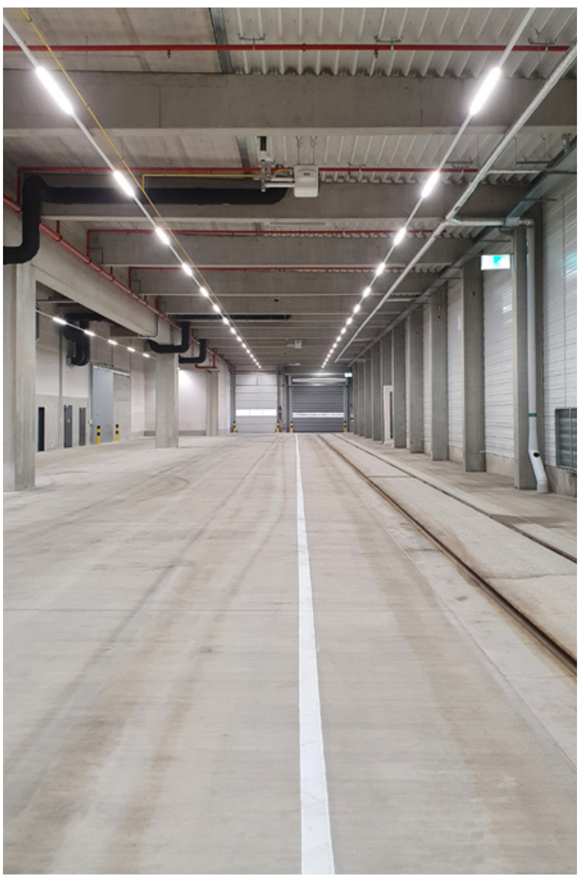
Annual Report 2020

TAKING SUSTAINABILITY TO NEW DIMENSIONS



VIB Vermögen AG

KEY GROUP INDICATORS

IN EUR THOUSAND	2020	2019	Absolute change	Change in %
Income statement				
Revenue	94,207	90,995	3,212	+3.5
Changes in value for investment properties	22,323	22,319	4	0
EBT (earnings before tax)	80,041	78,287	1,754	+2.2
EBT excluding valuation effects and extraordinary items	57,718	55,968	1,750	+3.1
Consolidated net income	67,269	65,411	1,858	+2.8
Earnings per share[1] (in EUR), undiluted/diluted	2.39	2.29	0.10	+4.4
Balance sheet				
Total assets	1,454,156	1,359,731	94,425	+6.9
Investment properties	1,368,001	1,296,352	71,649	+5.5
Equity	625,178	577,295	47,883	+8.3
Equity ratio (in %)	43.0	42.5		+0.5 pt.
Net debt	708,584	671,864	36,720	+5.5
LTV (loan-to-value ratio, in %)	50.3	51.0		–0.7 pt.
NAV (net asset value), undiluted/diluted	666,322	612,974	53,348	+8.7
NAV per share[2] (in EUR), undiluted/diluted	24.16	22.23	1.93	+8.7
Other key financials				
FFO (Funds from Operations)	50,354	48,929	1,425	+2.9
FFO per share[1] (in EUR)	1.83	1.77	0.06	+3.4
Share price (Xetra closing price, in EUR)	28.65	29.80	–1.15	–3.9
Number of shares[2] (reporting date: 31/12)	27,579,779	27,579,779	0	0
Market capitalisation (reporting date: 31/12)	790,161	821,877	–31,717	–3.9
ICR (interest coverage ratio: interest expense/ net basic rents, in %)	17.5	19.1		–1.6 pt.
Average borrowing rate (in %)	1.77	2.10		–0.33 pt.
Real estate KPIs				
Annualised net basic rents	89,597	81,321	8,276	+10.2
Vacancy rate (in %)	2.5	1.0		+1.5 pt.
Rentable space (in sqm)	1,285,995	1,162,586	123,409	+10.6
EPRA performance indicators				
EPRA earnings	46,588	44,762	1,826	+4.1
EPRA earnings per share (in EUR)	1.69	1.62	0.07	+4.3
EPRA NRV	727,901	668,699	59,202	+8.9
EPRA NRV per share (in EUR)	26.39	24.25	2.14	+8.8
EPRA vacancy rate (in %)	2.5	1.0		+1.5 pt.

[1] Average number of shares in the financial year
[2] Number of shares in circulation on the reporting date

VIB VERMÖGEN AG

PROFITABLE COMMERCIAL PROPERTIES ARE OUR BUSINESS

For more than 25 years, we have been developing and acquiring modern and sustainably profitable commercial properties for our portfolio. Our focus in this area is on the logistics/light industry sector and is rounded off by properties in the area of retail, especially with tenants from the local supplies sector, organic retailers, chemists and garden centres/home improvement stores. As of the end of the 2020 fiscal year, our portfolio comprised 113 properties with a total rentable area of approximately 1.3 million sqm. The market value of these properties stands at approximately EUR 1.4 billion.

Thanks to our broad-based business model, which comprises direct acquisitions alongside the entire spectrum of in-house development projects as well as redensification, we are able to respond flexibly to market developments. Due to the high prices at the present time, we currently only acquire existing properties on a selective basis, instead focusing on the development of our own value-retaining properties. With this Annual Report, we wish to take the opportunity to give you an overview of our ongoing developments and explain in more detail the sustainability aspect in terms of our real estate projects.

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LETTER TO THE SHAREHOLDERS

DEAR SHAREHOLDERS, DEAR SIR OR MADAM,

Our company, VIB Vermögen AG, once again had a strong year, especially in light of the challenging circumstances associated with the coronavirus pandemic, which we dealt with effectively on account of our extremely stable business model. As a result, we achieved all of the targets we set ourselves for the 2020 fiscal year and posted increases in all significant indicators. With revenue of approx. EUR 94.2 million, we exceeded the previous year's figure of just under EUR 91.0 million by EUR 3.2 million. The largest share of this growth was attributable to the four properties newly added to the portfolio. As of the end of the 2020 reporting period, the market value of our commercial properties stood at some EUR 1.4 billion. The net asset value of our company rose once again, not least due to our solid financing structure and an equity ratio of 43%. Compared to the previous year's balance sheet date, the net asset value (NAV) climbed by more than EUR 53 million to EUR 666.3 million, thus reaching a record high. Despite the difficulties of a crisis-dominated year, we ultimately achieved consolidated net income of EUR 67.3 million, which equates to a year-on-year increase of 2.8%.

Our long-term strategic direction is based on profitable and sustainable company growth. In times like these, it is particularly important to have a crisis-proof business model. The figures for the year under review prove that this is exactly what we have. The logistics/light industry sector, which is the main focus of our operations, is a stable segment and therefore a guarantee of sustainability.

Sustainability has not only been a key issue in terms of societal debate in recent years, but also plays a central role in this year's Annual Report – as you will soon realise over the following pages. Ever since the company was established, our mission has been to meet our economic goals whilst always living up to our environmental and social responsibility – and also to ensure strong corporate governance. In the interview that follows this letter, you can find out what we are doing to fulfil this mission and how successful we are in our efforts.

Dear shareholders, our business model involves the acquisition of existing properties, the completion of in-house developments and the redensification of portfolio sites. In the year under review, we conducted several transactions at attractive terms in each of these three areas. One such transaction relates to a property that sets new standards within our portfolio in more ways than one. Measuring 115,000 sqm, it is not only our largest development project to date, but is also our first-ever two-storey logistics property, thus redefining notions of sustainability and effective use of space. The property concerned, which was added to our portfolio as planned in November 2020, is located at Interpark Kösching near Ingolstadt. Following the completion of modernisation work, we also let an existing property in Göppingen, Baden-Württemberg, to anchor tenant Dehner for a 20-year period. Furthermore, we also completed a new distribution centre for Amazon in Gersthofen. On account of these and other transactions, we significantly increased the total area of our portfolio during the reporting period. At the end of March 2021, we handed over the two DGNB Gold-certified buildings in Eslarn and at Interpark Kösching to the respective tenants; construction work had begun in the previous year. These projects and the redensification of a site at Businesspark Regensburg with an office complex, which is progressing according to plan, will contribute to a further increase in the rentable space of our portfolio this year. Despite rising property prices and a dwindling supply of suitable and available land, we believe that we are well positioned for the future. Thanks to our flexible business model, we are able to purchase existing properties, complete in-house development projects and optimise and re-densify within our portfolio.

"THE COMPLETION AND HANDOVER OF THE DOUBLE-DECKER IS ANOTHER MILESTONE FOR OUR COMPANY, ESPECIALLY IN TERMS OF SIZE, COMPLEXITY AND SUSTAINABILITY."

MARTIN PFANDZELTER, CEO

"OUR COMPANY IS VERY WELL POSITIONED, WHICH THE FIGURES OF THE PAST BUSINESS YEAR SHOW. WE WERE ABLE TO FULLY MEET OUR FORECAST AND ARE ALSO OPTIMISTIC FOR THE CURRENT BUSINESS YEAR."

HOLGER PILGENRÖTHER, CFO

Dear shareholders, by virtue of the positive results in the year under review – which are also reflected in an increase in FFO (funds from operations) of EUR 1.4 million to EUR 50.4 million – we once again wish to allow you to share in this positive course of business as we did in previous years. With this in mind, we plan to propose a dividend increase to the Annual General Meeting for the twelfth time in a row, by EUR 0.05 to EUR 0.75 per share.

Day after day, we hear and read in the media how unpredictable the course of the coronavirus pandemic is, along with the measures taken to curb it. Even though the logistics sector has proven to be a stable rental segment in this situation, some of our tenants have required our support. In the interests of a long-term partnership, we provided this support and once again regard it as our responsibility to help where necessary in the current fiscal year. Based on the experience of the previous year, we have once again set aside the same amount for the current fiscal year. The extent to which these coronavirus-related rental defaults will actually depress the company's earnings will only become apparent at the end of 2021.

Based on the size of our property portfolio as of the end of 2020, as well as the properties that will be completed during the current fiscal year, and paying due consideration to the models that we set out last year in order to support our tenants, we anticipate that revenue will increase further to somewhere between EUR 99 million and EUR 105 million. EBT, before valuation effects and extraordinary items, is expected to reach between EUR 61 million and EUR 65 million. We expect a rise in FFO to between EUR 54 million and EUR 58 million. Moreover, we also anticipate that we will be able to keep our vacancy rate in the low, single-digit range in 2021. As of the end of the 2020 fiscal year, it stood at approx. 2.5%. The average interest rate on our portfolio of borrowings, which most recently stood at 1.77%, will once again fall slightly by the end of 2021.

Dear shareholders, our company, VIB Vermögen AG, boasts an extremely stable foundation and a robust business model. As illustrated by the figures presented, we have equipped the company in the best way possible, giving it the resilience to face any future uncertainties and challenges. We enjoyed valuable support in this regard – our employees, for example, whose commitment day in, day out, lays the foundation for the success of VIB Vermögen. We are also thinking of our business partners, who have been placing their trust in us for many years. We would like to express our sincere thanks to them – and to you, our shareholders, for your loyalty. We would be delighted if you were to stay with us as we continue to pursue our course for profitable growth.

Yours faithfully,

Neuburg/Danube, April 27, 2021

Martin Pfandzelter
(CEO)

Holger Pilgenröther
(CFO)

SUPERVISORY BOARD REPORT

DEAR SHAREHOLDERS,

Due to the coronavirus pandemic, the fiscal year under review was a challenge for us all. On account of its stable business model, our company has succeeded in sustaining profitable growth despite the challenging conditions. A key milestone in the history of our company was the completion of the largest development project to date, which is located at Interpark near Ingolstadt and has a total useful area of approx. 115,000 sqm. In total, some EUR 66 million was invested in expansion of the property portfolio in the 2020 fiscal year. As of December 31, 2020, it comprised 113 properties with a rentable area of some 1.3 million sqm. The occupancy rate stands at 97.5%. Thanks to the successful portfolio management and lucrative investments, which had an extremely positive impact on the course of business, we were able to propose the eleventh dividend increase in a row to the Annual General Meeting, which had to be held virtually in 2020. As the Supervisory Board, we are delighted that the company continues to go from strength to strength. Therefore, we provide the Managing Board with our unqualified support as they pursue the selected growth strategy.

In the 2020 fiscal year, the Supervisory Board examined the position of the company in great detail on an ongoing basis, thereby fulfilling the advisory and controlling functions incumbent upon it according to both the law and the company's articles of incorporation during the year under review:

SUPERVISION OF MANAGEMENT AND COOPERATION WITH THE MANAGING BOARD

Throughout the entire fiscal year, the Supervisory Board supervised and advised the Managing Board in respect of the management of the company. The Supervisory Board was involved in all key decisions, such as new development projects and the acquisition of already completed properties. The Managing Board's activities gave rise to no objections. The Managing Board informed the Supervisory Board regularly, promptly and in detail about all topics concerning the company's business activities. This applies particularly in respect of the company's earnings, assets and financial position, as well as new investment opportunities.

SUPERVISORY BOARD MEETINGS

A total of six Supervisory Board meetings were held in 2020, either as face-to-face meetings or video conferences, and were each attended by **all** Supervisory Board members.

› At the first meeting on **March 24, 2020**, the Supervisory Board discussed the separate financial statements of the Group companies and the interim consolidated financial statements for the 2019 fiscal year. Other agenda items included the risk and control report for the period to 31/12/2019, corporate strategy/planning and information on Capitalia. A draft agenda for the Annual General Meeting was also discussed. In terms of property activities, the Managing Board reported on the current status of ongoing development projects and planned measures that could be required due to the coronavirus pandemic.

LUDWIG SCHLOSSER, CHAIRMAN OF THE SUPERVISORY BOARD

- At the balance sheet meeting on **April 29, 2020**, the separate financial statements (HGB) were adopted and the consolidated financial statements (IFRS) were approved. The report on non-audit services provided by the previous auditor was also considered at this meeting. Furthermore, the Supervisory Board also approved the Managing Board's proposal to propose a dividend of EUR 0.70 per share to the Annual General Meeting. Resolutions on the variable Managing Board remuneration and the Supervisory Board remuneration for the previous year were also passed at this meeting. As part of a further agenda item, the course of business was discussed on the basis of the interim figures as of March 31, 2020. Under the "property" item, the Supervisory Board were given an update on the status of current development projects and on planned acquisitions of existing properties. Due to the current situation, coronavirus reporting was also incorporated.
- On **May 19, 2020,** the Supervisory Board decided, on the basis of German Covid-19 legislation and by means of a circular resolution, to hold the Annual General Meeting as a virtual event on the designated date. Among other things, this decision was taken in order to ensure that the payment of the dividend following approval of the proposed appropriation of profit could, as usual, take place midway through the year.
- The third Supervisory Board meeting, held on **June 30, 2020**, focused on the Annual General Meeting. The Managing Board provided the Supervisory Board with detailed information on this topic (e.g. registration list, proxies appointed, questions submitted). In terms of property activities, the Supervisory Board was given comprehensive information on ongoing projects and planned land acquisitions.
- The fourth Supervisory Board meeting was held on **August 6, 2020**. The main issues discussed at this meeting were the course of business in the first half of 2020, as well as the risk management and control report for the period up to June 30, 2020. In terms of property activities, the Supervisory Board was informed of the current progress of ongoing development projects, as well as the intention to acquire a property.
- The fifth meeting, held on **October 27, 2020**, concentrated on the course of business up to September 30, 2020, on the basis of interim figures. In terms of property activities, the Supervisory Board was given an overview of current projects and plans for reserved plots.
- The following items were on the agenda at the sixth meeting, which was held on **December 15, 2020**: the Supervisory Board assessed the course of business in the 2020 fiscal year on the basis of interim figures. In terms of property activities, the Supervisory Board was provided with a comprehensive overview of all ongoing development projects, as well as the effects of the coronavirus pandemic on the letting and marketing situation. In another agenda item, the Supervisory Board examined the appropriateness of Managing Board remuneration and, in this regard, considered an analysis of Managing Board remuneration at a set of peer group companies. Furthermore, the targets were set for the granting of LTI in the 2021 fiscal year. Another agenda item was the election of the Supervisory Board at the 2021 Annual General Meeting. Furthermore, the financial calendar for the 2021 fiscal year was approved.

COMMITTEES

As before, no committees were formed due to the small size (for efficiency reasons) of the Supervisory Board in 2020.

