rating improvement was driven by the robustness and resilience of the Group's business.

On September 30, 2020, the company's existing € 1,000 million revolving capital facility was extended by one year from October 2021 to October 2022.

On November 26, 2020, the company entered into another secured structured financing with Commerzbank AG for an amount of € 200 million. The interest rate of the loan is 0.50% at a tenor of 7 years.

On December 3, 2020, the company entered into another secured structured financing with Berlin Hyp for an amount of € 200 million. The interest rate of the loan is 0.75% at a tenor of 10 years.

The proceeds from the latest secured structured financing guarantee the implementation of upcoming modernization and development projects.

On December 15, 2020, the remaining amount of € 752 million of bond 010B was repaid by means of the proceeds from the capital increase by Vonovia SE.

On January 20, 2021, the company issued bond 025 under the EMTN Program with a total volume of € 500 million. The bond has a coupon of 1.000% and a tenor of 20 years. In this transaction, two banks have offered a guaranteed re-offer spread to secure the deal. The all-in price was 96.255%.

Since Thorsten Arsan left the company and resigned from his position as managing director as of October 31, 2020, the company has five employees in total as per December 31, 2020, compared to six employees as of December 31, 2019.

Financial Result

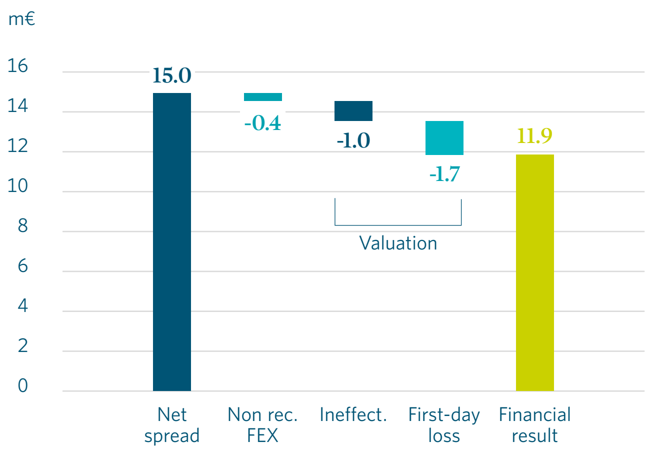
FINANCE B.V. closed the 2020 fiscal year with a net income of € 9.2 million, which was essentially driven by the normal course of business. The company has earned a reasonable income of € 48.2 million from the margin between the interest incurred on borrowing and interest earned from lending.

After subtracting € 21.4 million of amortized finance expenses, € 9.6 million of amortized "frozen" OCI from the termination of several pre-hedges and € 2.2 million in swap effects, the net spread is € 15.0 million.

Below is the reconciliation of the amounts between the gross to net spread calculation as well as the interest income and expenses as mentioned in Note 14 of the profit and loss statement:

Interest and Similar Income and Expenses (see note 14 P&L) in € thousand	**Gross Spread**	Swaps	Financial Expenses	Amort. Frozen OCI – Prehedges	Amort. Frozen Ineffectiveness – Prehedges	**Net Spread**
Interest income from affiliates/shareholder	319,323	–	–	–	–	319,323
Interest income from third parties	–	11,052	–	–	767	11,819
						331,142
Interest expenses from EMTN bonds	-213,248	–	–	–	–	-213,248
Interest expenses hybrid bond (perpetual)	-40,004	–	–	–	–	-40,004
Interest expenses from USD-bond	-10,801	–	–	–	–	-10,801
Interest expenses from secured financings	-4,764	–	–	–	–	-4,764
Interest expenses from term loan	-2,272	–	–	–	–	-2,272
Interest expenses from swaps	–	-13,327	–	–	–	-13,327
Interest expenses from liquidation forward swaps	–	–	–	-9,626	-767	-10,393
Other interest expenses to third parties	–	–	-21,357	–	–	-21,357
						-316,167
Total	**48,233**	**-2,275**	**-21,357**	**-9,626**	**–**	**14,975**

The picture below shows the bridge between the net spread and the financial result. The non-recoverable financial expenses relate mainly to the yearly update of the EMTN-Program. The valuation effects result from ineffectiveness from the hedge accounting methodology in the amount of negative € 1.0 million and from the first-day loss of the CCS in the amount of € 1.7 million.



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

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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 under www.vonovia.de.

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 guarantor for the 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 rating of Vonovia SE, both risks are under control.

Internal Audit

On May 28, 2020, the internal audit for FINANCE B.V. began. Due to global pandemic outbreak, the audit was performed remotely. The focus was on the internal processes of initiating loans and issuing bonds. The audit was successfully completed in July 2020.

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The table below 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	Medium	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 fianancing 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

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 expected credit 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 increased once again. The performance and cash-flows of the business have remained in line wih the budget so that Vonovia was able to reaffirm the 2020 guidance for capital markets. On this basis, FINANCE B.V. and Vonovia SE are able to perform any upcoming debt servicing. Furthermore, the Vonovia Group has demonstrated with its current business model and performance that debt capital markets are wide and deep enough to issue bonds with a magnitude of € 2,700 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 2020.

FINANCE B.V. carefully manages its credit risks and subjects all 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 long-term impact on the company's business and financial results. The scale and duration of the pandemic remain uncertain.

Outlook

FINANCE B.V.'s financing depends on the conditions of the capital markets, which are expected to remain very favorable for the first half of 2021 with generally low risk-free rates and risk spreads that are trading at all-time lows after a temporary spike in Q2 of 2020 due to the outbreak of the pandemic. Unsecured financing rates have become increasingly attractive with short and medium term secured-unsecured spread differentials widening to as much as 50bps with unsecured spreads lower than secured ones for all tenors up to 10 years.

At its most recent policy meeting in December 2020, the European Central Bank (ECB) confirmed its continuation of accommodative policy measures by keeping its main interest rates for refinancing operations and the deposit facility unchanged for the foreseeable future at record low levels of 0.00% and -0.25%, respectively. At the same meeting, the ECB reaffirmed its monetary stimulus program of monthly net purchases of € 20.0 billion beyond a future date of interest rate hikes while also reaffirming its stance that a low interest rate environment in the Eurozone is likely to persist.

In response to the sharp decline in economic activity following the outbreak of the pandemic in 2020, the ECB initiated the pandemic emergency purchase program (PEPP). In its final meeting of the year, the Board approved an increase of the funds made available under the PEPP of € 500,000 million to a total aid-package of € 1,850,000 million. In case the crisis phase proves likely to go beyond 2021, the ECB has prolonged its possibilities for such purchases to at least the end of March 2022. Reinvestments of principal payments of maturing securities under the PEPP have been extended to at least the end of 2023. In addition, PELTRO, the pandemic emergency longer-term refinancing operation, was introduced for 2021 to further bolster market liquidity.