ONGOING TRAINING

The members of the Supervisory Board regularly accept the company's training opportunities and attended corresponding seminars in the 2020 fiscal year.

2020 ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The Supervisory Board reviewed the annual financial statements as of December 31, 2020, which the Managing Board prepared according to German commercial law regulations, and discussed them, together with the corresponding audit report prepared by E&Y Wirtschaftsprüfungsgesellschaft, Munich – represented by auditor Patrick Horbach – at its meeting on April 27, 2021. The review of the 2020 annual financial statements led to no modifications, and an unqualified audit opinion was issued. The annual financial statements as of December 31, 2020, were approved without objections and are thereby adopted. The Supervisory Board concurs with the Managing Board's proposal concerning the application of retained earnings.

The Supervisory Board also reviewed the 2020 consolidated annual financial statements, which the Managing Board prepared according to International Financial Reporting Standards (IFRS), and discussed them, together with the corresponding audit report prepared by E&Y Wirtschaftsprüfungsgesellschaft, Munich – represented by auditor Patrick Horbach – at its meeting on April 27, 2021. The audit of the 2020 consolidated financial statements also resulted in no amendments, with an unqualified audit opinion being issued and the consolidated financial statements as of December 31, 2020, being approved by the Supervisory Board.

The Supervisory Board wishes to thank the Managing Board, as well as all Group employees, for their contribution to the successful development of the VIB Group.

Neuburg/Danube, April 27, 2021

on behalf of the Supervisory Board

Ludwig Schlosser

INTERVIEW WITH THE MANAGING BOARD

Sustainability, with its many and varied aspects, has been dominating the public discourse for many years. The topic is also becoming increasingly important for tenants and investors.

"WE HAVE BEEN EMBRACING SUSTAINABILITY IN MANY ASPECTS EVER SINCE THE COMPANY WAS FOUNDED IN 1993."

HOLGER PILGENRÖTHER, CFO

What does sustainability mean to VIB Vermögen AG?

At our company, sustainability is not a trend that we are trying to follow because it has become the focus of public attention in the past two to three years. We have been embracing sustainability in many aspects ever since the company was founded in 1993. The aim of our very first development project was to protect jobs in the region. The property concerned remains in our portfolio to this day. Another example is our largest development project to date, which we handed over to the tenant in November 2020. 700 people work there, which is a particularly high number for a logistics property. We are delighted that we are able to contribute to ensuring good working conditions whilst also fostering ecological aspects. By constructing a two-storey building, we were able to make extremely efficient use of the plot. The property features a railway link, which further improves its environmental protection credentials. Sustainability is also reflected in the continuous improvement of our financial figures. As such, we can allow our shareholders to share in the company's success by paying them a dividend. This year, we are able to propose a dividend increase to the Annual General Meeting for the twelfth time in a row.

The reporting of VIB Vermögen AG was recently honoured with the EPRA Gold Award. What does that mean?

The European Public Real Estate Association (EPRA) provides extensive information for investors and other stakeholders in listed European property companies and implements binding and proven methods and standards within reporting. We are delighted that we have once again been honoured in the highest category (Gold) for our financial reporting – and that our first sustainability report was also recognised with the EPRA Gold Award. EPRA adjusts its requirements criteria each year. This motivates us to pay close attention to which information is relevant for our investors.

What does your sustainability strategy look like?

Our sustainability strategy is based on three pillars. Our aim is to meet our economic goals whilst living up to our environmental and social responsibility – and also to ensure strong corporate governance.

Your investments focus on logistics – how can a balance be struck between efficiency and sustainability in this area?

Our largest project development to date is a prime example of how efficiency and sustainability can go hand in hand. Thanks to the construction of a two-storey building containing a VW original parts warehouse, we are using the existing site in a highly efficient way. In all our in-house developments, we ensure an appropriate balance between environmental and economic considerations. Profitable growth of our company also enables us to take sustainable action for the environment.

VIB SUSTAINABILITY STRATEGY

LONG-TERM PROFITABLE BUSINESS DEVELOPMENT IN LINE WITH ECOLOGICAL AND SOCIAL RESPONSIBILITY

Economy

ECONOMIC FACTORS AS THE BASIS FOR SUCCESSFUL BUSINESS DEVELOPMENT

- Increase in sales and earnings
- Positive development of share price and dividend
- Develop-or-buy-and-hold strategy
- In-house portfolio management
- Needs-based real estate financing

Ecology

PROTECTING THE ENVIRONMENT AND USING RESOURCES SUSTAINABLY

- Sustainable construction (certification)
- Reducing energy consumption by optimizing existing properties
- Reduction of land consumption through redevelopments
- Expansion of photovoltaic capacities

Governance & Social

GOOD CORPORATE GOVERNANCE THROUGH RESPECT FOR LAWS AND VALUES

- Compliant behavior
- Fair competition and corruption prevention
- Respect for diversity, equal opportunities and tolerance
- Transparent corporate communication & data protection

Financial-Reporting: EPRA Best Practices "GOLD"

ESG-Reporting: sEPRA Best Practices "GOLD"

What would you like to see in the years ahead when it comes to sustainability?

Sustainability is such a diverse topic that mere scoring models are unable to do it justice. Many aspects are impossible to measure using a one-size-fits-all evaluation model. Procuring all possible information with considerable administrative effort in order to feed all desired data into the various scoring models is not in keeping with our sustainability ethos. In our view, it makes more sense to focus on a model that is not limited to KPIs, but that also allows scope for the different alignments of the companies concerned. This also gives rise to the additional information value for our investors and shareholders. The management team is always happy to discuss this further in a personal conversation.

You have already outlined your sustainability strategy. Can you provide us with some specific examples of how sustainability is put into practice at your company?

We aim to influence things within our sphere of control – e.g. the buildings we build.

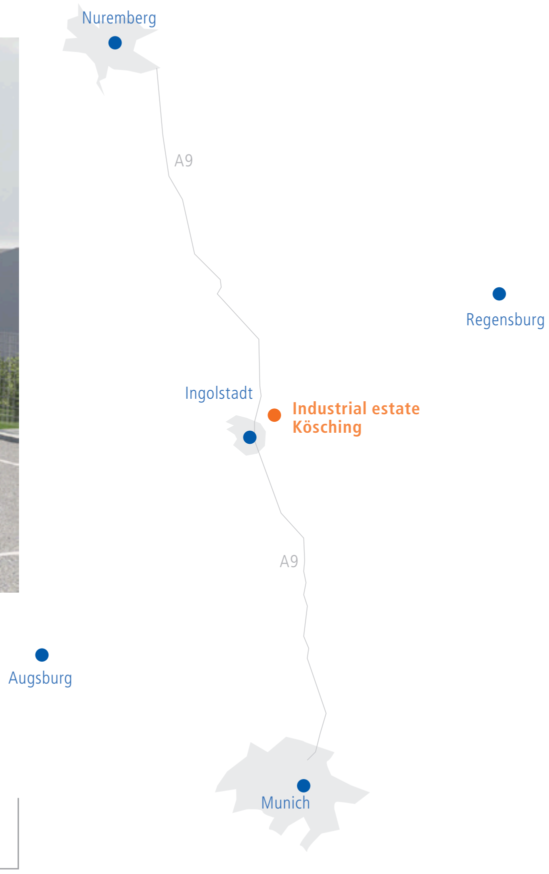
We therefore ensure that our new builds are, wherever possible, certified in accordance with the recognised standards of the German Sustainable Building Council (DGNB) or the international BREEAM standard. For instance, we equip our buildings with individual components such as LED lighting, ensure excellent insulation and enable charging stations for electric vehicles so that our tenants can configure their fleets accordingly. For us, a key aim is to construct buildings that are as energy-neutral as possible. In particular, this can be achieved via the installation of photovoltaic systems, which generally meet the building's primary energy needs. Our own head office is a role model in this regard and has been honoured by the "Blühpakt Bayern" environmental protection initiative of the Bavarian State Ministry of the Environment and Consumer Protection on account of the excellent natural and environmental habitats that we have created on the grounds.

"IN ALL OUR INHOUSE DEVELOPMENTS, WE ENSURE AN APPROPRIATE BALANCE BETWEEN ENVIRONMENTAL AND ECONOMIC CONSIDERATIONS."

MARTIN PFANDZELTER, CEO

TAKING SUSTAINABILITY TO NEW DIMENSIONS

By building a new, two-storey logistics facility at Interpark, we are implementing our sustainability strategy in terms of construction. The two-storey architecture sustainably reduces the use of space by an impressive 60,000 m² while simultaneously doubling the useful area. Thanks to state-of-the art LED lighting and sophisticated, cutting-edge technology that facilitates efficient insulation, the operating costs are significantly reduced. The two-storey building represents a further project highlight and opens up new dimensions.



AT A GLANCE

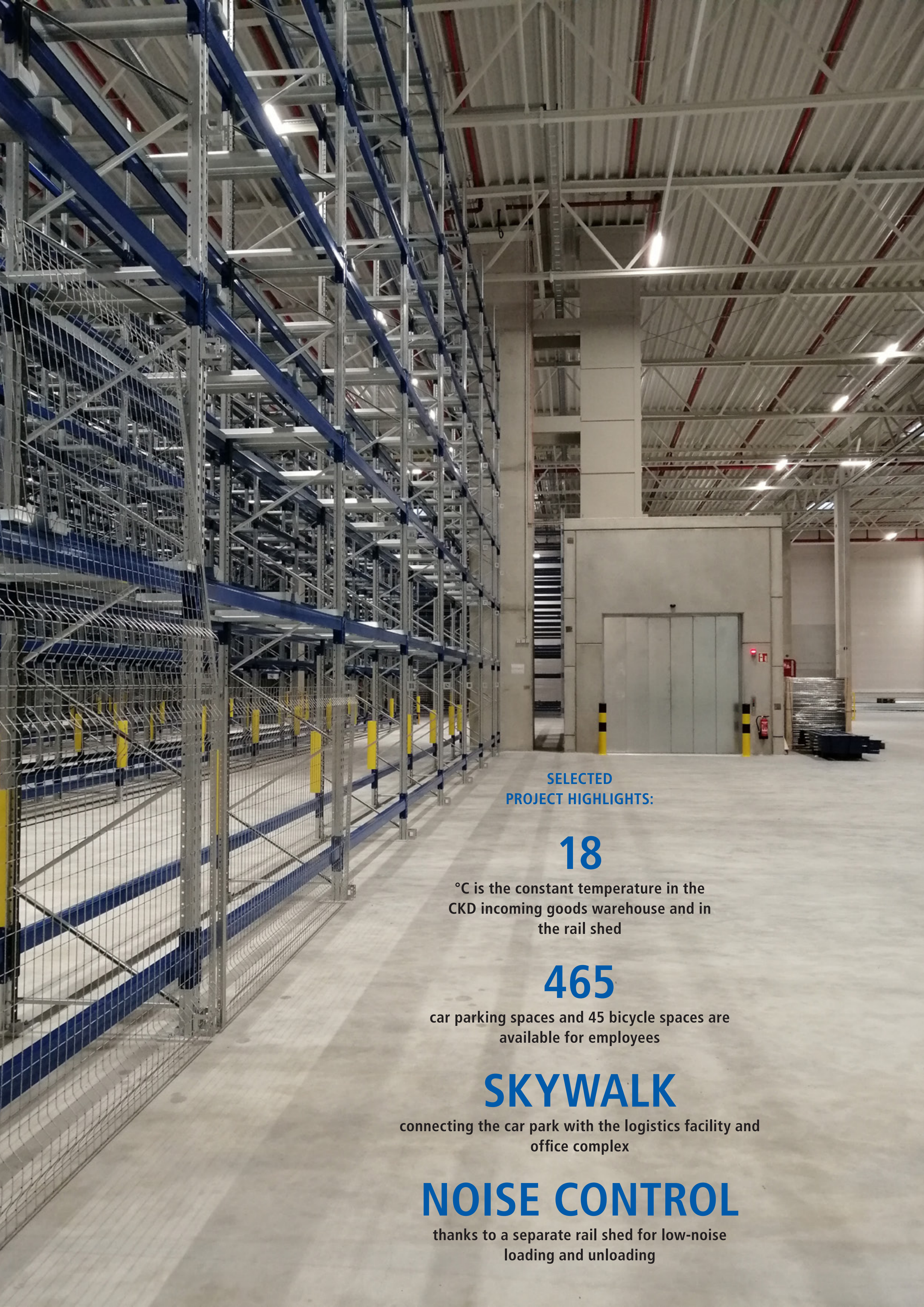
Start of construction › February 18, 2019
Groundbreaking ceremony › April 11, 2019
Approval of first construction phase and car park › November 28, 2019
Approval of second construction phase › November 24, 2020
Plot size › 112,679.00 sqm
Total rental area › 114,543.49 sqm

LOCATION AND TENANTS

The location of the state-of-the-art logistics facility at Interpark near Ingolstadt – in the catchment area of the metropolitan regions of Munich and Nuremberg.

A railway connection and proximity to Munich Airport ensure an excellent local infrastructure.

The Volkswagen Group and its subsidiary Audi AG are among the long-term tenants of the logistics facility, with numerous suppliers based in the surrounding area. Automotive parts are already being dispatched from Interpark to Audi production sites around the world for final assembly.



SELECTED PROJECT HIGHLIGHTS:

18

°C is the constant temperature in the CKD incoming goods warehouse and in the rail shed

465

car parking spaces and 45 bicycle spaces are available for employees

SKYWALK

connecting the car park with the logistics facility and office complex

NOISE CONTROL

thanks to a separate rail shed for low-noise loading and unloading

OUR BUSINESS MODEL

OUR FLEXIBLE BUSINESS MODEL ENSURES OUR STABLE SUCCESS

Investing in commercial properties enables attractive yields. Building a profitable property portfolio requires flexibility and expertise, both in terms of the choice of sectors and financing. Companies that respond quickly to changing conditions are able to seize the opportunities that arise and respond more rapidly to risks. Our strategy is geared towards sustainable, long-term growth. A key building block in this regard is the combination of operational measures that facilitate our profitable growth trajectory.

A key prerequisite in this regard is that we critically scrutinise our work on a daily basis using the following questions:

PORTFOLIO DEVELOPMENT:

01 › What will enable our property portfolio to grow in a particularly profitable way in the future?

SECTOR FOCUS:

02 › In which sector do we see the greatest opportunities for growth?

FINANCING

03 › Which financing mix currently offers optimum yields and long-term security?