TLTRO III, the third round of the original targeted longer-term financing operations, has also been extended, including more favorable terms for counterparties until 2022.

As the new president of the ECB, Ms. Christine Lagarde is continuing to pursue the same monetary policies as her predecessor, Mr. Mario Draghi. In her first speech in November 2019, she also stressed the importance of fiscal policy to complement the ECB's ultra-loose monetary policy.

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The extraordinary policy measures by the ECB should keep interest rates negative in a large part of the fixed income market until the inflation outlook is sufficiently close to the target of just below 2.0%. FINANCE B.V. therefore expects interest rates to remain suppressed at low levels until at least the end of 2021.

Leaving the impact from valuation effects aside, the Management Board expects a positive result for 2021 based on the profit margin from the normal course of business.

As of January 1, 2013, a new law on management and supervision (Wet Bestuur en Toezicht) came into effect in the Netherlands. The purpose of this law is to attain a balance of men and women (at least 30% of each gender) on the board of directors and supervisory board of large entities (as defined in said law). 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 men/women rate of the Supervisory Board is more than 30%.

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 resolved 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.

Impact of COVID-19 on the company's business

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 in order to contain the virus have had a limited impact on the company's business and financial results in 2020.

At this stage, the impact of the pandemic 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. However, it is too early to predict the long-term impact on the company's business and financial results. The scale and duration of the pandemic remain uncertain.

The Management Board is confident that FINANCE B.V. manages through these challenging times with ongoing operations while keeping its people safe, its environment protected and its company strong. During the financial year 2020, 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.

Amsterdam, March 8, 2021

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, 2020, 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, March 8, 2021

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Financial Statements

Balance Sheet as of December 31, 2020

(before distribution of profit/loss)

in € thousand	Note	Dec. 31, 2019 Audited	Dec. 31, 2020 Audited
Assets			
Fixed assets			
Tangible fixed assets	5	5	2
Financial fixed assets			
Receivables from affiliated companies and shareholder	6	15,212,462	17,445,922
Receivables from derivatives	23	29,100	18,370
Deferred tax assets	7	4,269	2,398
		15,245,836	**17,466,692**
Current assets			
Financial current assets			
Receivables from affiliated companies and shareholder	6	218,937	261,756
Receivables from derivatives		664	424
Other assets	8	373	1,327
Cash and cash equivalents	9	0	0
		219,974	**263,507**
Total assets		**15,465,810**	**17,730,199**

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in € thousand	Note	Dec. 31, 2019 Audited	Dec. 31, 2020 Audited
Equity and Liabilities			
Equity			
Subscribed capital		18	18
Share premium reserve		100,000	100,000
Cash flow hedge reserve	23	-44,889	-25,405
Other reserves		17,182	26,044
Unappropriated profit		8,862	9,177
Total shareholder's equity	10	81,173	109,834
Long-term liabilities			
Liabilities to banks	11	217,899	1,100,622
Bonds	12	12,714,111	14,899,106
Hybrid bond	10/12	996,690	-
Derivative financial liabilities	23	11,057	9,102
		13,939,757	16,008,830
Current liabilities			
Bonds	12	1,051,226	499,539
Hybrid bond	10/12	–	998,328
Commercial papers	12	300,000	-
Liabilities from affiliated companies	6	–	236
Accrued liabilities	13	93,485	112,828
Other liabilities	13	169	604
		1,444,880	1,611,535
Total equity and liabilities		**15,465,810**	**17,730,199**

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Income Statement for the Year from January 1 to December 31, 2020

in € thousand	Note	Jan.–Dec. 2019 Audited	Jan.–Dec. 2020 Audited
Income			
Interest and similar income	14	330,410	331,142
Expenses			
Interest and similar expenses	14	-317,033	-319,250
Financial result		**13,377**	**11,892**
Other operating income	15	37	0
Personnel expenses	16	-559	-645
Depreciation of tangible fixed assets	17	-6	-3
Other operating expenses	19	-367	-329
Total expenses		**-932**	**-977**
Profit before taxation		**12,482**	**10,915**
Income taxation	20	-3,620	-1,738
Profit for the year		**8,862**	**9,177**

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Statement of Cash Flows for the Year from January 1 to December 31, 2020

in € thousand	Note	Jan.–Dec. 2019 Audited	Jan.–Dec. 2020 Audited
Profit for the year		8,862	9,177
Cash flows from operating activities			
Adjustments for:			
Cash flow hedge reserve		12,970	19,485
Bonds (long-term liabilities)	12	1,239,478	2,184,996
Liabilities to banks	11	217,899	882,724
Bonds and commercial papers (current liabilities)	12	-868,300	-851,686
Hybrid (perpetual)	10/12	1,470	1,638
Receivables to affiliated companies and shareholder	6	-581,711	-2,276,278
Derivative financial instruments	23	-9,903	9,015
Deferred tax assets	7	2,045	1,871
Other assets	8	-72	-954
Accrued liabilities	13	-22,836	19,344
Liabilities from affiliated companies	13	–	236
Other liabilities	13	103	435
Net cash used in operating activities		-8,857	-9,174
		5	3
Cash flows from investing activities			
Tangible fixed assets	5	-6	-3
Net cash used in investing activities		-6	-3
Cash flows from financing activities			
Capital contributions	10	–	–
Net cash generated from financing activities		–	-
Net increase/(decrease) in cash and cash equivalents		-1	0
		-1	0
Movements in cash and cash equivalents can be broken down as follows:			
Balance as of January 1		1	0
Movement during the year		-1	-
Balance as of December 31		0	0

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Notes to the Financial Statements 2020

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 through a 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.

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 a long-term credit rating of BBB+ (investment-grade rating) for Vonovia SE from Standard & Poor's (S&P), the company has excellent access to international capital markets at affordable conditions, which ensures sufficient liquidity at all times. The unsecured and unsubordinated bonds share the same BBB+ investment-grade rating as Vonovia SE. The hybrid bond has a regular rating two notches lower at BBB-. The short-term credit rating of A-2 by S&P has been confirmed. The most recent confirmation of the rating from S&P is from July 22, 2020. That, combined with the Vonovia SE unlimited and unconditional guarantee, should be considered the basis for FINANCE B.V.'s activities on the international debt markets.

On December 13, 2019 Vonovia SE obtained a long-term credit rating A- from the European rating agency Scope, which corresponds to a rating one notch higher than the S&P rating, for the first time.

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 immediate parent company of FINANCE B.V. The decision has been made to merge FINANCE B.V. into Vonovia SE in 2021. The financial statements of FINANCE B.V. 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 company generated a net profit of € 9,177 k for the year from January 1 to December 31, 2020 (January 1 to December 31, 2019: € 8,862 k) which, together with the negative hedge reserve, resulted in net equity of € 109,834 k (December 31, 2019: € 81,173 k) for the shareholder's equity. Including the hybrid bond of € 998,328 k (December 31, 2019: € 996,690 k), the total capital base had a value of € 1,108,162 k (December 31, 2019: € 1,077,863 k).

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 short-term bonds have also been offset by the receivables of the affiliated companies, which are, however, generally recognized as long-term receivables. In addition, the repayment of bonds, loans, or commercial papers can be refinanced at any time by the addition of new bonds, loans- or commercial papers. Based on that, FINANCE B.V. will achieve a reasonable profit under these circumstances. Finally, FINANCE B.V. is supported by the unconditional and unlimited guarantee of Vonovia SE. The accounts have therefore been prepared based upon the going concern principle.

1.3.1 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 expected credit 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 increased once again. The performance and cash-flows of the business have remained in line with the budget such that Vonovia was able to reaffirm the 2020 guidance for capital markets. On this basis, FINANCE B.V. and Vonovia SE are able to perform any upcoming debt-services. Furthermore, the Vonovia Group has demon-

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strated with its current business model and performance that debt capital markets are wide and deep enough to issue bonds with a magnitude of € 2,700 million. In addition, FINANCE B.V. gets six contracts of secured loans from miscellaneous bank companies in 2020.

FINANCE B.V. carefully manages its credit risks and subjects all its counterparties to stringent creditworthiness tests. The company continuously monitors their financial strengths to adequately respond to any situational change. To date, the company has no collectability issues from counterparties. None of the Group's affiliates are -and have been- in a default position and there are neither indications to date that this will occur. In addition, the company's liquidity position remained strong during 2020, which is also supported by the credit rating review of Vonovia SE in July 2020 where S&P reconfirmed the rating of BBB+. While uncertainties remain, it is currently not reasonably possible to estimate the future impact. Whilst uncertain, the company does not believe that the impact of the COVID-19 virus would have a material adverse effect on its financial condition or liquidity.

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 as a related party. 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.

Significant and/or material transactions between the company and related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. 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 predominately 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 art. 2:360 part. 1 DCC of the Dutch Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the Financial Statement items in question.

Unless explained otherwise, the estimates made by the management in preparing the 2020 financial statements are similar to those used in the financial statements 2019.

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. Interest paid and received and income taxes are included in cash from operating activities. The changes of tangible fixed assets were settled in the cash flow from investing activities. Transactions not resulting in cash inflow or outflow are not recognized in the statement of cash flows.

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.

2 Principles of Valuation for Assets and Liabilities

2.1 General

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.

The financial statements are denominated in euros.

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.

2.2 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 euro.

Transactions, Receivables, and Liabilities

Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate prevailing on 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 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 at the dates of the transactions.

Translation differences on non-monetary assets such as equities held at fair value through profit or loss are recognized through profit or loss as part of the fair value gain or loss.

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, 2020, was fixed at 1.2271 and as of December 31, 2019, was fixed at 1.1234. The company applies cash flow hedging for derivative financial instruments that meet certain criteria. Refer to note 2.14.

2.3 Tangible Fixed Assets

Tangible fixed 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.

2.4 Financial Fixed Assets

Loans, Particularly Loans to Affiliated Companies

Loans and receivables to Group companies with an original term of more than one year are treated as financial fixed 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.

2.5 Impairment of Fixed Asset

On each balance sheet date, the company tests whether there are any indications of tangible fixed 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 at 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 is reversed. The amount of the reversal will be recognized through profit or loss.

2.6 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.

2.7 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 gains 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.

2.8 Cash and Cash Equivalents

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

2.9 Equity

When FINANCE B.V. purchases shares, the consideration paid is deducted from equity (other reserves or any other reserve, if the articles of association allow so) until the shares are canceled or reissued. Where such shares are subsequently reissued, any consideration received is included in equity (other reserves or any other reserve). The consideration received will be added to the reserve from which the purchase price has been deducted earlier.

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.

2.10 Long-term 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 led to an altered subsequent measurement. All long-term 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 and subsequently at amortized cost net of transaction costs. Released transaction costs led to an altered subsequent measurement. All long-term 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 long-term debts.

2.11 Current Liabilities

Short-term 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 and Commercial Papers

The bonds and the commercial papers are initially recognized at fair value and subsequently valued at amortized cost net of transaction costs. All short-term amounts payable from bonds or commercial papers within one year are disclosed under current liabilities. This specifically includes, accrued interest.

Accrued Liabilities

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

Other Liabilities

On 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 long-term debts.

Current and Deferred Income Tax

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

2.12 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. The 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.

2.13 Provisions

Provisions are recognized for legally enforceable or constructive obligations existing as of the balance sheet date, the settlement of which is probable 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.

2.14 Financial Instruments

Securities included in fixed and current assets as well as liabilities and derivative financial instruments are initially and subsequently measured at fair value. The company applies 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 at the inception of the transaction. The company also tests its assessment, both at 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 prospective 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, future cash flows are calculated and then discounted. 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

Revenue from 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 recognized on a time pro rata basis, taking into account the effective interest rate of the assets and liabilities concerned. When recognizing the interest charges, the transaction cost on the loans received is taken into account.

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 valued at the realizable value.

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Gains and losses upon the sale of tangible fixed 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.

3.6 Depreciation of Tangible Fixed Assets

Tangible fixed 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 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 the 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 and control management system. The risk of default arising from financial assets and derivative financial instruments involves the risk of default by counterparties. 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 long-term 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.

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4.4 Price Risk

FINANCE B.V. incurs risk regarding the valuation of financial instruments disclosed under fixed 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 2020 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 cash flow from operating activities is determined from the profit for the period using the indirect method. The long-term liabilities were mainly increased by the issue of a tap-bond and four new bonds. Five new loans served to increase liabilities to banks in 2020 as well. Current liabilities particularly bonds and commercial papers, decreased because bond 009A, bond 010B and the commercial papers were paid back. However, receivables to affiliated companies and the shareholder increased because the addition was higher than the repayment of the loans to the -Vonovia Group companies. Liabilities from cash pooling with Vonovia SE were increased by the repayment of the commercial papers since the end of February 2020.

Changes in tangible fixed assets were settled in the cash flow from investing activities. There were no capital increases in 2020, resulting in a cash flow from financing activities of zero.