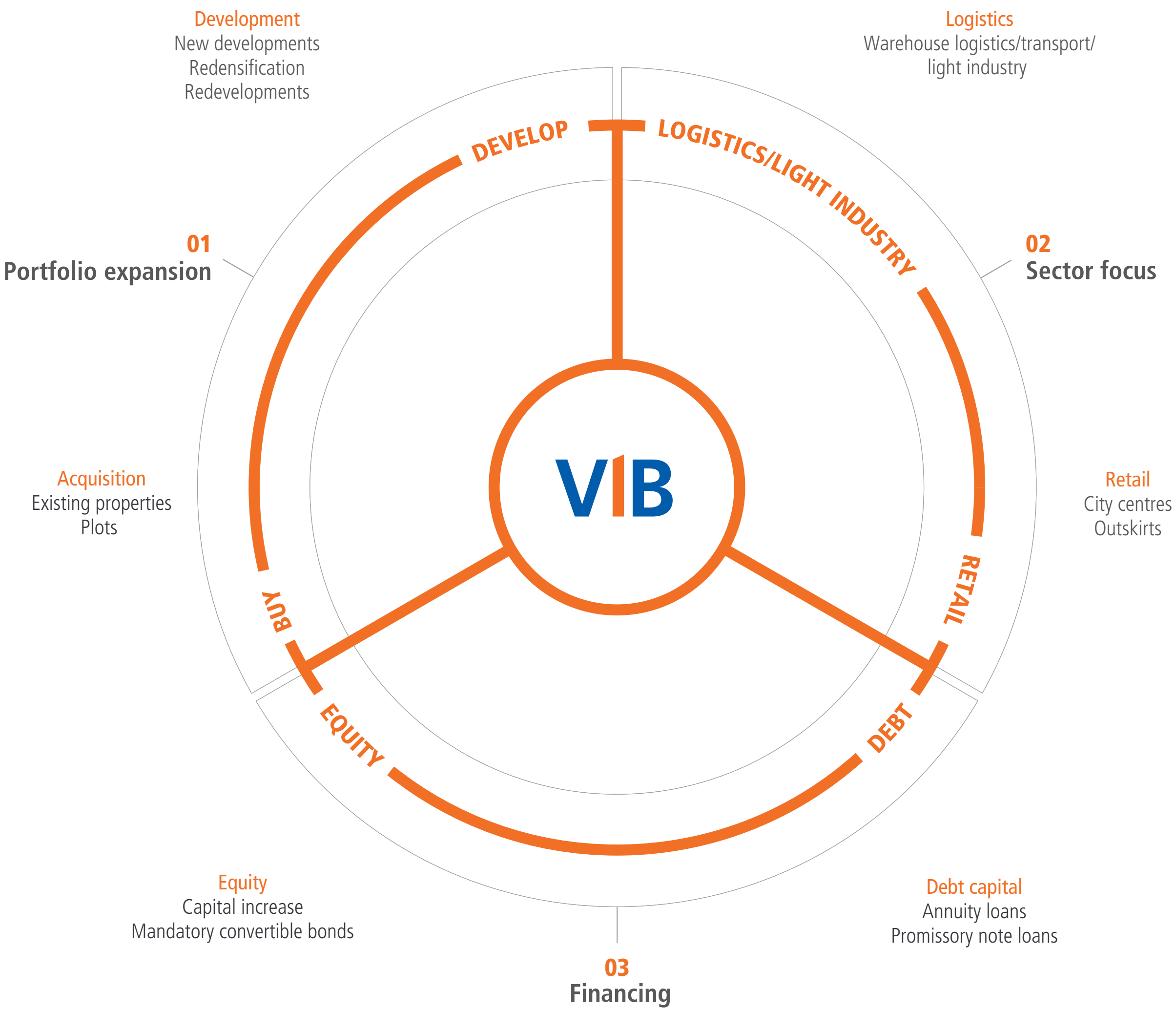
The prices for existing properties have risen considerably in recent years. We have responded to the changing underlying conditions by shifting the focus to in-house developments in terms of building up our property portfolio. We can optimise our portfolio by means of redensification projects at existing properties and, on the other hand, by developing plots secured at an early stage. Value-increasing renovation work also helps to optimise the portfolio. By virtue of our expertise and our well-developed network, we can also expand our portfolio through direct acquisitions of completed properties. As such, we harness all available options in terms of the optimum structure of a property portfolio.

The usage type of our properties and the sector classification of our tenants play a significant role for us. We focus primarily on the sectors of logistics/light industry and retail. We possess long-standing experience in both sectors, as well as an excellent sense of tenant needs and the latest market trends.

In terms of the profitability of a real estate project, the occupancy and the financing of the property at attractive conditions are exceptionally important. When it comes to financing, we can harness both equity and debt financing, striking the right balance in terms of the financing structure. On the debt financing side, we primarily rely on annuity loans and on a healthy share of promissory note loans, enabling us to respond flexibly to market conditions. This is the ideal mix for the long-term financing of property projects and also offers the benefit that favourable interest rate terms are fixed for an extended period. On the equity side, we utilise the entire spectrum of capital measures offered by the international capital markets, depending on the market situation.

The flexibility in the three areas described offers a strong foundation to keep increasing the value of the company continuously and sustainably. In turn, this is the basis for allowing our shareholders to share in the growth of VIB Vermögen AG in the form of a dividend payment.

THE THREE STRATEGIC CORE COMPONENTS OF OUR BUSINESS MODEL



THE PROPERTY PORTFOLIO IN 2020

We pursue the aim of continuously adding profitable properties to our portfolio. Depending on the result of a detailed market analysis, we utilise direct acquisitions, in-house developments and redensification projects for this purpose. In other words, we have the flexibility to decide whether we acquire a finished property, develop our own in accordance with requirements or use existing land for the purpose of redensification. All of these methods are optimised to reflect site needs and therefore contribute to the profitable growth of VIB Vermögen AG. We have been demonstrating this for many years. Please find a report on our activities in the 2020 fiscal year below.

GÖPPINGEN

Following the completion of extensive modernisation work, we handed over a retail property in Göppingen to our tenant at the start of the year. On the basis of a twenty-year rental agreement, the company Dehner will operate a modern garden centre on the site, which has a useful area of approx. 10,200 sqm.

GERSTHOFEN

We have built a distribution centre for Amazon on an existing site and handed over the property to the tenant, on time and on budget, in the third quarter. The property boasts excellent infrastructure connections and 7,500 sqm of warehouse and office space. In addition to the warehouse and office space, the ten-year rental agreement also covers large undeveloped areas for Amazon delivery vehicles. With a view to sustainability aspects, we have already invested in the infrastructure, meaning that the fleet can, if necessary, be fully converted to electric vehicles without the need for any other major preparations. Furthermore, we will be installing a photovoltaic system on the roof of the logistics complex.

GERSTHOFEN

Construction of the distribution centre in Gersthofen, for which a ten-year rental agreement is in place

ESLARN

In September, construction work got under way on a logistics facility in Eslarn on the German/Czech border. The site measures 22,000 sqm – and the rentable space of the building is approximately 9,400 sqm. The building is being constructed in accordance with the DGNB Gold Standard and will be certified accordingly. The future tenant will be TechData, one of the world’s largest distributors of technological products, services and solutions. TechData will operate an e-commerce returns centre at the site in Eslarn. The rental agreement will run for ten years, the completion took place in march 2021.

ESLARN

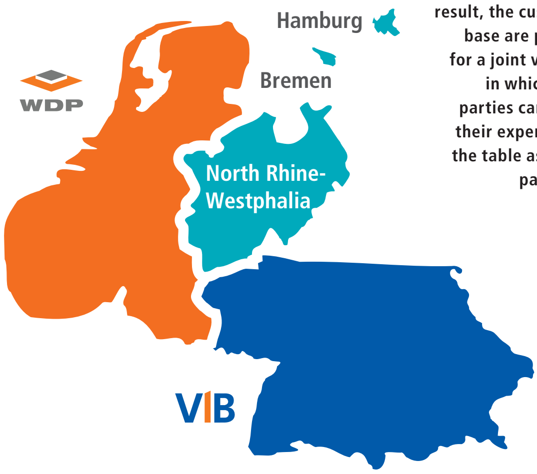
Top:
a state-of-the-art office complex for comfortable working conditions

Centre:
warehouse with LED lighting and skylights for extra natural light

Right:
access doors lined with protective film reduce heat loss

JOINT VENTURE WITH WDP

As part of a joint venture, we acquired an existing property in Bottrop, North Rhine-Westphalia, in early October. The building, which has a useful area of approx. 13,000 sqm, is let on a long-term basis. The property offers excellent alternative usability and is located on an established industrial estate, with outstanding infrastructure links, in the heart of the Ruhr Valley. In 2019, VIB and WDP also acquired an undeveloped plot in Gelsenkirchen with the potential for a development measuring some 40,000 sqm in useful area. Planning permission has already been granted, and marketing activities initiated.



JOINT VENTURE

The geographic location of both companies and, as a result, the customer base are perfect for a joint venture in which both parties can bring their expertise to the table as equal partners.

INTERPARK

Even before construction had started, the logistics facility on Junkersring had been let for ten years from the date of completion

INTERPARK NEAR INGOLSTADT

In September, we also started the construction phase of a further logistics facility in Interpark, near Ingolstadt. A property with a useful area of some 7,100 sqm was developed on an existing site. Even before construction began, we signed a ten-year rental agreement with a long-standing existing tenant. The handover of the property to the tenant took place in March 2021.

Here, at Bavaria's largest contiguous business park, the VIB Group is now the largest landlord of logistics properties, which it lets to a widely diversified customer base. This is underscored by the completion in November 2020 of the largest development project to date. We report on this property separately on page 14 of the Annual Report.

PIPELINE

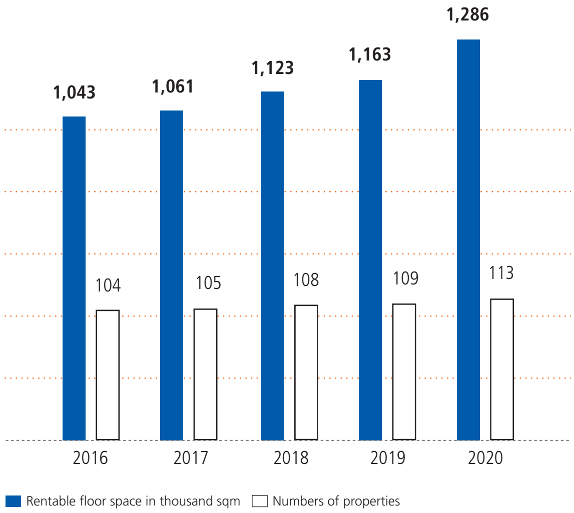
Alongside our existing projects, we hold sites that offer the potential to construct buildings with a total of approx. 110,000 sqm of rentable space.

PORTFOLIO KPIS AS OF DECEMBER 31, 2020

As of year-end 2020, our property portfolio comprised 113 properties with a rentable area of some 1.3 million sqm. Including properties under construction, the portfolio value stood at around EUR 1.4 billion. This represents a year-on-year increase of EUR 71.6 million, or 5.5%.

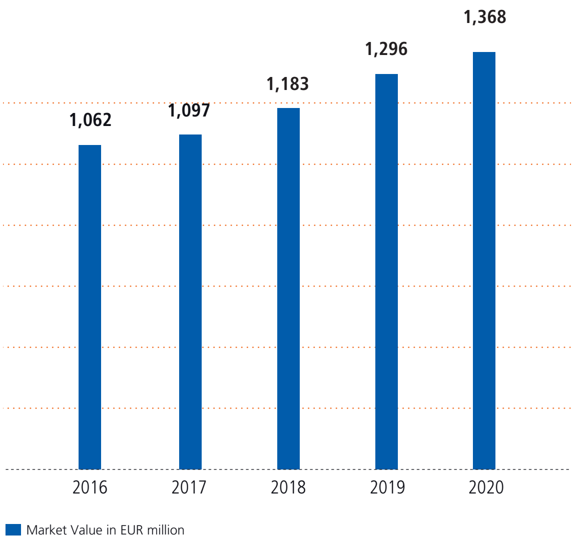
TREND IN RENTABLE AREA AND NUMBER OF PROPERTIES

VALUE AS OF YEAR-END



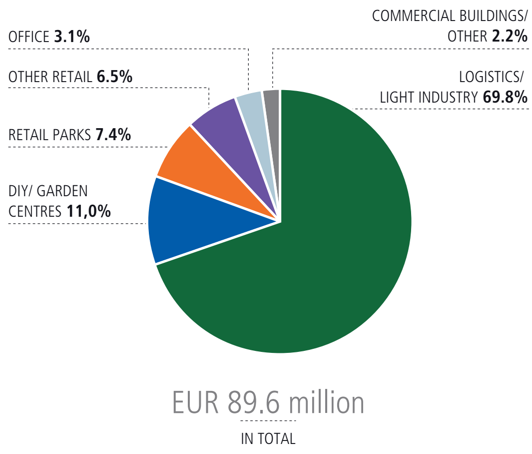
5-YEAR SUMMARY OF THE PORTFOLIO MARKET VALUE

VALUE AS OF YEAR-END



Compared to the previous year, we increased annualised net rental income by EUR 8.3 million, from EUR 81.3 million to EUR 89.6 million, by means of portfolio expansion and rental indexing.

BREAKDOWN OF ANNUALISED NET RENTAL INCOME 2020



The breakdown of our tenants by industry is as follows: 69.8% of our properties are let to tenants from the logistics/light industry sector and 24.9% to retail tenants, with this figure further broken down into garden centres (11%), retail parks (7.4%) and other retail (6.5%). The portfolio is rounded off by 3.1% office space and 2.2% properties in the “commercial/other” segment. The clear focus on logistics and, within the logistics sector, on retail parks and garden centres proved to be extremely stable in the year under review, which was dominated by the coronavirus pandemic. We only had to waive or defer rental payments from our tenants to a very limited extent.

ATTRACTIVE RENTAL YIELDS

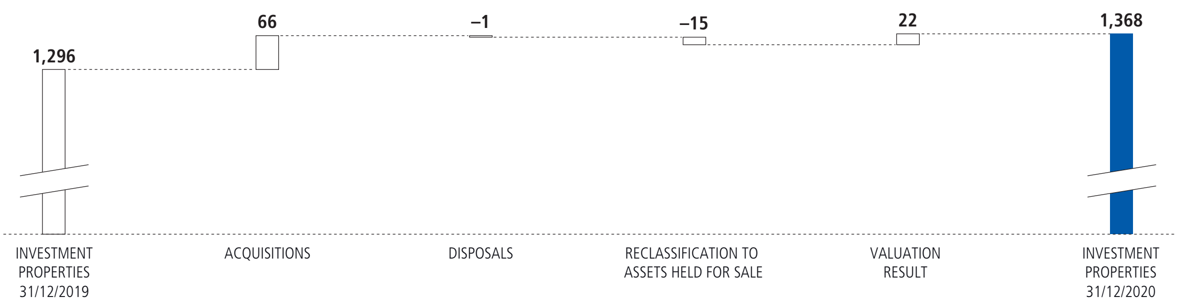
Realistic and sustainable valuation of our property portfolio is performed once a year by an external appraiser, using the generally recognised discounted cash flow method. This year, the valuation as of December 31, 2020, indicated average return on rent of 6.83% for our property portfolio. This figure stood at 6.92% in the previous year. In the 2020 fiscal year, we once again sold a property at its carrying amount, which underscores the value retention of our portfolio.

OUR GROWTH POTENTIAL IS ROOTED IN OUR FLEXIBLE BUSINESS MODEL

We are fully conversant with all options when it comes to achieving long-term commercial success with properties. We continuously expand our portfolio by means of the in-house development of attractive properties – particularly for the logistics/light industry sector – as well as through direct acquisitions and portfolio optimisation (chiefly redensification). Investment criteria that meet our profitability standards play a central role in our decision-making. Whether in terms of in-house developments or direct acquisitions, key investment criteria in this regard include the location of the property, the term of any existing rental contracts, the tenant's credit rating and the occupancy rate. We also review vacant properties in attractive locations that – on the basis of our wide-ranging tenant network – offer potential for modernisation and subsequent letting on favourable terms.

DEVELOPMENT OF PORTFOLIO MARKET VALUE DURING THE YEAR

IN EUR MILLION



SOLID AND BALANCED FINANCING STRUCTURE

In order to achieve sustainable and profitable economic success with a property, investment volume, occupancy and financing represent decisive factors. When it comes to financing, we rely on a solid and balanced mix of debt and equity financing. On the debt financing side, we utilise traditional financing models in the form of annuity loans and promissory note loans. We also tap into equity financing by issuing mandatory convertible bonds and issuing new shares by means of capital increases. When selecting the appropriate financing instrument, we pay very close attention to the macroeconomic situation and choose the financing method accordingly. As we do so, we always take into account the interests of our shareholders and investors.

As of the end of the year, the average interest rate for the Group's total portfolio of borrowings stood at 1.77%, compared to 2.10% in the previous year.

The LTV (loan-to-value) ratio and the NAV (net asset value) are two further key indicators of a company's stability. Whereas the loan-to-value ratio indicates the ratio of net debt to total assets, the net asset value is the value of a company's assets minus the value of its liabilities.

As of December 31, 2020, the LTV ratio was down by 0.7% at 50.3%, compared to 51.0% as of December 31, 2019. With the inclusion of the operating profit generated and our regular loan repayments, NAV increased by 8.7%, from EUR 613 million to EUR 666 million, as of December 31, 2020.

SHARE AND INVESTOR RELATIONS

In 2020, the markets were dominated by the coronavirus pandemic. Following a sharp fall in spring, prices recovered over the course of the year, making up the losses previously incurred. The German lead index, the DAX, rose slightly by 3.5% to 13,717 points as of year-end 2020.

In the first quarter of 2021, share price developments continued to be dominated by uncertainties due to the impacts of the coronavirus pandemic. The effect on the property sector was particularly severe. Whilst the EPRA Germany index fell by some 6.6%, our share remained relatively stable with a decline of approx. 1%.

KEY DATA AND SHARE INDICATORS

KEY DATA

Sector	Real estate
Securities identification number (within Germany)	A2YPDD
ISIN	DE000A2YPDD0
Stock symbol	VIH1
Initial listing	November 28, 2005
Stock exchanges	Munich: open market (m:access) Frankfurt: open market/XETRA
Share type	No-par-value registered shares

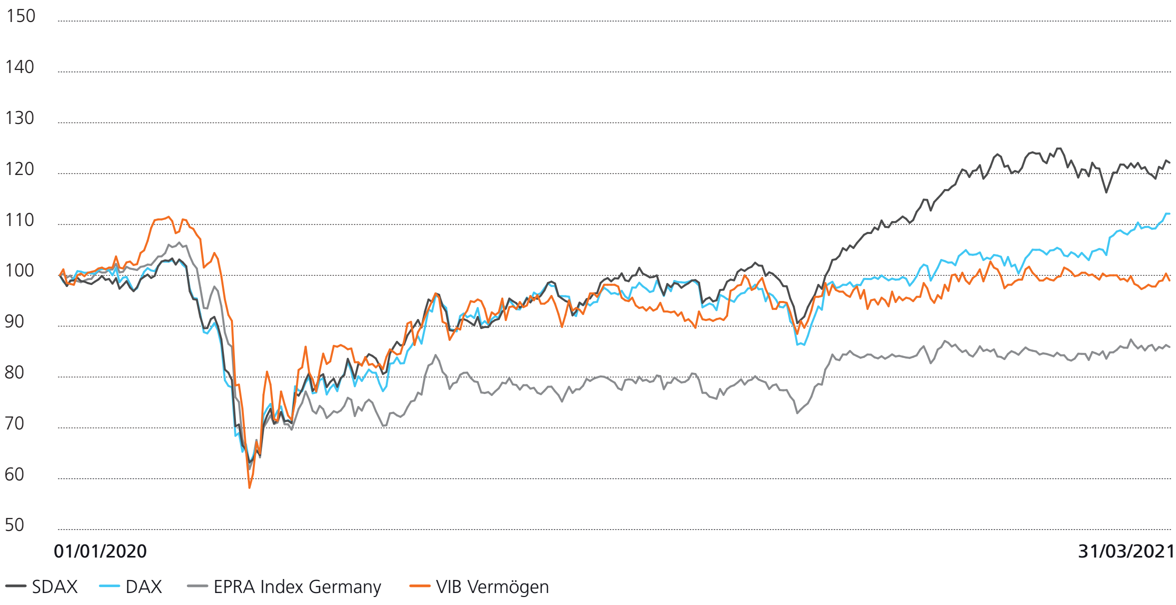
SHARE KPIS AS OF 31/12/2020

Subscribed share capital	EUR 27,579,779
Nominal value per share	EUR 1.00
Number of outstanding shares	27,579,779
Net asset value (NAV) per share (undiluted)	EUR 24.16
Balance sheet equity (consolidated)	EUR 599,348 thousand
Dividend per ordinary share for the 2020 financial year	EUR 0.75[1]
Closing price for the year (31/12/2019)	EUR 29.80
Closing price for the year (31/12/2020)	EUR 28.65
Annual high	EUR 32.95
Annual low	EUR 17.20
Average daily trading volume in 2020[2]	40,100 shares
Market capitalisation (31/12/2020)	EUR 790.2 million

[1] Management proposal
[2] XETRA and all stock exchanges

SHARE PRICE DEVELOPMENT

SINCE 01/01/2020 (INDEXED COMPARISON WITH EPRA AND THE DAX AND SDAX INDICES, IN %)



2020 SHARE PRICE DEVELOPMENT

The VIB share made a very strong start to 2020, reaching its all-time high of EUR 32.95 on February 14, 2020. Due to the significant impact of the coronavirus pandemic on the markets overall, it fell to EUR 17.20 on March 18, 2020. It recovered well during the subsequent nine-month period, closing the year at EUR 28.65 on 30/12/2020.

In terms of longer-term share price development, the value of the share has increased by 68% over a five-year period. Its value has risen by 265% over a ten-year period. Anyone who has held the share for 15 years can record a rise of 399%.

VALUE DEVELOPMENT OVER TIME

	5 years	10 years	15 years
DAX (share price index)	10%	46%	60%
SDAX (share price index)	49%	134%	153%
EPRA Germany	65%	182%	60%
VIB Vermögen AG	**68%**	**265%**	**399%**

THE VIB SHARE IS SYNONYMOUS WITH SUSTAINABLE DIVIDEND GROWTH

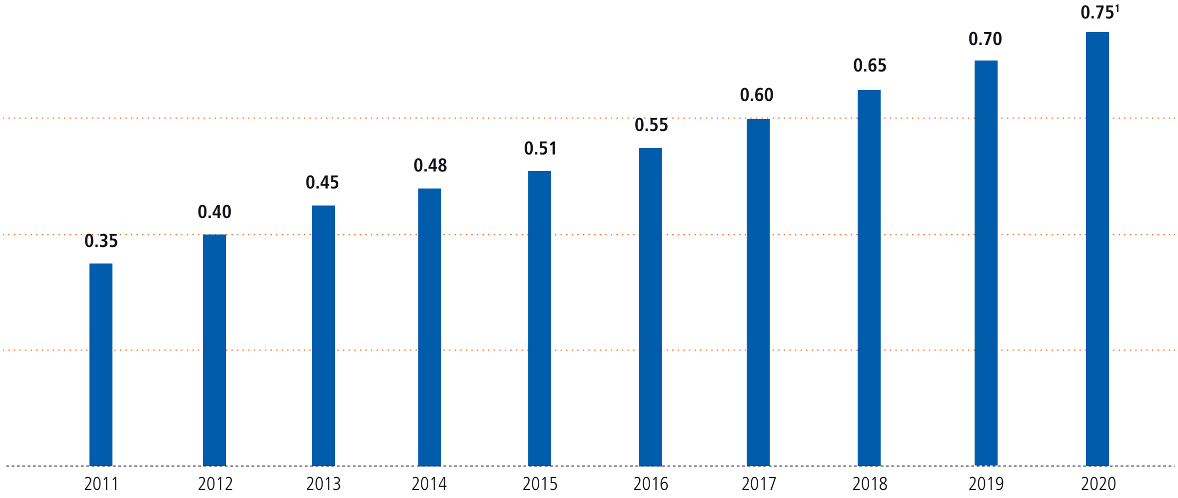
On account of the ongoing climate of low interest rates, shares represent an attractive investment option. Alongside the share price development, investors also profit from our commercial success in the form of a dividend payment. The VIB share is a sustainable payer of dividends: ever since its flotation in 2005, VIB has allowed its shareholders to share in the company's profitable growth by paying out a dividend every year.

The Managing and Supervisory Boards intend to propose a further dividend increase – the twelfth in a row – to the Annual General Meeting on July 1, 2021. It is planned to distribute a dividend of EUR 0.75 per share for the 2020 fiscal year. This corresponds to a year-on-year increase of EUR 0.05, or 7.7%. The total distributable amount is therefore approximately EUR 20.7 million.

As in previous years, the VIB dividend payment is based on the operating performance of the company, with funds from operations (FFO) acting as the benchmark figure in this context. With a payout ratio of 41% of generated FFO, the company is once again within the long-term target range of 40–45% for 2020.

DIVIDEND GROWTH PER SHARE

IN EUR



[1] Management proposal

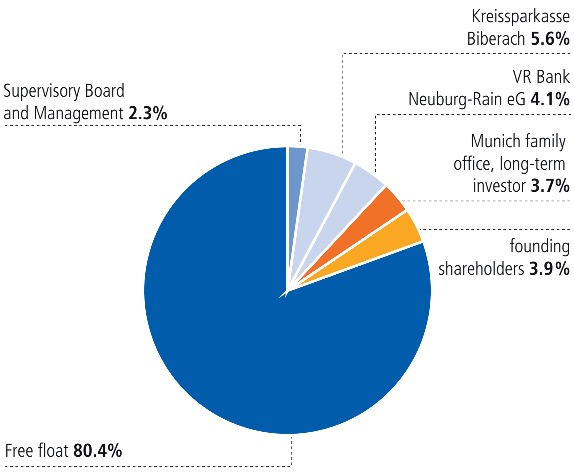
MARKET CAPITALISATION OF ROUGHLY EUR 790 MILLION

Based on the total number of shares, which remained unchanged against the previous year at 27,579,779, and the closing price of EUR 28.65 on December 30, 2020, market capitalisation stood at approximately EUR 790 million at the end of the year.

BALANCED SHAREHOLDER STRUCTURE

As of year-end, our shareholder structure is distinguished by a balanced mix of free float, major/private investors and institutional investors. This ensures stability. Our long-term anchor investors are founding investor Raiffeisen-Volksbank Neuburg/Donau eG (now called VR Bank Neuburg-Rain eG) with a 4.1% share of voting rights, in addition, other founding shareholders and their relatives also hold 3.9% of the voting rights, Kreissparkasse Biberach with a 5.6% share of voting rights and a Munich-based family office with a 3.7% share of voting rights. 2.3% of shares are held by the Supervisory Board and management of VIB Vermögen AG. As of the end of the 2020 fiscal year, the free float of VIB Vermögen AG stood at 80.4%.

SHAREHOLDER STRUCTURE



As of 31/12/2020

ANALYSTS SEE POTENTIAL IN THE VIB VERMÖGEN AG SHARE

During the 2020 fiscal year, our share was regularly covered by national and international banks and research houses. Currently, all analysts testify to the positive growth potential of VIB Vermögen AG and recommend the VIB share as "buy".

We publish updated analyst opinions on our website under Investor Relations - Share Basic Data soon after they are issued.

ANALYST RECOMMENDATIONS AT A GLANCE

Analyst	Bank	Recommendation	Share price target (EUR)	Date
André Remke	Baader Bank	Buy	30.00	24/03/2021
Kai Klose	Berenberg	Buy	32.00	24/03/2021
Herman van der Loos	Degroof/Petercam	Buy	33.00	26/03/2021
Pieter Runneboom	Kempen & Co	Buy	33.00	24/03/2021
Emmanuel Valavanis	Mirabaud	Buy	32.60	28/05/2019
Stefan Scharff	SRC Research	Buy	32.00	24/03/2021
Andreas Pläsier	Warburg Research	Buy	33.80	26/03/2021

VIRTUAL ANNUAL GENERAL MEETING MET WITH A POSITIVE RECEPTION

The Annual General Meeting for the year 2020 was held in Ingolstadt on July 2, 2020. In May, the Managing and Supervisory Boards decided to take advantage of the opportunity provided by law to conduct a virtual Annual General Meeting. This decision was taken with a view to being able to hold the meeting on the intended date and thus being able to pay out the dividend.

Items on the agenda included the appropriation of profits, formal approval for the Supervisory and Managing Boards, the choice of auditor and anticipatory resolutions for approved and conditional capital, all of which were carried with a significant majority. Just over 51% of share capital attended the meeting.

The 2021 Annual General Meeting is scheduled for July 1, 2021.

DIALOGUE WITH THE CAPITAL MARKET REMAINS COMPREHENSIVE IN VIRTUAL FORM

We are committed to communicating with as many shareholders, investors and parties interested in our company as possible. As such, we attach great importance to the communication of relevant, up-to-date information and the equal treatment of parties interested in such information. It is also extremely important to us that we report in a continuous, comprehensible and transparent way. Our activities go well beyond the statutory requirements of a company listed in the Open Market of the Frankfurt Stock Exchange and the m:access quality segment of the Munich Stock Exchange. We also communicate with international investors, for example, by making all publications of relevance to the capital market available in both German and English.

Due to the circumstances associated with the coronavirus pandemic, we were "only" able to maintain virtual contact with analysts, institutional investors and private investors. We very much hope that this dialogue will once again soon be able to take the form of face-to-face conversations. We would like to thank all participants of the numerous virtual conferences, such as the property sector conference of the Munich Stock Exchange, the conferences of Baader Bank and Berenberg Bank, the Degroof/Petercam EPRA Conference and Real Estate Conference and the virtual roadshows that we held in tandem with Warburg, Degroof/Petercam and Baader for taking the time to get to know our company and for showing such great interest in our future development.

In recognition of our proactive and transparent financial communication, we were presented with the Gold Award from EPRA (European Public Real Estate Association) for the third consecutive time. The EPRA Awards are held annually on the basis of analysis performed by audit firm Deloitte and honour the quality of the annual reports of listed property companies. Our sustainability reporting on the basis of the stringent EPRA criteria, which we first published in 2020, was immediately recognised with the Gold Award. We are delighted to receive industry recognition for our commitment to transparency and information.

2021 FINANCIAL CALENDAR

April 28, 2021
Publication of the 2020 Annual Report

May 12, 2021
Publication of the 2021 Q1 interim report

July 1, 2021
Annual General Meeting

August 11, 2021
Publication of the 2021 half-year report

November 10, 2021
Publication of the 2021 Q3 interim report

IR CONTACT DETAILS

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Email: petra.riechert@vib-ag.de

EPRA PERFORMANCE INDICATORS

The European Public Real Estate Association (EPRA) is a non-profit organisation, headquartered in Brussels. The organisation is the voice of major, listed European property companies and represents their interests vis-à-vis the general public. It does so by providing comprehensive information for investors and stakeholders, but also by playing an active role in public and political debates and by establishing mandatory and proven practices.

VIB Vermögen AG has been a member of EPRA since 2011 and, ever since, has been guided by EPRA recommendations in terms of communication with the general public, the capital market and other stakeholders; these recommendations are published in the form of best practice recommendations (BPRs). Last year, our EPRA reporting as part of the Annual Report was once again honoured by EPRA with the BPR Award in Gold.

DESCRIPTION OF EPRA KPIS

EPRA performance indicators	Definition	Purpose
1. EPRA Earnings	**Earnings** from operating activities	A key measure of the underlying operating earnings of a company and an indicator of the extent to which ongoing dividend payments are covered by earnings.
2. EPRA NAV performance indicators	**EPRA Net Reinstatement Value (NRV):** Describes a portfolio management company that generally does not sell any properties and that focuses on the maintenance and value appreciation of its portfolio. It aims to indicate the amount that would be necessary to reinstate the company.	The EPRA NAV performance indicators implement amendments to NAV as per the IFRS annual financial statements in order to provide stakeholders the most relevant information on the fair value of the assets and liabilities of a property investment company in a range of scenarios.
	EPRA Net Tangible Assets (NTA): Assumes that companies buy and sell assets, causing certain unavoidable deferred taxes to materialise. These can, however, be viewed more flexibly than in the previous NAV calculation. NTA represents an improvement on the previous NAV.	
	EPRA Net Disposal Value (NDV): Represents the value of the company in a disposal scenario in which deferred taxes, financial instruments and certain other adjustments are calculated to the full extent of their liability, less any resulting taxes.	
3.1 EPRA Net Initial Yield (NIY)	The ratio of annualised net basic rents at the balance sheet date to the market value of investment properties within the portfolio. Non-recoverable operating expenses are deducted from annualised net basic rents, and estimated purchasers' costs are added to the market value of investment properties.	An objective indicator for portfolio valuations. This indicator aims to make it easier for investors to compare different portfolios with each other. Companies should outline details of how this indicator is calculated and how EPRA NIY is reconciled with "Topped-Up" NIY.
3.2 EPRA TOPPED-UP NIY	This measure incorporates an adjustment to the EPRA NIY in respect of the expiry of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	
4. EPRA Vacancy Rate	The EPRA Vacancy Rate is calculated using a ratio of the estimated market rent of vacant properties to the estimated market rent of the property portfolio as a whole.	A percentage comparison of vacant free space in investment properties with the total rentable space, based on the estimated market rent.
5. EPRA Cost Ratio	Indicates the ratio of operating and administrative costs to rental income within a one-year period.	This indicator provides an insight into the cost-effectiveness of a company's operating and administrative activities.

As in the past, our EPRA reporting and our presentation of key figures are guided by the EPRA recommendations (BPRs) and reflect these accordingly.

The amendments introduced through the current change to the BPRs (dated October 2019/applicable from fiscal year 2020 onwards) are the result of a thorough debate within EPRA organisations and amongst their members, investors and analysts. The main changes are an update to the calculation of net asset value (NAV) with the introduction of three new NAV KPIs and an improvement of the disclosure recommendation for property investments (capex). The amendments are designed to help further improve the transparency, comparability and relevance of financial reporting within the industry.