5 Tangible Fixed Assets

Tangible fixed assets comprise office equipment and computer hardware, subject to depreciation.

in € thousand	Dec. 31, 2019 Audited	Dec. 31, 2020 Audited
Acquisition cost as of January 1	34	34
Additions during the year	–	–
Disposals during the year	–	–
Acquisition cost as of December 31	34	34
Accumulated depreciation as of January 1	23	29
Depreciation for the year	6	3
Accumulated depreciation disposals	–	–
Accumulated depreciation as of December 31	29	32
Total book value	**5**	**2**

6 Receivables from Affiliated Companies and Shareholder

Receivables from affiliated companies are related to Group financing. The receivables from intercompany loans bear an average interest rate, as of December 31, 2020, of 1.6779% for EMTNs, Yankee, and commercial papers (as of December 31, 2019: 1.7542%) and 4.2328% for the perpetual hybrid (as of December 31, 2019, 4.2536%), and the contracts have an unlimited term; therefore, all intercompany loans are unsecured, long-term loans. In addition, there are receivables from the cash pool agreement with Vonovia SE as of December 31, 2020. These bear interest at EONIA -0.25% (December 31, 2019: 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 € 200 million in February, 2020 and increased the nominal amount of bond 018B from an initial € 500 million to the present € 700 million via a tap, as well as € 1,000 million in April 2020 and € 1,500 million in July 2020, and passed the liquidity on to the Vonovia Group, using it for more intercompany loans. 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.

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As of the balance sheet date, no fixed assets were subject to impairments.

in € thousand	Dec. 31, 2019 Audited	Dec. 31, 2020 Audited
Vonovia SE	8,545,698	11,199,288
Deutsche Annington Acquisition Holding GmbH	–	1,361,857
Deutsche Annington Beteiligungsverwaltungs GmbH	881,944	752,387
Gagfah GmbH	659,849	556,318
Südost Woba Dresden GmbH	565,350	389,508
Süddeutsche Wohnen GmbH	649,330	341,148
Wohnungsgesellschaft Norden mbH	297,099	297,099
Wohnbau Nordwest GmbH	478,460	228,914
Deutsche Annington Holdings Eins GmbH	221,437	201,437
Gagfah Erste Grundbesitz GmbH	194,530	194,530
Kieler Wohnungsbaugesellschaft mbH	204,265	174,265
Bremische Ges. f. Stadtern.-entw. & Wohnungsbau mbH	163,847	163,847
Wohnungsbau Niedersachsen GmbH	235,573	137,314
Beamten Baugesellschaft Bremen GmbH	121,550	121,550
Deutsche Annington Holdings Zwei GmbH	119,952	114,833
Prima Wohnbauten Privatisierungs-Management GmbH	136,259	113,268
DA DMB Netherlands B.V.	116,337	106,773
DAIG 1. Objektgesellschaft mbH	78,036	78,036
Gagfah M Immobilien-Management GmbH	76,299	76,299
Osnabrücker Wohnungsbauges. mbH	98,204	74,003
Deutsche Annington Wohnungsgesellschaft IV GmbH & Co. KG	62,953	62,953
Deutsche Annington Rhein-Ruhr GmbH & Co. KG	99,012	61,422
Vonovia Immobilienmanagement one GmbH	122,519	60,382
Gagfah Acquisition 1 GmbH	93,399	55,290
Vonovia Elbe Wohnen GmbH	67,472	54,980
Bundesbahn-Wohnungsbauge. Kassel GmbH	47,268	47,268
Deutsche Annington Wohnungsgesellschaft I mbH	66,253	39,811
DAIG 9. Objektgesellschaft B.V.	50,068	35,203
DAIG 21. Objektgesellschaft B.V.	27,831	27,831
GBH Acquisition GmbH	136,246	26,246
Gagfah Acquisition 2 GmbH	33,495	25,995
DAIG 20. Objektgesellschaft B.V.	26,322	24,877
Deutsche Annington Heimbau GmbH	24,921	23,288
DAIG 13: Objektgesellschaft B.V.	24,635	22,552
DAIG 19. Objektgesellschaft B.V.	21,404	21,404
DAIG 2. Objektgesellschaft mbH	20,896	18,896
Vonovia Immobilienmanagment two GmbH	18,781	18,781
DAIG 4. Objektgesellschaft mbH	19,109	17,109
Deutsche Annington DMB Eins GmbH	21,547	16,639
DAIG. 22. Objektgesellschaft B.V.	14,475	14,475
DAIG 10. Objektgesellschaft B.V.	12,078	12,078
DAIG 11. Objektgesellschaft B.V.	19,909	11,552
DAIG 3. Objektgesellschaft mbH	11,061	11,061
Siege Siedlungsgesellschaft mbH Mainz	84,135	9,720

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in € thousand	Dec. 31, 2019 Audited	Dec. 31, 2020 Audited
DAIG 24. Objektgesellschaft B.V.	9,167	9,167
DAIG 23. Objektgesellschaft B.V.	7,979	7,979
DAIG 17. Objektgesellschaft B.V.	6,322	6,322
NILEG Norddeutsche Immobiliengesellschaft mbH	103,335	5,987
Börsenhof A Besitz GmbH	5,649	5,649
DAIG 18. Objektgesellschaft B.V.	4,534	4,534
Liegenschaften Weissig GmbH	2,971	2,184
DAIG. 25. Objektgesellschaft B.V.	1,071	1,071
Woba Dresden GmbH	542	542
Eisenbahn-Wohnungsbauges. Karlsruhe GmbH	100,139	-
DAIG 12. Objektgesellschaft mbH	945	-
Total (long-term)	**15,212,462**	**17,445,922**
Vonovia SE cash pooling (current)	218,937	261,756
Total (long-term and current)	**15,431,399**	**17,707,678**

The fair value of the receivables from affiliated companies and shareholder is € 1,372 million higher than amortized cost due to the decrease of the market interest rate (December 31, 2019: € 1,335 million higher).

Long-Term Loans to Affiliated Companies and Shareholder

in € thousand	2019 Audited	2020 Audited
Balance as of January 1	14,636,498	**15,212,462**
Additions	6,578,768	4,015,448
Terminations	-	-
Repayments during the year	-6,002,804	-1,781,988
Balance as of December 31	**15,212,462**	**17,445,922**

7 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 long-term nature. The deferred tax assets are mainly based on the Yankee bond and the cross-currency swap for this bond. All the instruments are long-term.

The previously planned corporate tax rate decrease to 21.7% was cancelled in September 2020. Instead, the corporate tax rate remains at 25%. For taxable income up to € 200 k, a tax rate of only 16.5% is applicable. In 2021, this rate will decrease to 15% and the bracket will increase up to € 245 k (€ 395 k in 2022). The calculation of DTA for 2020 is based on 25%.

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

Deferred Tax Assets

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

in € thousand	Cross-Currency Swap	Floater	Yankee Bonds	Other	**Total**
As of January 1, 2019 -Audited-	**-3,922**	**1,861**	**8,374**	**–**	**6,313**
Addition during the period	–	–	–	–	–
Change recognized in fair value movement in deferred taxes on derivative financial instruments	-2,392	526	-178	–	-2,044
As of December 31, 2019 -Audited-	**-6,314**	**2,387**	**8,196**	**–**	**4,269**

8 Other Assets

The other assets in the amount of € 1,327 k (December 31, 2019: € 373 k) pertain to prepaid invoices with € 993 k and receivables for taxes on income with € 334 k. The fair value of the other assets approximates the book value.