EPRA KPIS AT A GLANCE

IN EUR THOUSAND	31/12/2020	31/12/2019	Change in %
EPRA Earnings	46,588	44,762	4.1
EPRA NRV	727,901	668,699	8.9
EPRA NTA	694,396	638,785	8.7
EPRA NDV	559,356	503,455	11.1
EPRA Net Initial Yield (NIY)	6.3%	6.5%	–0.2 pt.
EPRA TOPPED-UP NIY	6.3%	6.5%	–0.2 pt.
EPRA Vacancy Rate	2.5%	1.0%	+1.5 pt.
EPRA Cost Ratio	13.0%	12.2%	+0.8 pt.

EPRA EARNINGS

The “EPRA Earnings” item shows operating revenue adjusted for extraordinary items such as valuation effects on investment properties and earnings from sales activities. Therefore, this indicator serves as the yardstick for the extent to which a dividend payment is covered by earnings. Absolute EPRA Earnings currently stand at EUR 46,588 thousand, which equates to an increase of EUR 1,826 thousand against the previous year. This rise is attributable both to further expansion of the operating property portfolio – and the accompanying increase in net basic rents – and reductions in cost items, particularly the fall in interest expenses. This trend is also reflected in the increase in EPRA Earnings per share, which climbed from EUR 1.62 in the previous year to EUR 1.69 (EUR +0.07).

EPRA EARNINGS

IN EUR THOUSAND		2020	2019
Group shareholders' share of earnings		**65,875**	**63,159**
adjusted for:			
(i)	Changes in value for investment properties	–22,323	–22,319
(ii)	Earnings from the disposal of investment properties	0	0
(iii)	Earnings from the disposal of trading properties	0	0
(iv)	Pro rata income tax on disposals	0	0
(v)	Badwill/impairments on goodwill	0	0
(vi)	Income/expenses from measurement of financial derivatives	0	0
(vii)	Transaction costs incurred on the acquisition of participating interests and associates	0	0
(viii)	Deferred taxes in relation to EPRA adjustments	3,533	3,532
(ix)	Adjustments to items (i) to (viii) in relation to associates	0	0
(x)	Minority interests in adjustments to EPRA Earnings	–497	390
Absolute EPRA Earnings		**46,588**	**44,762**
Average number of shares (undiluted)		27,579,779	27,579,779
EPRA Earnings per share (in EUR)		**1.69**	**1.62**

Due to the fact that no shares are currently being created through the use of conditional or authorised capital, there is no difference between the undiluted EPRA Earnings per share shown above and the diluted figure.

EPRA NET ASSET VALUE (NAV) KPIS

The net asset value of the company, assuming a company strategy with a long-term focus, is referred to as "EPRA NAV". The fair value of assets and liabilities is adjusted for extraordinary items such as the market valuation of derivative financial instruments or deferred taxes.

However, the net asset value reported in the IFRS annual financial statements may not provide stakeholders with the most relevant information on the fair value of assets and liabilities.

Starting in fiscal year 2020, the previous indicators EPRA NAV and EPRA NNNAV have been replaced with three new indicators for assessing the net asset value: EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets (NTA) and EPRA Net Disposal Value (NDV).

As a **property management company that operates on a long-term basis, VIB Vermögen AG** will **calculate and report the Net Reinstatement Value (NRV)** as the most relevant NAV indicator for **its own business model**.

For the first year of the newly introduced metrics, the previous EPRA NAV is compared with the new NRV. The NRV has been calculated retrospectively for the previous fiscal year.

EPRA NRV improved by EUR 59,202 thousand year-on-year, from EUR 668,699 thousand to EUR 727,901 thousand (+8.9%). The main reasons for this were the positive consolidated result and the sustained value appreciation of the property portfolio. With the number of outstanding shares staying the same, EPRA NRV per share rose from EUR 24.25 to EUR 26.39 (EUR +2.14/+8.8%).

EPRA NAV INDICATORS

IN EUR THOUSAND	**31/12/2020**		31/12/2019	
	NAV (old)	**NRV**	NAV (old)	NRV
"Equity attributable to parent company shareholders"	599,348	599,348	551,989	551,989
Dilution effect due to options, convertible bonds and other equity instruments	0	0	0	0
Diluted NAV (old)/NRV after options, convertible bonds and other equity instruments	**599,348**	**599,348**	**551,989**	**551,989**
plus				
(ii.a) Revaluation of investment properties (if the cost model pursuant to IAS 40 is applied)	n.a.	n.a.	n.a.	n.a.
(ii.b) Revaluation of investment properties under construction (if the cost model pursuant to IAS 40 is applied)	n.a.	n.a.	n.a.	n.a.
(ii.c) Revaluation of other assets (owner-occupied properties and interests)	n.a.	n.a.	n.a.	n.a.
less				
(v) Deferred taxes (relating to changes in the market value of IPs)	66,974	66,974	59,824	59,824
(vi) Market value of derivative financial instruments	0	0	1,161	1,161
(viii.b) Intangible assets	n.a.	n.a.	n.a.	n.a.
plus				
(ix) Market value of financial liabilities (after deferred taxes)	n.a.	n.a.	n.a.	n.a.
(x) Revaluation of intangible assets to their market value	n.a.	n.a.	n.a.	n.a.
(xi) Land purchase tax (insofar as deducted from the market value)	n.a.	61,579	n.a.	55,725
EPRA NAV/NRV	**666,322**	**727,901**	**612,974**	**668,699**
Number of outstanding shares (diluted)	27,579,779	27,579,779	27,579,779	27,579,779
EPRA NAV/NRV per share (in EUR)	**24.16**	**26.39**	**22.23**	**24.25**

SUMMARY OF THE THREE NEW NAV INDICATORS

EPRA NAV INDICATORS

IN EUR THOUSAND	31/12/2020			
	NAV (old)	**NRV**	**NTA**	**NDV**
"Equity attributable to parent company shareholders"	599,348	599,348	599,348	599,348
Dilution effect due to options, convertible bonds and other equity instruments	0	0	0	0
Diluted NAV (old)/NRV after options, convertible bonds and other equity instruments	**599,348**	**599,348**	**599,348**	**599,348**
plus				
(ii.a) Revaluation of investment properties (if the cost model pursuant to IAS 40 is applied)	n.a.	n.a.	n.a.	n.a.
(ii.b) Revaluation of investment properties under construction (if the cost model pursuant to IAS 40 is applied)	n.a.	n.a.	n.a.	n.a.
(ii.c) Revaluation of other assets (owner-occupied properties and interests)	n.a.	n.a.	n.a.	n.a.
less				
(v) Deferred taxes (relating to changes in the market value of IPs)	66,974	66,974	33,487 (50%)	n.a.
(vi) Market value of derivative financial instruments	0	0	0	n.a.
(viii.b) Intangible assets	n.a.	n.a.	–18	n.a.
plus				
(ix) Market value of financial liabilities (after deferred taxes)	n.a.	n.a.	n.a.	–39,992
(x) Revaluation of intangible assets to their market value	n.a.	n.a.	n.a.	n.a.
(xi) Land purchase tax (insofar as deducted from the market value)	n.a.	61,579	61,579	n.a.
EPRA NAV/NRV	**666,322**	**727,901**	**694,396**	**559,356**
Number of outstanding shares (diluted)	27,579,779	27,579,779	27,579,779	27,579,779
EPRA NAV per share (in EUR)	**24.16**	**26.39**	**25.18**	**20.28**

When calculating Net Tangible Assets (NTA), an adjustment to equity was assumed at a flat rate of 50% for deferred tax liabilities, with the resulting amount added to equity.

EPRA NET INITIAL YIELD

This indicator shows the ratio of annualised net basic rents at the balance sheet date to the market value of investment properties within the portfolio. Non-recoverable operating expenses are deducted from annualised net basic rents, and estimated purchasers' costs are added to the market value of investment properties.

Due to the year-on-year increase in annualised net rental income and the slightly disproportional rise in the market value of the property portfolio, the net initial yield fell slightly from 6.50% to 6.32%.

EPRA NET INITIAL YIELD

IN EUR THOUSAND	**31/12/2020**	31/12/2019
Investment properties as per balance sheet	1,368,001	1,296,352
Properties under construction, reserved plots	–51,231	–115,582
Assets held for sale	14,900	0
Market value of the property portfolio (net)	**1,331,670**	**1,180,770**
Transaction cost reduction (purchasers' costs)	61,579	55,725
Market value of the property portfolio (gross)	**1,393,249**	**1,236,495**
Annualised net basic rent	89,597	81,321
Non-recoverable operating expenses	–1,476	–918
Annualised net rental income	**88,121**	**80,403**
Letting incentives	–432	–142
Topped-up annualised rental income	**87,689**	**80,261**
EPRA Net Initial Yield (in %)	**6.32**	**6.50**
Topped-up EPRA Net Initial Yield (in %)	6.29	6.49

EPRA VACANCY RATE

The EPRA Vacancy Rate is calculated using a ratio of the estimated market rent of vacant properties to the estimated market rent of the property portfolio as a whole.

Due to a rise in temporary vacancies as of the end of the year under review, the EPRA Vacancy Rate increased from 1.0% to 2.5%.

EPRA VACANCY RATE

IN EUR THOUSAND	31/12/2020	31/12/2019
Annualised market rent for the total portfolio	91,877	82,115
Vacant properties measured at market values	2,280	794
EPRA Vacancy Rate (in %)	**2.5**	**1.0**

EPRA COST RATIO

The EPRA Cost Ratio describes the ratio of operating and administrative costs to rental income within a one-year period. This indicator provides an insight into the cost-effectiveness of a company's operating and administrative activities.

Given the disproportionately high year-on-year rise in net property costs, the cost ratio rose from 12.2% to 13.0%.

EPRA COST RATIO

IN EUR THOUSAND	31/12/2020	31/12/2019
Expenses for investment properties	17,377	16,057
Proceeds from the recovery of operating expenses	–11,312	–11,001
Personnel expenses	4,216	3,861
Other operating expenses	1,851	1,775
Other operating income	–1,421	–1,045
EPRA costs (incl. vacancy costs)	**10,711**	**9,647**
Direct vacancy costs	0	0
EPRA costs (excl. vacancy costs)	**10,711**	**9,647**
Revenue from net basic rents	**82,109**	**79,200**
EPRA Cost Ratio (incl. vacancy costs) in %	**13.0**	**12.2**
EPRA Cost Ratio (excl. vacancy costs) in %	**13.0**	**12.2**

EPRA REPORTING ON THE DEVELOPMENT OF THE PROPERTY PORTFOLIO

ACCOUNTING AS PER IAS 40

Due to the business activities of the company, all properties held for the purpose of letting are classed as investment properties pursuant to IAS 40. Newly acquired properties are valued at cost. Subsequent measurement is performed at fair value and recognised in profit or loss, less the ancillary costs that would be incurred by a typical potential buyer.

MEASUREMENT INFORMATION

Fair values are measured at least once a year by an independent property appraiser. We have instructed Landes-treuhand Weihenstephan GmbH Wirtschaftsprüfungs-gesellschaft, Freising, to perform these measurements.

The appraiser receives a set fee for producing the property appraisal, irrespective of the outcome of the appraisal.

The appraiser has produced the appraisal in accordance with the standards of the Institut der Wirtschaftsprüfer in Deutschland e.V. [Institute of Public Auditors in Germany, Incorporated Association] (IDW) (IDW S 10 – "Principles for valuing property") and has valued all properties using the discounted cash flow (DCF) method. As such, the appraisal conforms with the International Valuation Standards (IVS).

The value of investment properties and assets held for sale stated on the asset side of the balance sheet corresponds in full to the values of real estate assets as determined by the appraiser.

For more information on the valuation model applied, please refer to pages 79 ff. and 104 ff. of the Notes.

PORTFOLIO INFORMATION

› Remaining terms of rental agreements

The average remaining term of the company's rental agreements – 5 years and 8 months – underscores the stability of its rental income. This figure is calculated on the basis of annualised net rental proceeds for the properties let and uses the remaining terms until the first potential opportunity for termination.

NET RENTAL PROCEEDS BY REMAINING TERMS OF RENTAL AGREEMENTS

	Share in %	Net rent (EUR thousands)
Rolling	7.6	6,767
1 to 3 years	24.8	22,197
3 to 5 years	22.8	20,456
5 to 7 years	7.5	6,722
7 to 10 years	25.2	22,620
Longer than 10 years	12.1	10,859

› Overview of properties

Please refer to our website (https://www.vib-ag.de/en/real-estate/overview.html) Detailed information can be found in the section entitled "Real Estate".

› Ownership status

All properties held for rental purposes (investment properties), reserved plots and properties under construction fall fully within the scope of the Group as part of full consolidation and are fully owned by the respective Group companies.

LIKE-FOR-LIKE (LFL) RENTAL GROWTH

LFL rental growth describes the year-on-year growth of net basic rents in the operating portfolio, adjusted for property acquisitions and sales.

Adjusted net basic rents for the 2020 fiscal year (EUR 76,810 thousand) rose by EUR 40 thousand (0.05%) against the previous year's level (EUR 76,770 thousand).

This growth can be split into the following categories:

- Contractual indexing EUR +127 thousand
- Changes in the vacancy rate EUR –1,486 thousand
- Changes arising from existing agreements EUR +1,399 thousand

INFORMATION ON INVESTMENT PROPERTIES

IN EUR THOUSAND	**Group** (excluding joint ventures)	**Joint ventures** (Proportional share)	**Group total**
New investments/ acquisitions	129,868	3,661	133,529
Developments, properties under construction	–64,351	352	–63,999
Subsequent capitalisation of existing properties			
› Creation of additional rentable space	0	0	0
› Improvement of existing space	34	0	34
› Lease incentives	0	0	0
› Other	0	0	0
Capitalised borrowing rates	0	0	0
Total investments	**65,551**	**4,013**	**69,564**

CORPORATE GOVERNANCE

Our sustainable commercial success is built on responsibility, transparency and corporate governance geared towards long-term value creation. This is also particularly relevant in terms of day-to-day dealings with our stakeholders, tenants, shareholders and business partners, as well as actors on the financial and capital markets. On account of its listing as an open-market stock in the m:access quality segment of the Munich Stock Exchange, VIB is not bound by the formal requirements of Sect. 161 of the German Stock Corporation Act (AktG) and is therefore not required to submit a declaration of conformity with the German Corporate Governance Code. In the interests of maximum transparency, however, we believe that it is important to outline the fundamental aspects of our corporate governance policy, which are detailed below.

INFORMATION ABOUT CORPORATE GOVERNANCE PRACTICES

For VIB Vermögen AG, applicable legislation – especially company and capital market law –, the company's articles of incorporation, the rules of procedure of the Supervisory and Managing Boards and observance of the Group-wide Code of Conduct form the foundation for governance and supervision of our company.

VIB Vermögen AG also believes, however, that good corporate governance entails the application of corporate governance practices that go above and beyond statutory and internal regulations. The ability of both the management and workforce to act in a proactive and committed fashion, and to respond flexibly and rapidly to change, contributes to the company's sustainable commercial success. A stated aim of the company is to win and retain the trust of all stakeholders in the reliability and performance of VIB Vermögen AG.

In general terms, this requires a high degree of personal initiative and willingness to change, as well as expertise and dedication on the part of the whole team. The senior management of VIB Vermögen AG treat their employees with great respect and courtesy, set high standards, provide impetus and always strive to inspire the necessary confidence. In day-to-day operations, individuality is respected and diversity of opinion fostered at VIB Vermögen AG. Decisions are implemented with purpose and resolve in an atmosphere characterised by mutual acceptance and appreciation.

WORKING STYLE OF THE MANAGING AND SUPERVISORY BOARDS

A key feature of German company law is the dual governance system, which comprises a Managing Board and a Supervisory Board. The Managing Board is the governing body of a public limited company (Aktiengesellschaft) and the Supervisory Board is the oversight body. The Managing Board of VIB Vermögen AG consists of two members and is directly responsible for managing the company. The Supervisory Board monitors the Managing Board and advises it on the running of the business. In particular, it appoints the members of the Managing Board and is responsible for Managing Board matters. The Supervisory Board of VIB Vermögen AG is made up of four members. The professional experience of the Supervisory Board members – who, pursuant to the articles of incorporation, are elected for five-year terms – enables them to assess the activities of VIB Vermögen AG, qualifying them to perform a supervisory and advisory role in respect of the Managing Board of VIB Vermögen AG.

In the 2020 fiscal year, the Supervisory Board comprised the following individuals:

Name	Year of birth	First elected	Elected until	Mandates in supervisory committees required by law
Ludwig Schlosser (Chairman)	1954	2019	2021	**External mandates** › Chairman of the Supervisory Board of BHB Brauholding Bayern-Mitte AG **Mandates within the Group** › Chairman of the Supervisory Board of BBI Bürgerliches Brauhaus Immobilien AG **Other mandates** › Chairman of the Supervisory Board of VR Bank Neuburg-Rain eG › Chairman of the Supervisory Board of Gemeinnützige Bau- und Siedlungsgenossenschaft für den Landkreis Neuburg – Schrobenhausen eG
Jürgen Wittmann (Deputy Chairman)	1963	2007	2021	**External mandates** None **Other mandates** › Member of the Supervisory Board of Gemeinnützige Wohnungsbaugesellschaft Ingolstadt GmbH › Member of the Supervisory Board of brigk Digitales Gründerzentrum der Region Ingolstadt GmbH › Member of the Administrative Board of Versicherungskammer Bayern
Rolf Klug	1949	2000	2021	**External mandates** None
Franz-Xaver Schmidbauer	1943	2000	2021	**External mandates** › Member of the Supervisory Board of BHB Brauholding Bayern Mitte AG **Mandates within the Group** › Deputy Chairman of the Supervisory Board of BBI Bürgerliches Brauhaus Immobilien AG

When selecting members of the Supervisory Board, the emphasis is not only on experience, but also on the skills and specialist knowledge necessary to perform the role. On account of the size of the company, the Supervisory Board has not formed any committees, as it is possible for the Supervisory Board to work effectively as a whole. The Supervisory Board has drawn up rules of procedure governing its work. The Supervisory Board is quorate when three Supervisory Board members are present for a vote. Resolutions are passed with a majority of the votes cast. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and represents its interests vis-à-vis external parties. The Supervisory Board report issued to the Annual General Meeting outlines details of the Supervisory Board's work in the year under review.

The Managing and Supervisory Boards of VIB Vermögen AG work together closely and in a spirit of mutual trust as they perform their statutory duties. Their shared goal is to sustainably increase the value of the company. The Supervisory Board is consulted on corporate strategy and planning, as well as on all other questions of fundamental importance to the company. Significant business transactions are subject to approval requirements set out by the Supervisory Board. The Managing Board provides the Supervisory Board with regular and comprehensive information – both in a timely fashion in writing and at the Supervisory Board meetings – on all developments and events significant to the company. This information pertains to the general course of business, corporate planning, risk reporting and any compliance measures employed by the Managing Board to ensure adherence to rules and legislation within the company. If necessary, the Supervisory Board will meet without the Managing Board, and extraordinary Supervisory Board meetings will be held.

Working in tandem with the Managing Board, the Supervisory Board ensures long-term succession planning for the Managing Board. In relation to long-term succession planning, the relevant legal requirements (particularly the German Stock Corporation Act) are taken into account alongside the company-specific requirements of VIB Vermögen AG as a property management company. Considering the specific qualification requirements for a Managing Board member, the Supervisory Board draws up the profile of an ideal candidate, with this profile used as a basis to select a shortlist of available candidates. Where necessary, the Supervisory Board will be supported by external consultants in terms of drawing up a requirements profile and selecting candidates.

The Supervisory Board carries out regular internal checks of how effectively the Supervisory Board as a whole and its individual members perform their duties. In the 2020 fiscal year, the Supervisory Board conducted an efficiency review and discussed the results of the review in detail at the meeting held on 15/12/2020. The findings of the review confirm a professional and constructive working relationship, underpinned by a considerable degree of trust and openness, both within the Supervisory Board and with the Managing Board.

In the 2020 fiscal year, there were no conflicts of interest on the part of Managing and Supervisory Board members that had to be disclosed to the Supervisory Board. There were also no consultancy contracts, or other contracts for services/works, between the members of the senior management and the company in the 2020 fiscal year.

We do not regard a general age limit for Managing and Supervisory Board members as appropriate. The ability to successfully lead a company or to monitor the Managing Board in the necessary manner from a Supervisory Board position is not, in our view, dependant on reaching a certain age.

The company has taken out D&O insurance (directors' and officers' liability insurance) for the Managing and Supervisory Boards. In the event of a claim, an excess of 10% of the loss amount has been agreed upon for Managing and Supervisory Board members alike.

MANAGING AND SUPERVISORY BOARD REMUNERATION

The system, amount and payment dates of Managing Board remuneration are set out and regularly reviewed by the Supervisory Board on behalf of VIB Vermögen AG. In terms of evaluating the appropriateness of remuneration, the extent of the duties and areas of responsibility of the individual Managing Board member are taken into account on the one hand; on the other hand, factors such as the size of the company, its asset, financial and earnings position, and its development opportunities are considered on the other.

The remuneration system for the Managing Board of VIB Vermögen AG comprises a non-performance-related component and a performance-related component. The non-performance-related component consists of a fixed annual salary and fringe benefits. Pension commitments are also granted. The fixed annual salary is payable in twelve monthly instalments. The fringe benefits primarily comprise insurance premiums and the use of company cars. Tax is paid on taxable fringe benefits by each Managing Board member separately.

The performance-related component of the remuneration system is tied to the economic performance of the company and is subject to upper monetary caps. The system combines both short-term incentive (STI) and long-term incentive (LTI) components that are linked to the sustainably successful development of the company.

The assessment basis for the short-term variable remuneration (STI) is the consolidated pre-tax profit per share reported for the year, adjusted for valuation effects and extraordinary items. The assessment basis is dynamic, as it increases by 5% per annum, which clearly illustrates how it is linked to the company's successful development. Furthermore, the short-term variable remuneration is only paid out when the relevant assessment basis for granting the remuneration has been exceeded in at least three of the four previous years. This remuneration is capped at EUR 210,000 (Chief Executive Officer) and EUR 200,000 (Managing Board member).

The long-term variable remuneration (LTI) comprises the granting of an entitlement in the form of "phantom stocks". The assessment basis for the fictitious subscription rights being granted depends on the attainment of targets agreed upon separately between the Managing and Supervisory Boards. The targets are set by the company's Supervisory Board prior to the start of the fiscal year concerned. Each target attained in full represents a portion of the maximum assessment basis. The sum total of portions for individual targets set corresponds to 100% of the assessment basis. For the Chief Executive Officer, this basis stands at EUR 100,000, and EUR 90,000 for the Managing Board member. The number of phantom stocks assigned to each Managing Board member due to their assessment basis, which in turn is based on target attainment, is calculated using the calculated average XETRA price of the VIB share over the last 30 days of the fiscal year relevant to the goals set, divided by the assessment basis determined by target attainment. The long-term variable remuneration in the equivalent value of the assigned phantom stocks shall be paid out after a holding period of four years. The value of the long-term variable remuneration is calculated using the number of phantom stocks contributing to the payout, multiplied by the calculated average XETRA price of the VIB share over the last 30 trading days of the fourth year following the year on which assignment is based. During the four-year holding period of the assigned phantom stocks, there is an entitlement to payment of the dividend value of the assigned phantom stocks pursuant to the resolution of the Annual General Meeting concerning the payment of a dividend (dividend settlement) passed for the year concerned. This payment shall be made at the time of the dividend payment set by the Annual General Meeting. The maximum payout of long-term variable remuneration is EUR 150,000 for the Chief Executive Officer, and EUR 135,000 for the Managing Board member. The dividend settlement shall not count towards this cap. The cap may be increased or reduced by up to 25% at the discretion of the Supervisory Board. The Supervisory Board shall only adjust the cap in recognition of specific individual achievements or failings of the Managing Board member concerned.

As an open-market issuer, VIB Vermögen AG is not bound by the German Corporate Governance Code (GCGC) and therefore does not prepare a separate remuneration report. As a publicly traded company, we nonetheless wish to fulfil increasing transparency requirements and include the following detailed breakdown of VIB Vermögen AG Managing Board remuneration:

Overall Managing Board remuneration stood at EUR 1,090 thousand in the year under review.

The Chief Executive Officer was paid total remuneration of EUR 558 thousand. This amount comprises a non-performance-related component and short- and long-term performance-related components. The non-performance-related component includes a fixed annual salary of EUR 240 thousand and fringe benefits in the amount of EUR 14 thousand.

The Chief Financial Officer was paid total remuneration of EUR 532 thousand in the 2020 financial year. This amount comprises a non-performance-related component and short- and long-term performance-related components. The non-performance-related component includes a fixed annual salary of EUR 230 thousand and fringe benefits in the amount of EUR 12 thousand.

In addition, pension contributions of EUR 313 thousand for serving and former Managing Board members are included in personnel expenses. Pension payments of EUR 38 thousand were made to former Managing Board members in the year under review.

Benefits paid to a Managing Board member on the occasion of premature termination of their Managing Board tenure due to a change of control are limited to three annual salaries.

No advances or loans were granted to members of the Managing Board by the company. In the year under review, no Managing Board member received benefits or benefit commitments from a third party in respect of their position as a Managing Board member.

The Supervisory Board did not grant the Managing Board members any one-off benefits in the 2020 fiscal year.

Furthermore, no share option programmes or similar securities-oriented incentive systems are currently in place for the Managing Board.

The Supervisory Board's remuneration is composed as follows:

The Chairman of the Supervisory Board received remuneration of EUR 80 thousand in 2020. The Deputy Chairman received remuneration of EUR 60 thousand, with each further member of the Supervisory Board receiving EUR 45 thousand during the course of 2020.

FURTHER ELEMENTS OF GOOD CORPORATE GOVERNANCE

INFORMATION AND TRANSPARENCY FOR SHAREHOLDERS

By law, the Annual General Meeting gives shareholders the opportunity to exercise their voting rights and access information. Our shareholders exercise their rights at the company's Annual General Meeting. The Annual General Meeting votes on all matters that, as prescribed by law, are of a binding nature for all shareholders and the company.

All documents relating to the Annual General Meeting required by law are, pursuant to company law, available at the time of convocation in German on our website (www.vib-ag.de). These include the invitation, the agenda items, any reports and information required for voting purposes and any information on attending the Annual General Meeting, voting and safeguarding shareholder rights.

The Annual General Meeting is organised in order to ensure that shareholders are provided with comprehensive information in a timely and effective manner. Whenever a ballot is held, each share entitles the holder to one vote.

All shareholders who register on time and in accordance with the eligibility requirements set out in the invitation to the Annual General Meeting are entitled to attend the Annual General Meeting. Shareholders who are unable to attend the Annual General Meeting in person have the opportunity to entrust their voting rights to official proxies named by VIB Vermögen AG, but who are bound by the shareholders' instructions, or to be represented by a financial institution, a shareholders' association or another proxy chosen by the shareholder. The official proxies can be contacted during the entire duration of the Annual General Meeting. Following the Annual General Meeting, the attendance figures and voting results will be published in the "Investor Relations" section of the company's website (www.vib-ag.de). The next Annual General Meeting of VIB Vermögen AG will be held on July 1, 2021.

All half-yearly and annual reports, as well as the interim reports, can be accessed on the company's website. The Managing Board regularly and promptly informs shareholders, interested investors, analysts and the media of significant developments at the company. This is done by means of publishing corporate news and, where necessary, ad hoc releases. The "Investor Relations" section of the company's website (www.vib-ag.de) also provides an interested audience with more comprehensive information on VIB Vermögen AG. Important dates for shareholders are also listed in a financial calender and published online on an annual basis. The financial reports, the financial calendar and ad hoc/press releases are available for download online in the "Investor Relations" section of the company website (www.vib-ag.de).

COMPLIANCE

In its day-to-day operations, VIB Vermögen AG is reliant on the trust of all its stakeholders. Behaviours that could harm this trust, unfairly influence the capital market or damage the reputation of our company must be avoided.

For the company, its governance and oversight bodies and its employees, compliance is therefore not just the adherence to existing legislation, but also adherence to internal instructions and voluntary commitments in order to put the values, principles and rules of responsible corporate governance into practice in day-to-day business operations. The central element in this regard is the Group-wide VIB Code of Conduct, which sets out explicit rules on fair competition and the avoidance of conflicts of interest, the non-discrimination of minorities, the prevention of corruption (Group-wide Anti-Corruption Guidelines), data protection and the conduct of VIB employees in public.

Each employee is personally responsible for ensuring that they comply with the Code of Conduct. If employees or external third parties and business partners have any information about possible breaches of the law or contraventions of guidelines, they can contact the VIB Vermögen AG Compliance Officers directly at Verhaltenskodex@vib-ag.de.

The company helps employees to independently incorporate the issue of compliance in their day-to-day work by means of regular training programmes (e.g. data protection, legal issues concerning their specific role, etc.).

RISK MANAGEMENT

The responsible handling of business risks, i.e. an efficient risk management system (RMS), also helps ensure the success of good corporate governance. An RMS of this nature makes it possible to identify and assess risks at an early stage and to initiate appropriate countermeasures. To this end, the Managing Board of VIB Vermögen AG has company-specific reporting and control systems at its disposal. Furthermore, these systems are reviewed and enhanced on a regular basis and cover all areas of the company. The Managing Board informs the Supervisory Board of existing risks and their progression on a regular basis. Within the context of the end-of-year audit of the annual financial statements, the Supervisory Board focuses particularly on overseeing the accounting process including reporting, the effectiveness of the internal control system, the risk management system, compliance and the final audit. In the risk report, which forms part of the consolidated management report in the 2020 Annual Report, we report on the principles of the risk management system and the current risks to the company.

ACCOUNTING AND END-OF-YEAR AUDIT

VIB Vermögen AG prepares its annual financial statements in accordance with the provisions of the German Commercial Code (HGB), the German Stock Corporation Act (Aktiengesetz) and the International Financial Reporting Standards (IFRS).

The annual financial statements of VIB Vermögen AG and the consolidated financial statements for 2019 were audited by the audit firm appointed at the Annual General Meeting – Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft – before being approved and adopted by the Supervisory Board. The audits were conducted in accordance with German audit guidelines and with due regard to the principles of proper end-of-year audits as set out by Institut der Wirtschaftsprüfer in Deutschland e.V. [Institute of Public Auditors in Germany, Incorporated Association] (IDW).

At the 2020 Annual General Meeting, Ernst & Young Wirtschaftsprüfungsgesellschaft GmbH was chosen as the auditor of the annual financial statements of VIB Vermögen AG and the 2020 consolidated financial statements. Prior to a proposal being made as to the choice of auditor, the Supervisory Board obtained a declaration from the auditor detailing any relations between the auditor, its governing bodies and audit manager and the company or members of its bodies. There were no doubts as to the auditor's independence.

SUSTAINABILITY AT VIB VERMÖGEN AG

Ever since it was founded in 1993, VIB Vermögen AG has been committed to a long-term and sustainable growth strategy. For us, it is paramount that our economic objectives go hand in hand with environmental and social responsibility. We are steadfast in this principle and take it extremely seriously. Our success proves us right: since its inception, VIB has grown into one of the most successful developers and portfolio managers of properties in the logistics, light industry and retail sectors in Germany.

As a portfolio manager of commercial properties, we plan on a long-term basis, both in terms of our directly acquired properties and our in-house developments. Our tenants usually remain in our properties for several decades. Accordingly, we invest in maintenance and modernisation measures across the entire life cycle of the building. In respect of a potential change of tenant, we also ensure that our properties offer versatile usability and remain in a good condition. Furthermore, we pursue a financing strategy that draws largely on long-term annuity loans.

SUSTAINABILITY – A DIALOGUE WITH OUR STAKEHOLDERS

As a publicly traded company, we maintain relations with a variety of stakeholder groups. By virtue of our long-standing market presence and our regional focus on southern Germany, we know these stakeholders very well indeed. Regular communication with these groups helps us understand their views and expectations, identify room for improvement and devise specific courses of action.

Our most important stakeholders are our tenants and shareholders, our service providers and financing banks and, last but not least, our own employees. They all make an important contribution to the successful development of the company.