9 Cash and Cash Equivalents

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

10 Shareholder's Equity

The authorized share capital of FINANCE B.V. amounts to € 18 k (2019: € 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 € 9,177 k (year ended December 31, 2019: net profit € 8,862 k) to the other reserves.

Presentation of the Hybrid Bond

In 2014, FINANCE B.V. issued a hybrid bond with a nominal volume of € 1,000 million. This subordinated loan is subordinated to all other liabilities. The hybrid bond has an unlimited duration and can only be terminated by FINANCE B.V. on certain contractually fixed dates or for certain contractually fixed purposes. Up until the first termination date in December 2021, the hybrid bond will bear interest at a rate of 4.0% p.a. The Finance Department of Vonovia Group and FINANCE B.V. intend to make use of the first issuer call option on the first termination date. The classification on the balance sheet as of December 31, 2020 and the reclassification from long-term liabilities to current liabilities compared to prior year reflects this intention. If FINANCE B.V. does not exercise its termination right at this point, the interest rate that will apply until the next termination date in December 2026 will correspond to the five-year swap rate plus a margin of 339 basis points. The markup will increase by 25 basis points as of December 2026 and by another 75 basis points as of December 2041. The agreements reached allow interest payments to be suspended. Suspended interest payments shall not bear interest.

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. Accrued liabilities in the amount of € 1,644 k on the hybrid bond are shown under "Accrued Liabilities" (Note 13).

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Statement of Changes in Capital Base

in € thousand	Subscribed Capital	Share Premium Reserve	Cash Flow Hedge Reserve	Other Reserves	Unappro-priated Profit/Loss	**Total Share-holders' Equity**	Hybrid Bond	**Total Capital Base**
As of January 1, 2020 -Audited-	**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 -Audited-	**18**	**100,000**	**-25,405**	**26,044**	**9,177**	**109,834**	**998,328**	**1,108,162**

in € thousand	Subscribed Capital	Share Premium Reserve	Cash flow Hedge Reserve	Other Reserves	Unappro-priated Profit/Loss	**Total Share-holders' Equity**	Hybrid Bond	**Total Capital Base**
As of January 1, 2019 -Audited-	**18**	**100,000**	**-57,858**	**7,567**	**9,615**	**59,342**	**995,221**	**1,054,563**
Appreciation of hybrid bond	–	–	–	–	–	**-**	1,469	**1,469**
Other reserves	–	–	–	9,615	-9,615	**-**	–	**-**
Unappropriated profit	–	–	–	–	8,862	**8,862**	–	**8,862**
Development of Cash flow hedge reserve	–	–	12,969	–	–	**12,969**	–	**12,969**
As of December 31, 2019 -Audited-	**18**	**100,000**	**-44,889**	**17,182**	**8,862**	**81,173**	**996,690**	**1,077,863**

11 Liabilities to Banks

FINANCE B.V. signed a € 50 million unsecured corporate loan and a secured structured financing in the amount of € 168 million in 2019.In fiscal year 2020, the company took out six structured loans, but the second loan from Berlin Hyp AG with an amount of € 200 million will be paid out in 2021. FINANCE B.V. has outstanding loans totaling € 1,101 million as of December 31, 2020:

Loan	Amount in € million	Lender	Collateral	Coupon	Maturity
No. 1 signed Sept. 19	50 – unsecured	M.M.Warburg & Co.	Vonovia SE	0.290%	Sept. 28, 2026
No. 2 signed Sept. 19	168 – secured	Commerzbank AG	Vonovia SE and GAGFAH GmbH	0.540%	Sept. 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

in € thousand -Audited-	**Balance as of Dec. 31, 2020**	Repayment obligation within 1 year	Remaining maturity 1–5 years	Remaining maturity >5 years
Loan unsecured	**50,000**	–	–	50,000
Loans secured	**1,050,622**	–	–	1,050,622
	1,100,622	**–**	**–**	**1,100,622**

Movement of liabilities to banks

in € thousand	**2019 Audited**	**2020 Audited**
Balance as of January 1	**–**	217,899
Additions	217,899	882,723
Repayments during the year	–	–
Balance as of December 31	**217,899**	**1,100,622**

The fair value of the liabilities to banks is € 38 million higher than its carrying value due to the decrease of the market interest rate (December 31, 2019: € 4 million lower).

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12 Bonds and Commercial Papers

The long-term and the current liabilities comprise the following bonds, issued by December 31, 2020:

Bond	VNA*	ISIN Code	Face value	Coupon	Maturity
Yankee bond	004	US25155FAB22	$ 50 k	5.000% unlisted	10-2023
EMTN 2013	005	DE000A1HRVD5	€ 1,000	3.625% listed	10-2021
EMTN 2014	007	DE000A1ZLUN1	€ 1,000	2.125% listed	07-2022
Hybrid Bond perp.	008	XS1117300837	€ 100 k	4.000% listed	-
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	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

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

The bonds issued are unsecured and unsubordinated; only the hybrid bond is subordinated.

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

The company used its EMTN Program in February 2020 and issued € 200 million and increased the nominal amount of bond 018B from an initial € 500 million to the present € 700 million via a tap. The original maturity date (March 22, 2026) and original coupon rate (1.500%) remain unchanged. The tap issuance was € 11,893 million higher than the issue price. On April 7, 2020, the company issued a € 1,000 million dual-tranche under the EMTN Program. Bond 023A and 023B have a volume of € 500 million each. On July 9, Finance B.V. issued a dual-tranche of € 1,500 million for bond 024A and 024B with a volume of € 750 million each.

The company paid back bond 009A with a nominal value of € 301 million on March 30, 2020; the bond was tendered in September 2019. Bond 010B with a nominal value of € 752 million was paid back in December 2020.

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in € thousand	Book Value Dec. 31, 2019 Audited	Book Value Dec. 31, 2020 Audited	Market Value Dec. 31, 2019	Market Value Dec. 31, 2020
Long-term				
Yankee bond 2	219,434	201,973	239,069	220,332
EMTN 2013	498,994	–	532,915	–
EMTN 2014	497,993	498,750	526,320	517,850
EMTN 03/2015 2	494,180	495,245	529,505	535,310
EMTN 12/2015 3	992,653	994,474	1,076,340	1,071,210
EMTN 06/2016 1	498,205	498,932	510,165	508,095
EMTN 06/2016 2	495,911	496,518	526,160	541,335
EMTN 12/2016	991,757	993,459	1,043,020	1,055,900
EMTN 01/2017 1	498,949	499,465	508,320	505,345
EMTN 01/2017 2	496,000	496,570	533,690	551,370
EMTN 09/2017	496,456	497,047	515,170	528,565
EMTN 01/2018 1	496,499	497,359	508,975	513,375
EMTN 01/2018 2	495,837	496,341	524,950	548,580
EMTN 03/2018 1	598,629	599,073	601,392	602,700
EMTN 03/2018 2	495,444	703,752	525,385	755,937
EMTN 03/2018 3	494,006	494,557	557,115	583,370
EMTN 03/2018 4	488,603	489,067	582,815	646,230
EMTN 07/2018	496,733	497,654	510,925	512,940
EMTN 01/2019	497,383	497,837	533,280	540,950
EMTN 09/2019 1	493,255	493,934	477,300	512,115
EMTN 09/2019 2	497,381	497,550	472,875	530,920
EMTN 10/2019 1	497,806	498,477	498,610	503,840
EMTN 10/2019 2	493,136	494,001	491,645	517,915
EMTN 10/2019 3	488,867	489,355	482,385	557,260
EMTN 04/2020 1	–	497,540	–	513,375
EMTN 04/2020 2	–	492,876	–	585,950
EMTN 07/2020 1	–	745,509	–	774,945
EMTN 07/2020 2	–	741,791	–	794,430
Total	**12,714,111**	**14,899,106**	**13,308,326**	**16,030,144**
Hybrid bond (perpetual)	996,690	–	1,070,650	–
Total	**13,710,801**	**14,899,106**	**14,378,976**	**16,030,144**
Current				
EMTN 2013	–	499,539	–	515,010
Hybrid bond (perpetual)	–	998,238	–	1,034,380
EMTN 03/2015 1	300,419	–	301,544	–
EMTN 12/2015 2	750,807	–	765,095	–
CP 14 Commerzbank AG	40,000	–	–	–
CP 15 Bayerische LB	175,000	–	–	–
CP 16 Societe Generale	85,000	–	–	–
Total Long-term and current	**15,062,027**	**16,396,883**	**15,445,615**	**17,579,534**

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The Multi-Currency Commercial Paper Program supports flexible and broad access to capital markets. Since September 2017, the company has acted as an issuer under the € 1,000 million commercial paper program established by the company. Debt issuances under these programs have unconditional and irrevocable guarantees from Vonovia SE. Commercial papers in the amount of € 300 million as of December 2019 have been paid back as of February 28, 2020. There are no commercial papers outstanding as of December 31, 2020, but the program is still active.

The US dollar market value of the USD-bond was USD 270,370,000 (December 31, 2019: USD 268,570,000).

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 € 16,397 million.

in € thousand -Audited-	**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)	998,238	998,238	-	-
Yankee bond	201,973	-	201,973	-
	16,396,883	**1,497,777**	**7,767,285**	**7,131,821**

in € thousand -Audited-	**Balance as of Dec. 31, 2019**	Repayment Obligation within 1 year	Remaining Maturity 1-5 years	Remaining Maturity >5 years
EMTN bonds	13,545,903	1,051,226	6,068,218	6,426,459
Hybrid bond (perpetual)	996,690	-	996,690	-
Yankee bond	219,434	-	219,434	-
Commercial papers	300,000	300,000	-	-
	15,062,027	**1,351,226**	**7,284,342**	**6,426,459**

Movement of Bonds

in € thousand	**2019 Audited**	**2020 Audited**
Balance as of January 1	14,689,382	15,062,027
Additions	2,967,828	2,477,716
Repayments during the year	-2,497,688	-1,051,226
Change in valuation rate	-97,495	-91,634
Balance as of December 31	**15,062,027**	**16,396,883**

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

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13 Accrued Liabilities/Other Liabilities

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

The current liabilities as of December 31, 2020, mainly result from accrued interest liabilities on issued bonds.

in € thousand Bond	Coupon	Interest payment	Dec. 31, 2019 Audited	Dec. 31, 2020 Audited
Yankee bond 2	5.000%	semi-annual October/April 2	2,751	2,518
EMTN 2013	3.625%	annual October 8	4,160	4,171
EMTN 2014	2.125%	annual July 9	5,080	5,094
EMTN 03/2015 1	0.875%	annual March 30	1,991	-
EMTN 03/2015 2	1.500%	annual March 31	5,656	5,671
EMTN 12/2015 2	1.625%	annual December 15	567	-
EMTN 12/2015 3	2.250%	annual December 15	1,045	1,048
EMTN 06/2016 1	0.875%	annual June 10	2,451	2,457
EMTN 06/2016 2	1.500%	annual June 10	4,201	4,212
EMTN 12/2016	1.250%	annual December 6	883	824
EMTN 01/2017	0.750%	annual January 25	3,503	3,495
EMTN 01/2017	1.750%	annual January 25	8,175	8,154
EMTN 09/2017	1.125%	annual September 8	1,746	1,772
EMTN 01/2018 1	0.750%	annual January 15	3,606	3,607
EMTN 01/2018 2	1.500%	annual January 14	7,212	7,213
EMTN 03/2018 1	EURIM3+	quarterly March/Jun/Sep/Dec 22	9	-
EMTN 03/2018 2	1.500%	annual March 22	5,820	8,170
EMTN 03/2018 3	2.125%	annual March 22	8,234	8,235
EMTN 03/2018 4	1.750%	annual March 22	10,640	10,690
EMTN 07/2018	0.875%	annual July 3	2,176	2,182
EMTN 01/2019	1.800%	annual June 29	4,574	4,586
EMTN 09/2019	0.500%	annual September 14	731	747
EMTN 09/2019	1.125%	annual September 14	1,645	1,680
EMTN 10/2019	0.125%	annual April 6	146	462
EMTN 10/2019	0.625%	annual October 7	734	736
EMTN 10/2019	1.625%	annual October 7	1,887	1,892
EMTN 04/2024	1.625%	annual April 7	-	5,988
EMTN 04/2030	2.250%	annual April 7	-	8,291
EMTN 07/2026	0.625%	annual July 9	-	2,260
EMTN 07/2030	1.000%	annual July 9	-	3,617
Hybrid bond (perpetual)	4.000%	annual December 17	1,639	1,644
Commercial paper 14-16			111	-
Total			**91,373**	**111,416**
Senior loans			49	150
Compensation with swaps without CCS			119	135
Accruals			1,944	1,127
Total accrued liabilities			**93,485**	**112,828**
Liabilities for invoices 2020			-	599
Other tax liabilities			169	5
Total other liabilities			**169**	**604**

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The fair value of the current liabilities approximates the book value due to its short-term 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. The working capital facility is still active, and on September 30, 2020, the contract was extended by one year from October 2021 to October 2022. The 2020 prepaid assets have been paid by the shareholder in accordance with the agreement between the shareholder and the company.