VIB STAKEHOLDER APPROACH: 5 CATEGORIES

SUSTAINABILITY ISSUES OF MATERIAL IMPORTANCE AT VIB

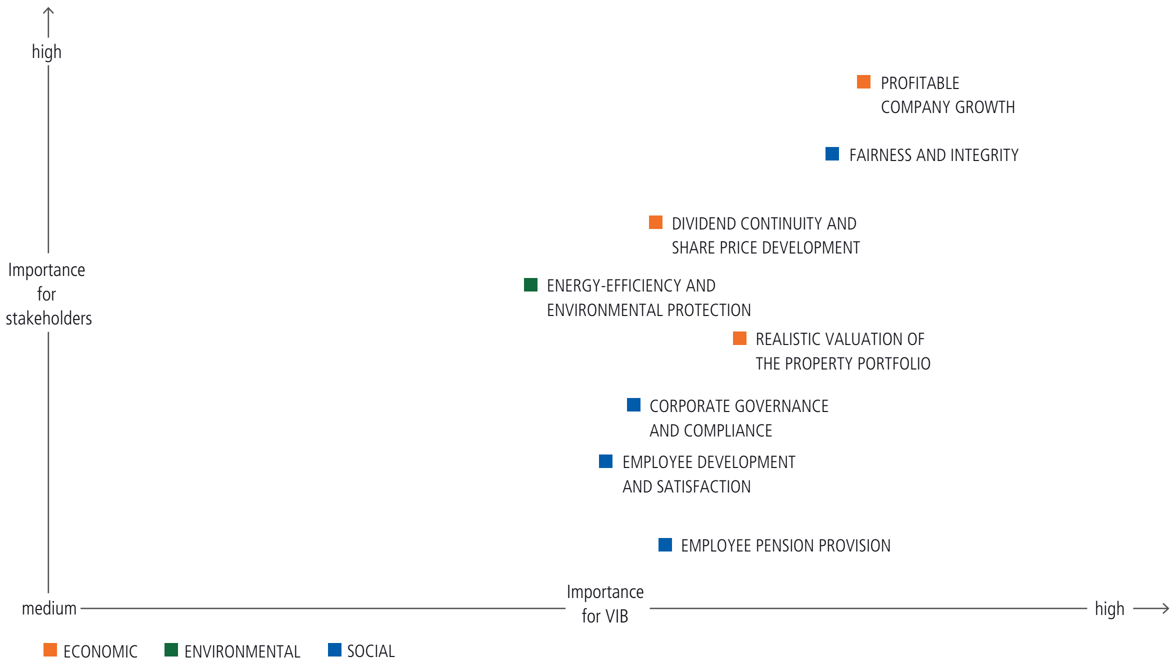
As an experienced property developer and portfolio management company, we have built up a close-knit network with our key stakeholder groups. On the basis of our day-to-day work and our long-standing dialogue with them, we have identified various issues that have a notable influence on the sustainable development of VIB Vermögen AG. We have presented the most significant of these issues in the form of a materiality matrix. In order to take the differing levels of significance of the individual issues into account, we have performed individualised weighting of the issues for each individual stakeholder. The materiality matrix comprises what we regard as the most important economic, environmental and social areas; these play a material role in both sustainable business success and the acceptance of our company on the part of our stakeholders.

ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

In our opinion, the cornerstone of sustainable company development is always partly built on economic factors, as there can be no lasting positive development in environmental and social issues without economic success.

In terms of environmental sustainability, properties offer numerous starting points that go beyond existing statutory requirements, regardless of whether they are logistics, retail or office spaces. Both in terms of our new builds and our existing properties, we therefore always take into account ecological aspects such as resource-saving construction methods and good alternative usability.

THE MATERIALITY MATRIX OF VIB VERMÖGEN AG



VIB VERMÖGEN AG RECOGNISED WITH THE EPRA GOLD AWARD FOR ITS SUSTAINABILITY REPORTING

VIB Vermögen AG has been a member of the European Public Real Estate Association (EPRA) since 2011. Based in Brussels, the organisation represents the interests of listed European property companies vis-à-vis the general public and helps them raise their profile. Furthermore, the uniform reporting standards set out by EPRA ensure a high degree of transparency, both for the capital market and the general public.

In 2020, we published a sustainability report in line with the stringent EPRA transparency requirements for the first time. This report was immediately recognised in the highest category of "Gold". With this report, VIB is committing to international reporting standards and providing a detailed analysis of numerous sustainability indicators in the real estate sector.

The full EPRA Sustainability Report can be accessed at www.vib-ag.de/en/sustainability.

CONCLUSION

Ever since VIB Vermögen AG was founded more than 25 years ago, sustainability has been a core component of the company's day-to-day operations and its values. Our aim is not only to generate added value for our shareholders and tenants; indeed, we are also committed to the general public, our business partners and, last but not least, our employees in everything we do. For us, responsible and transparent corporate governance is essential for the long-term success of our company.

Sustainability aspects are not only taken into consideration in dealings with our stakeholders, but are also at the heart of our growth strategy. Sustainable and profitable growth, on the basis of environmental and social aspects, will continue to shape our actions in the years to come.

CONSOLIDATED MANAGEMENT REPORT

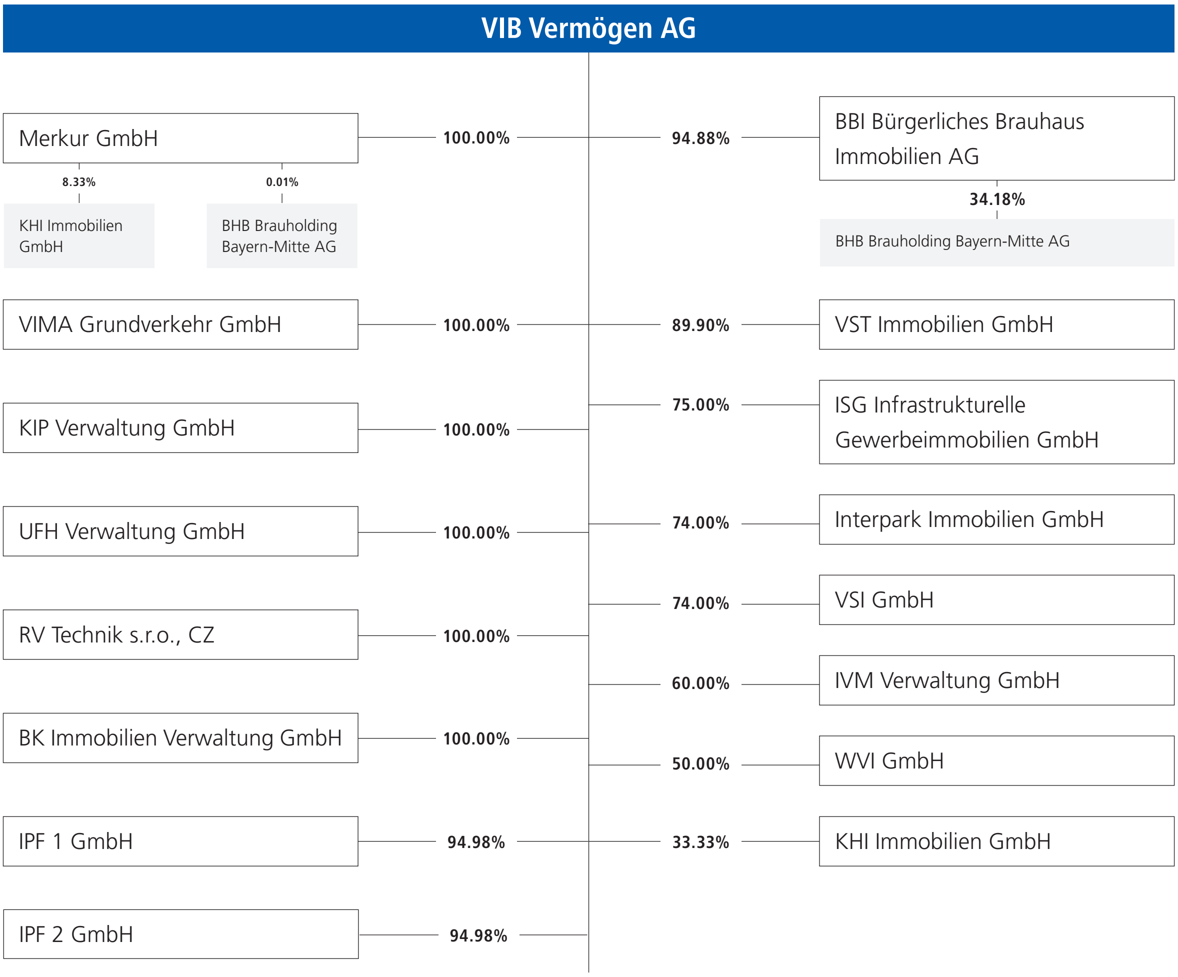
BASIS OF THE GROUP

1. BUSINESS ACTIVITIES, GROUP STRUCTURE AND PARTICIPATING INTERESTS

VIB Vermögen AG (also referred to below as "we", "VIB" or "the VIB Group") is a medium-sized public stock corporation specialising in commercial real estate management. We focus on properties in the logistics/light industry and retail sectors in the southern German region. Founded as an unincorporated firm in 1993, it was converted into a public stock corporation in 2000, VIB's shares have been listed on the Munich (m:access) and Frankfurt (Open Market) stock exchanges since 2005, both listings are in the open market segment.

Our business model is based on a "develop-or-buy-and-hold" strategy. We develop new properties from scratch and acquire properties that are usually already fully let in order to transfer them to our portfolio over the long term and generate lasting rental income from them. VIB also holds investments in companies with real estate assets. As of December 31, 2020, our portfolio comprised a total of 113 properties (previous year: 109). The focus is on attractive logistics and light industry properties and specialist retail parks, as well as commercial and service centres, with a total rentable area of approximately 1.29 million sqm (previous year: 1.16 million sqm). Another part of our strategy is that our properties are managed by our own employees, meaning that we always maintain direct contact with our tenants. We are assisted with these administrative activities by our wholly owned subsidiary Merkur GmbH.

OVERVIEW OF PARTICIPATING INTERESTS AS OF 31/12/2020



VIB Vermögen acquired a majority interest in BBI Bürgerliches Brauhaus Immobilien AG ("BBI Immobilien AG", "BBI") in 2007. The interest it held as of year end 2020 remained unchanged at 94.9% of the share capital of BBI Immobilien AG. VIB Vermögen AG indirectly holds 34.2% of the shares of BHB Brauholding Bayern-Mitte AG ("BHB Brauholding AG", "BHB"), which was founded in November 2009.

A profit-transfer agreement is in place between VIB Vermögen AG and BBI Immobilien AG. Accordingly, VIB Vermögen AG has undertaken to pay the outside shareholders of BBI reasonable monetary compensation (a guaranteed dividend) of EUR 0.74 (gross) per ordinary share for the duration of this agreement as a repeat annual payment.

2. CORPORATE TARGETS AND STRATEGY

As a company listed in the open market segment, we pursue the objective of continuously and sustainably increasing the value of our company by expanding our property portfolio. The management of high-yield commercial properties enables recurring cash flows (funds from operations, FFO), sustained increases in the net asset value (NAV) of the company and the distribution of appropriate dividends to our shareholders.

VIB pursues a threefold strategy to this end:

DEVELOP-OR-BUY-AND-HOLD-STRATEGY

We continuously expand our property portfolio by means of targeted in-house developments and acquisitions in the regional centres of southern Germany. Our focus in this regard is on the economic sectors of logistics and retail. In Germany, both of these segments play a prominent role in the value chain and have been recording steady growth rates for years. We focus on German medium-sized commercial tenants and multinational corporations. We also invest in industrial and office properties in order to ensure broad asset diversification.

Whether developing new properties or acquiring existing ones, we also harness the network of regional and nationwide partners that we have built up over more than 25 years. Selecting a suitable location for a property plays a particularly vital role for us in this regard, irrespective of whether we are acquiring the property or developing it ourselves. A key element of our development strategy is that our construction projects usually only begin once we have secured binding rental agreements for a significant portion of the property concerned. This approach minimises our project and financing risks and enables speedy and needs-driven completion of construction projects in the interests of customers.

SUSTAINABLE FINANCING

Financing – and the right balance between equity and debt financing – is pivotal to any real estate project. We are aided in this regard by our contact with the financial and capital markets. On the debt financing side, we focus primarily on annuity loans and therefore pursue a sustainable and long-term financing approach. We therefore not only benefit from the continued low interest rates in the long term, but also continually increase the EPRA net reinstatement value (EPRA NRV) of our portfolio by repaying these loans on an ongoing basis. However, promissory note loans and short-term variable loans, such as those based on EURIBOR, are also used and represent a sensible addition to our debt financing mix. On the equity side, we use suitable capital measures as required, such as the issuance of mandatory convertible bonds and the carrying out of traditional capital increases.

IN-HOUSE PORTFOLIO MANAGEMENT

When it comes to facilities management, we deliberately eschew the services of external providers and rely instead on management by our own staff. The long-term letting of our properties is designed to reduce administration expenses and the associated costs whilst minimising the vacancy rate.

3. STEERING SYSTEM

The economic planning and steering of the company is the responsibility of the Managing Board. The underlying conditions are defined in relation to the business strategy and formulated as concrete targets within the scope of annual budget planning. These targets are reviewed on a regular basis using the key performance indicators. If any deviations are identified, the planning targets are reviewed and, if necessary, modified; specific countermeasures are also instigated.

VIB focuses on the significant financial performance indicators of revenue, adjusted EBT (earnings before tax) and FFO (funds from operations).

Revenue is the primary indicator in terms of measuring company growth. This indicator includes income from let properties and comprises net basic rents and ancillary operating costs paid by tenants. Adjusted EBT (earnings before tax) is the most important performance indicator in terms of measuring the company's earnings position. It is adjusted for one-off factors and valuation effects to improve comparability of earnings between reporting periods. It is calculated by deducting depreciation, amortisation and interest from EBITDA (earnings before interest, tax, depreciation and amortisation). For us, FFO is the most important indicator in terms of the operational development of our property portfolio and can be derived from EBIT (earnings before interest and tax). The calculations do not consider potential property-related valuation effects, non-cash expenses and income and other extraordinary effects.

The most important non-financial indicators at VIB are the vacancy rate and the average interest rate on borrowing liabilities.

The vacancy rate indicates the share of our total useful space that is not let as of the cut-off date and that is therefore not generating any rental income. The vacancy rate is calculated on the basis of the annualised net rents that our properties are capable of generating.

The average interest rate on our portfolio of loan borrowings is an important indicator in terms of our long-term and sustainable financing strategy. In addition to the total volume of borrowing liabilities, the average interest rate has a particularly significant influence on the amount of interest expenses, which also represent one of the largest expense items in our income statement.

KEY PERFORMANCE INDICATORS AT A GLANCE

KPI	Description	**2020**	2019
Financial performance indicators			
Revenue	Revenue as per income statement	EUR 94.2 million	EUR 91.0 million
Adjusted EBT	Earnings before tax (excluding valuation effects and extraordinary items)	EUR 57.7 million	EUR 56.0 million
FFO	Funds from operations (indicates the property portfolio's earnings strength)	EUR 50.4 million	EUR 48.9 million
Non-financial performance indicators		**As of 31/12/2020**	As of 31/12/2019
Vacancy rate	Based on annualised net rent	2.5%	1.0%
Average interest rate on borrowing portfolio	Fixed- and variable-interest borrowings	1.77%	2.10%

4. EMPLOYEES

As of the end of the 2020 fiscal year, the VIB Group employed 38 commercial staff in addition to the two members of the Managing Board (31/12/2019: 35 staff). In addition, 6 industrial staff (31/12/2019: 6 staff) were employed, primarily in part-time employment arrangements associated with facilities management. The resulting expenses are passed on to our tenants via ancillary costs.

In the fiscal year under review, the Managing Board comprised Martin Pfandzelter (CEO) and Holger Pilgenröther (CFO).

BUSINESS REPORT

1. MARKET AND COMPETITIVE ENVIRONMENT[1]

MACROECONOMIC TRENDS

The German economy was hit hard in 2020, the year of the coronavirus crisis. According to calculations of the German Federal Statistical Office, price-adjusted gross domestic product (GDP) was down by 5.0% year-on-year in 2020. Following ten years of continuous growth, the German economy therefore fell into a deep recession in the year under review, the likes of which were last seen during the 2008/2009 financial and economic crisis.