14 Interest and Similar Income and Expenses

in € thousand	Jan.-Dec. 2019 Audited	Jan.-Dec. 2020 Audited
Interest income from affiliated companies and shareholder	315,671	319,323
Interest income from third parties	12,770	11,819
Valuation effects from ineffectiveness	1,969	–
Total interest and similar income	**330,410**	**331,142**
Interest expenses from Euro/EMTN bonds	-195,154	-213,248
Interest expenses from Hybrid bond (perpetual)	-40,004	-40,004
Interest expenses from Yankee bond	-11,349	-10,801
Interest expenses from Hybrid bond (without perpetual)	-8,595	–
Interest expenses from secured financings	-304	-4,764
Interest expenses from Term loan	-1,187	-2,272
Prepayment penalty	-15,353	–
Interest expenses from swaps	-13,229	-13,327
Interest expenses from liquidation Forward swaps	-10,393	-10,393
Other interest expenses to third parties	-19,427	-21,357
Valuation effects from First day loss and ineffectiveness	-1,246	-2,665
Non-recoverable finance expenses	-792	-419
Total interest and similar expenses	**-317,033**	**-319,250**
Total financial result	**13,377**	**11,892**

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 have been paid back by the shareholder and are also included under interest income from affiliated companies and shareholder.

15 Other Operating Income

in € thousand	Jan.-Dec. 2019 Audited	Jan.-Dec. 2020 Audited
Income from reversal of provisions from liabilities	36	0
Total release of other liabilities	1	–
Total	**37**	**0**

16 Personnel Expenses

Personnel expenses are disbursed for employees as follows:

in € thousand	Jan.-Dec. 2019 Audited	Jan.-Dec. 2020 Audited
Wages and salaries	515	605
Social security charges	44	40
Total	**559**	**645**

17 Depreciation of Tangible Fixed Assets

Depreciation expenses of € 3 k (January–December 2019: € 6 k) pertain to the depreciation of tangible assets, which are comprised of office equipment.

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18 Audit Fees

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

Jan.–Dec. 2020 -Audited- 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**

Jan.–Dec. 2019 -Audited- in € thousand	Pricewaterhouse-Coopers Accountants N.V.	Other PwC Network	**Total PwC Network**
Audit of the financial statements	87	–	87
Other audit services	–	–	–
Tax services	–	–	–
Other non-audit services	31	–	31
Total	**118**	**–**	**118**

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 mainly relate to the audit of 2020 financial statements, regardless of whether the work was performed during the financial year

Other audit services encompass for the preparation of questions from the CSSF by PricewaterhouseCoopers Accountants N.V.

They have provided other non-audit services for the company amounting to € 32 k (January–December 2019: € 31 k), but these are included in "Interest and Similar Expenses." The non-audit services performed by PricewaterhouseCoopers Accountants N.V. pertain to the comfort letter for the

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EMTN Program. These non-audit services are allowed under current regulations.

19 Other Operating Expenses

in € thousand	Jan.–Dec. 2019 Audited	Jan.–Dec. 2020 Audited
Consultancy fees	120	83
Independent auditor's remuneration	87	87
Rent and lease	83	84
IT and administration costs	33	31
Other costs	44	44
Total	**367**	**329**

The table below shows the financial obligation for office rent:

in € thousand	within 2021	within 2022–2025	beyond 2025
Rent and lease	105	368	-

20 Income/Loss Taxation

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

in € thousand	Jan.–Dec. 2019 Audited	Jan.–Dec. 2020 Audited
Profit before taxation	12,482	10,915
Deferred tax assets	-541	1,026
Current tax liabilities/assets	131	359
Corporate income taxation	-3,210	-3,123
Profit for the period	**8,862**	**9,177**

The effective tax rate is 15.92% (January–December 2019: 29.00%)

The nominal tax rate is 25.0% (January–December 2019: 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 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. Furthermore, because of the BAPA, no deferred tax assets on tax loss carryforwards would be taken into account. The deferred tax assets result only from the cash flow hedge reserve.

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.

22 Average Numbers of Employees

As of December 31, 2020, the company has five employees (December 31, 2019: six), three of whom are men and two women (December 31, 2019: four 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.

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23 Financial Instruments

As of December 31, 2020, 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 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 € 28.4 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

in € thousand -Audited-	Jan. 1, 2020	Development 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	**8,657**	-1,955	124	**6,826**
Cross currency sap	**-31,322**	8,065	-696	**-23,953**
Corresponding USD-bonds	**29,576**	-18,866	3,470	**14,180**
Cash flow hedge reserve according to balance sheet	**44,889**	-22,382	2,898	**25,405**

in € thousand -Audited-	Jan. 1, 2019	Development Gross Amount	 Deferred Tax	Dec. 31, 2019
Cash flow hedge reserve related to three unwound hedging instruments	**47,604**	-9,626	–	**37,978**
Interest rate swap floater 600	**5,618**	3,566	-527	**8,657**
Cross currency swap	**-20,486**	-12,688	1,852	**-31,322**
Corresponding USD-bonds	**25,122**	4,276	178	**29,576**
Cash flow hedge reserve according to balance sheet	**57,858**	-14,472	1,503	**44,889**

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Development of Derivatives

in € thousand -Audited-	Face-Value	Jan. 1, 2020	Development: Cash Flow Hedge Reserve	Development: Ineffective-ness Income Statement	Development: First Day Loss Income Statement	Development: Reclassifi-cation	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 first day loss/ineffectiveness		**-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**

in € thousand -Audited-	Face-Value	Jan. 1, 2019	Development: Cash Flow Hedge Reserve	Development: Ineffective-ness Income Statement	Development: First Day Loss Income Statement	Development: Reclassifi-cation	Dec. 31, 2019
Passive hedge accounting	–	**–**	9,626	–	–	-9,626	**–**
Interest rate swap floater Mar. 2018 4.75 years 3M EURIBOR	600,000	**-7,491**	-3,566	–	–	–	**-11,057**
Cross currency swap eff. Oct. 2013 10 years USD exchange rate	184,592	**27,315**	12,688	–	–	–	**40,003**
Cross currency swap first day loss/ineffectiveness		**-11,626**	–	1,969	-1,246	–	**-10,903**
		15,689	12,688	1,969	-1,246	–	**29,100**
Market value (clean)	**784,592**	**8,198**	18,748	1,969	-1,246	-9,626	**18,043**
Accrued interest	–	**511**	–	–	–	–	**545**
Market value (dirty)	–	**8,709**	–	–	–	–	**18,588**

24 Contingencies and Commitments

On December 2, 2020, FINANCE B.V. signed a new credit agreement with Berlin Hyp AG for an amount of € 200 million regarding a secured loan. This loan had not been paid out as of December 31, 2020 . The loan will be paid out in February 2021.

25 Further Information about the Bodies of the Company

As of October 31, 2020, Thorsten Arsan, the chairman of the Management Board and head of Finance and Treasury of Vonovia Finance B.V. left the company and resigned from his position.

The Management Board of Vonovia Finance B.V. consists of two members as of December 31, 2020.

Thorsten Arsan, Chairman of the Management Board
Head of Finance and Treasury, Vonovia Finance B.V. and
Head of Front Office, Vonovia SE
> until October 31, 2020

Iwan Oude Roelink,
Director of Vonovia Finance B.V.
> since November 1, 2020
Chairman of the Management Board

Rick van Dijk
Director of Vonovia Finance B.V

The Management has received remuneration for the 2020 fiscal year amounting to € 367 k (January–December 2019: € 325 k).

The Supervisory Board currently consists of five members.

Prof. Dr. A. Stefan Kirsten, Chairman of the Supervisory Board
Former CFO of Vonovia SE

Helene von Roeder
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 2020 (January–December 2019: € 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.

26 Subsequent Events

After the balance sheet date of December 31, 2020, the company issued a € 500 million bond under the EMTN Program on January 20, 2021, Bond 025 has a tenor of 20 years and a coupon of 1.000%.

On December 2, 2020, FINANCE B.V. undersigned a new credit agreement with Berlin Hyp AG for an amount of € 200 million regarding a secured loan. This loan will be paid out on February 26, 2021.

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 resolved 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.

Amsterdam, March 8, 2021

Management Board

Original has been signed by
Iwan Oude Roelink (Chairman)

Original has been signed by
Rick van Dijk

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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 of Managing Directors 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 2020 amounting to € 9,177 k (year ended December 31, 2019: net profit € 8,862 k) to the other reserves.

The Independent Auditor's Report is set out on the next page.

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Independent Auditor's Report

To: the general meeting and the supervisory board of Vonovia Finance B.V.

Report on the financial statements 2020

Our opinion

In our opinion, the financial statements of Vonovia Finance B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2020, and of its result 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 accompanying financial statements 2020 of Vonovia Finance B.V., Amsterdam:

The financial statements comprise:

> the balance sheet as at 31 December 2020;
> the income statement for the year then ended;
> the statement of cash flows for the year then ended; and
> the notes, comprising the accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

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

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

Independence

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

Our audit approach

Overview and context

The Company's main activity is the financing of group companies, through bond offerings on the international capital markets. The repayment of the bonds to the investors is guaranteed by Vonovia SE as disclosed in note 1.1 to the financial statements. The Company has derivative financial instruments in place to mitigate interest rate risk and currency risk. We paid specific attention to the areas of focus driven by the operations of the Company, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In note 1.5 of the financial statements the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the valuation of derivatives and valuation of loans to group companies, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report. Furthermore, we identified the existence of loans to group companies as key audit matter because the importance of existence for users of the financial statements.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competences, which are needed for the audit of a finance company. We therefore included specialists in the area of valuation in our team.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Based on our professional judgement, we determined the materiality for the financial statements as a whole at €177,000,000 (2019: €154,000,000). As a basis for our judgement, we used 1% of total assets. We used total assets as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of the stakeholders. Inherent to the nature of the Company's business, the amounts in the balance sheet are large in proportion to the income statement line items other operating income, personnel expenses, depreciation of tangible fixed assets, other operating expenses and income taxation. Based on qualitative considerations we performed audit procedures on those income statement line items, applying a benchmark of 10% of the total of those expenses.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €8,850,000 (2019: €7,700,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Due to the nature of the Company, key audit matters do not change significantly year over year. As compared to last year there have been no changes in key audit matters.

Key audit matter	How our audit addressed the matter
Valuation of the loans to group companies	
Note 6 We considered the valuation of the loans to group companies, as disclosed in note 6 to the financial statements for a total amount of €17,707,678,000 to be a key audit matter. This is because the management board has to identify objective evidence of impairment, which is very important and judgemental, and because of the possible material effect an impairment may have 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. The management board did not identify any objective evidence that a loan is impaired. As stated in note 1.3.1 to the financial statements, the management board of the Company has assessed that the impact of Covid-19 has been limited on the Company, due to the sector in which the group operates. As disclosed in note 6 to the financial statements, the Company has not and has not been asked to grant any payment holidays on their loans to group companies.	We performed the following procedures to test the management board's assessment of possible loss events to support the valuation of the loans to Vonovia SE group companies: > We evaluated the financial position of the counterparties of loans to group companies and guarantor and their ability to repay the notional and interest to the Company, by assessing observable data from rating agencies, current financial data (such as recent financial information and cash flows) and other publicly available data. > We have assessed the management board's position on the impact of the COVID-19 on the financial position of the counterparties of the loans to group companies as part of our procedures. We found the management board's assessment to be sufficiently rigorous. Our procedures as set out above did not indicate material differences.
Existence of the loans to group companies	
Note 6 We considered the existence of the loans to group companies, as disclosed in note 6 to the financial statements for a total amount of € 17,707,678,000 to be a key audit matter. Significant auditor's attention is necessary because of the size of the loan portfolio and the importance of existence for users of the financial statements.	We performed the following procedures to support the existence of the loans to Vonovia SE group companies: > We confirmed the existence of the loans with the counterparties integrally. > We performed analytical procedures on the relationship between the loans to group companies and the listed bonds issued by the Company. > We compared interest receipts with bank statements. Based on the procedures as set out above, we found no material differences.

Key audit matter	How our audit addressed the matter
Derivative valuation	
Note 23 We considered the fair value of the derivatives portfolio of €18,370,000 positive and €9,102,000 negative, as disclosed in note 23 to the financial statements and used in the Company's hedge effectiveness testing to be a key audit matter. This is due to the nature of the portfolio that includes longer-dated interest rate swaps and cross-currency interest rate swaps. 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. The market for these swaps is not fully liquid, and therefore valuation is a complex area.	We performed the following procedures to support the valuation of derivatives: > We independently constructed a discount curve and recalculated the fair value of derivatives. We compared our calculated fair value to the client fair value calculation. Based on the procedures as set out above we found no material differences.

Report on the other information included in the annual report

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

> the supervisory board report 2020;
> the management report 2020; and
> the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

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

> is consistent with the financial statements and does not contain material misstatements; and
> contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

The management board is responsible for the preparation of the other information, including the management report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Vonovia Finance B.V. in July 2013 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of eight years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company, for the period to which our statutory audit relates, are disclosed in note 18 to the financial statements.

Responsibilities for the financial statements and the audit

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; and for
> such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 8 March 2021
PricewaterhouseCoopers Accountants N.V.

Original has been signed by
J. IJspeert RA

Appendix to our auditor's report on the financial statements 2020 of Vonovia Finance B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

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

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

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

> Concluding on the appropriateness of the management board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.

> Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

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

Vonovia Finance B.V.
Apollolaan 133–135
1077 AR Amsterdam
The Netherlands

www.vonovia.de

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