The coronavirus pandemic made its mark on almost all sectors of the economy. The economic slump was particularly marked in service sectors, some of which recorded unprecedented declines. There were, however, definitely developments in the opposite direction; whilst online retail witnessed a sharp upswing, bricks-and-mortar retail recorded deep falls.

The effects of the coronavirus crisis were also clearly visible on the demand side. Unlike during the financial and economic crisis, when overall consumption propped up the economy, private consumer spending fell by 6.0% year-on-year in 2020. With an increase of 3.4%, on the other hand, government spending had a stabilising effect during the coronavirus crisis and, amongst other things, included the procurement of personal protective equipment and hospital services.

The coronavirus pandemic had a huge impact on foreign trade. Both exports and imports of goods and services fell in 2020 for the first time since 2009, with exports declining by 9.9% and imports by 8.6%. A particularly sharp decline was observed in service imports. This was chiefly due to the large share attributable to travel and tourism, a sector that saw considerable falls.

SECTOR TRENDS

Looking back on 2020, it is evident that investments in real estate continued to represent a stable investment option for private and institutional investors alike. Along with sustained low interest rates, ongoing investment pressure remains the driving force behind real estate investments. In addition, numerous institutional investors have increased their share of property investments, thus generating additional demand.

Demand remained strong for the "logistics" asset class in the year under review. More than EUR 8.7 billion was invested in this category in 2020; as such, its share rose to around 11%, which was EUR 2.0 billion higher than in the previous year. This positive trend is underpinned by user markets that are stable in the medium and long term, as well as structural trends with an additional strengthening effect, such as digitalisation and the growth of online retail.

[1] Sources: German Federal Statistical Office, Jones Lang Lasalle (JLL) Real Esate Market Overview 2020

In terms of retail properties, on the other hand, the environment was extremely challenging. In particular, lockdown measures had a particularly severe impact on tenants in this sector. Nevertheless, the transaction volume for retail properties reached EUR 10.4 billion in 2020, with the year-on-year decline coming in at just 5.0%. There were significant differences within this sector. The largest share of EUR 5.7 billion is still attributable to specialist retailers, retail parks and supermarkets/discounters.

2. BUSINESS TRENDS

TARGET/ACTUAL COMPARISON

	Guidance for 2020	Actual 2020 figures
Financial performance indicators		
Revenue	EUR 91.0 million to EUR 97.0 million	EUR 94.2 million
EBT excluding valuation effects and extraordinary items	EUR 55.0 million to EUR 59.0 million	EUR 57.7 million
FFO (Funds from Operations)	EUR 48.0 million to EUR 52.0 million	EUR 50.4 million
Non-financial performance indicators	Guidance for 31/12/2020	Actual figures as of 31/12/2020
Vacancy rate	Low, single-digit percentage range	2.5%
Average interest rate on borrowing portfolio	Moderate reduction compared to the figure as of 31/12/2019 (2.10%)	1.77%

VIB continued its growth trajectory of recent years and managed to achieve all its own targets for 2020.

Revenue of EUR 94.2 million lay within the EUR 91.0 million to EUR 97.0 million forecast that we set for ourselves. The rise in revenue was driven by the pro rata rental income from properties newly acquired in 2020, as well as by properties acquired and completed in the previous year that generated rental income over a full year for the first time in 2020.

Earnings before tax (EBT), excluding valuation effects and extraordinary items, amounted to EUR 57.7 million in the reporting period, which is within the forecast of EUR 55.0 million to EUR 59.0 million issued at the start of the year. The main reasons for this positive trend lay in additional rental incomes from properties and lower interest expenses due to a further fall in the average rate for borrowing liabilities.

Alongside its financial targets, the company also met all its non-financial targets:

In respect of the vacancy rate on the basis of effective annual net rents, we predicted a figure in the low, single-digit percentage range as of December 31, 2020. We achieved this target with a vacancy rate of 2.5% (31/12/2019: 1.0%).

In terms of the average interest rate on our borrowing portfolio, we achieved a figure of 1.77% as of December 31, 2020. The forecast had been for a moderate improvement on the figure of 2.10% as of the balance sheet date of December 31, 2019. Thanks to the continued low interest rate conditions for new financing agreements, as well as the expiry of fixed-interest periods on existing loans, we managed to achieve the forecast reduction.

FFO (funds from operations) stood at EUR 50.4 million in the year under review. On account of the positive course of business, the company met the forecast of EUR 48.0 million to EUR 52.0 million, which was issued at the start of the year.

3. EARNINGS, ASSETS AND FINANCIAL POSITION

EARNINGS POSITION

SELECTED INDICATORS OF EARNINGS POSITION

IN EUR THOUSAND	**2020**	2019	Change
Revenue	94,207	90,995	+3.5%
EBIT	94,223	92,953	+1.4%
EBIT excluding valuation effects and extraordinary items	71,900	70,634	+1.8%
EBT	80,041	78,287	+2.2%
EBT excluding valuation effects and extraordinary items	57,718	55,968	+3.1%
Consolidated net income	67,269	65,411	+2.8%
Earnings per share in EUR (undiluted and diluted)	2.39	2.29	+4.4%

Revenue rose by EUR 3.2 million to EUR 94.2 million in the 2020 fiscal year (previous year: EUR 91.0 million). This was chiefly attributable to additional rental incomes from new investments as well as properties acquired and developed in-house in the previous year that only generated rental incomes across an entire year for the first time in 2020. Alongside rental incomes, the item "Revenue" also includes operating costs paid by tenants. Other operating revenue came in at EUR 1.5 million (previous year: EUR 1.6 million) and, as in the previous year, mainly includes insurance compensation for building damage and proceeds from the disposal of assets. Total operating revenue, which comprises revenue and other operating revenue, rose by EUR 3.1 million to EUR 95.7 million (previous year: EUR 92.6 million).

The market valuation of our properties and sites as of December 31, 2020, led to positive changes in value for investment properties of EUR 22.3 million (previous year: EUR 22.3 million). This item includes both increases and reductions in value. Net value increases came to EUR 39.6 million (previous year: EUR 29.5 million), whereas net value reductions came to EUR 17.3 million (previous year: EUR 7.2 million).

Due to increased expenses for ancillary costs and maintenance work, expenses for investment properties rose to EUR 17.4 million (previous year: EUR 16.1 million). Personnel expenses amounted to EUR 4.2 million (previous year: EUR 3.9 million), whereas other operating expenses came in at EUR 1.9 million (previous year: EUR 1.8 million).

Depreciation and amortisation stood at EUR 0.3 million (previous year: EUR 0.3 million) and mainly included scheduled depreciation on the owner-occupied administration building of VIB Vermögen AG. After deducting depreciation, we achieved earnings before interest and tax (EBIT) of EUR 94.2 million in the year under review (previous year: EUR 93.0 million). When adjusted for property-related valuation effects, EBIT improved by EUR 1.3 million to EUR 71.9 million (previous year: EUR 70.6 million).

Profit/loss on equity-accounted investments amounted to EUR 0.1 million (previous year: EUR 0.5 million), with two opposing effects observed. Whereas investment earnings attributable to BHB Brauholding AG came in at EUR –0.5 million (previous year: EUR 0.5 million), investment earnings attributable to WVI GmbH stood at EUR 0.6 million (previous year: EUR 0.0 million).

In the year under review, interest income amounted to EUR 0.0 million (previous year: EUR 0.02 million). By virtue of the further decrease in the average interest rate on borrowing liabilities, the item "Interest and similar expenses" declined further, coming in at EUR 14.1 million in the year under review (previous year: EUR 15.0 million). The expenses from the guaranteed dividend paid to the shareholders of BBI Immobilien AG remained on a par with the previous year at EUR 0.2 million.

Earnings before tax (EBT) improved by EUR 1.7 million in the year under review to EUR 80.0 million (previous year: EUR 78.3 million). When adjusted for valuation effects in the amount of EUR 22.3 million (previous year: EUR 22.3 million), EBT stood at EUR 57.7 million, which represents a rise of EUR 1.7 million, or 3.1%, on the previous year (previous year: EUR 56.0 million). As in the previous year, there were no extraordinary items. The average rental yield of all Group properties stood at 6.83% (31/12/2019: 6.92%).

Income taxes came in at EUR 12.8 million (previous year: EUR 12.9 million). EUR 5.8 million thereof was attributable to current taxes (previous year: EUR 5.5 million) and EUR 7.0 million thereof was attributable to deferred taxes (previous year: EUR 7.4 million). The income tax rate was 15.8% (previous year: 16.5%).

Consolidated net income improved to EUR 67.3 million and was therefore EUR 1.9 million up on the previous year (previous year: EUR 65.4 million). The undiluted and diluted earnings per share both stood at EUR 2.39 (previous year: EUR 2.29).

NET ASSETS

SELECTED INDICATORS OF NET ASSETS

IN EUR THOUSAND	**31/12/2020**	31/12/2019	Change
Total assets	1,454,156	1,359,731	+6.9%
Investment properties	1,368,001	1,296,352	+5.5%
Net debt (current and non-current financial liabilities less bank balances)	708,584	671,864	+5.5%
Equity	625,178	577,295	+8.3%
Equity ratio	43.0%	42.5%	+0.5 pt.

The total assets of the VIB Group rose by EUR 94.4 million compared with the previous year's balance sheet date to EUR 1,454.2 million (31/12/2019: EUR 1,359.7 million). Within the balance sheet, investment properties – i.e. properties, land and properties under construction – constituted the largest asset category at EUR 1,368.0 million (31/12/2019: EUR 1,296.4 million). Interests in associated companies increased by EUR 2.3 million to EUR 14.2 million (31/12/2019: EUR 11.9 million), mainly due to contributions to capital reserves.

Current assets stood at EUR 60.8 million as of December 31, 2020 (31/12/2019: EUR 41.4 million). Receivables and other assets stood at EUR 3.7 million (31/12/2019: EUR 3.6 million) and included trade receivables in the amount of EUR 1.4 million (31/12/2019: EUR 1.0 million) and other assets in the amount of EUR 2.4 million (31/12/2019: EUR 2.5 million).

Bank balances and cash in hand increased from EUR 36.7 million to EUR 39.4 million.

As a result of the increase in net retained profits, equity climbed to EUR 625.2 million as of December 31, 2020 (31/12/2019: EUR 577.3 million). As of the balance sheet date, the equity ratio increased slightly to 43.0% (31/12/2019: 42.5%).

Subscribed share capital and the share premium account remained unchanged on the previous year at EUR 27.6 million and EUR 191.2 million respectively. As part of the preparation of the annual financial statements (separate financial statements prepared according to the German Commercial Code [HGB]), EUR 9.5 million was added to retained earnings, causing this item to rise to EUR 95.1 million as of December 31, 2020 (31/12/2019: EUR 85.6 million).

Accumulated earnings rose by 14.8% to EUR 285.4 million as at the balance sheet date (31/12/2019: EUR 248.5 million). Two opposing effects, in particular, were at work here: on the one hand, the increased net profit for the period (attributable to Group shareholders) in 2020 of EUR 65.9 million (previous year: EUR 63.2 million) and, on the other hand, the dividend distribution to our shareholders of EUR 19.3 million (previous year: EUR 17.9 million). The balance sheet item "Non-controlling interests" increased from EUR 25.3 million to EUR 25.8 million.

Non-current liabilities stood at EUR 788.2 million as of December 31, 2020 (31/12/2019: EUR 744.8 million). The largest item was non-current financial liabilities (mainly bank loans to finance the property portfolio), which climbed by EUR 37.0 million to EUR 717.9 million (31/12/2019: EUR 680.9 million). As of year end, the item "Derivative financial instruments" stood at EUR 0.0 million and comprised interest rate swaps to manage the risk of bank loans taken out in the previous year (31/12/2019: EUR 1.2 million). All interest rate swaps at the VIB Group expired as of September 30, 2020. There were no significant changes compared to the previous year in respect of off-balance sheet obligations and liabilities.

Deferred tax liabilities result primarily from differing valuations between the IFRS and tax values of properties and rose to EUR 67.0 million as of the balance sheet date (31/12/2019: EUR 59.8 million). The year-on-year increase was mainly due to portfolio expansion in the form of new investments and positive adjustments to the values of investment properties.

Current liabilities increased from EUR 37.6 million to EUR 40.8 million, which was chiefly due to a rise in current financial liabilities and bank loans to EUR 30.1 million (31/12/2019: EUR 27.7 million). Other liabilities, which primarily comprise trade payables, increased to EUR 9.4 million (31/12/2019: EUR 7.3 million).

The financial position of the VIB Group once again made it possible to fund a portion of planned investments through equity in 2020. Furthermore, we took out new loans in the year under review and repaid loans as planned when they became due. Not least due to the ongoing repayment of our annuity loans, the company's net asset value (NAV) rose significantly to EUR 666.3 million as of the balance sheet date (31/12/2019: EUR 613.0 million).

NET ASSET VALUE (NAV) – UNDILUTED

IN EUR THOUSAND	**31/12/2020**	31/12/2019
Investment Properties	1,368,001	1,296,352
Other assets	11,154	10,033
Interests in associated companies	14,230	11,941
Assets held for sale	14,900	0
+/– other assets/equity and liabilities (including minority interests)	–33,379	–33,488
Net debt	–708,584	–671,864
NAV/net assets (undiluted)	**666,322**	**612,974**
Number of shares (balance sheet date)	25,579,779	27,579,779
NAV per share in EUR (undiluted)	**24.16**	**22.23**

NET ASSET VALUE (NAV) – DILUTED

IN EUR THOUSAND	**31/12/2020**	31/12/2019
NAV/net assets (undiluted)	666,322	612,974
NAV/net assets (diluted)	**666,322**	**612,974**
Number of shares (balance sheet date)	27,579,779	27,579,779
Potential ordinary shares from:		
Number of shares (diluted)	27,579,779	27,579,779
NAV per share in EUR (diluted)	**24.16**	**22.23**

FINANCIAL POSITION

Our financial management includes the planning, coordination and monitoring of all measures designed to acquire funds (equity and debt financing) and deploy funds (investment, primarily in the expansion of our property portfolio). The main aim of our financial management is to ensure financial stability. As of the balance sheet date, we had access to undrawn credit and overdraft lines in the amount of EUR 23.0 million (previous year: EUR 12.4 million).

SELECTED INDICATORS OF FINANCIAL POSITION

IN EUR THOUSAND	**2020**	2019	Change
Cash flow from operating activities	65,317	69,125	–3,808
Cash flow from investment activities	–67,662	–98,297	+30,635
Cash flow from financing activities	4,970	34,895	–29,925
Cash and cash equivalents at end of period	39,363	36,738	+2,625

Cash flow from operating activities came in at EUR 65.3 million in the year under review (previous year: EUR 69.1 million).

Cash outflow from investment activities amounted to EUR 67.7 million in the period under review, compared with EUR 98.3 million in the prior-year period. This item chiefly includes investments in the property portfolio of the VIB Group.

A net cash inflow from financing activities of EUR 5.0 million was recorded (previous year: EUR 34.9 million). The cash inflow from the taking out of bank loans for investments in the property portfolio stood at EUR 66.0 million (previous year: EUR 107.5 million), whereas EUR 20.2 million was paid out in dividends (previous year: EUR 18.8 million). Repayments totalling EUR 26.7 million were made in connection with financial loans (previous year: EUR 40.0 million). On account of the further decrease in the average interest rate, interest payments in connection with financial loans fell from EUR 15.0 million to EUR 14.1 million.

In total, cash and cash equivalents increased by EUR 2.6 million to EUR 39.4 million as of December 31, 2020.

FUNDS FROM OPERATIONS (FFO) PER SHARE – INDICATOR OF THE PORTFOLIO'S EARNINGS STRENGTH

IN EUR THOUSAND	2020	2019
Earnings before interest and tax (EBIT)	**94,223**	**92,953**
adjusted for:		
Income/expenses (non-cash effective)	188	3
Depreciation and amortisation	329	313
Changes in value for investment properties	–22,323	–22,319
	72,417	**70,950**
Interest and similar expenses	–14,134	–14,968
Other interest and similar income	0	18
Profit/loss on equity-accounted investments	–109	449
Expenses from guaranteed dividends	–166	–166
	58,008	**56,283**
Effective tax expense	–5,763	–5,492
	52,245	**50,791**
Minority interest (adjusted for valuation gains/losses)	–1,891	–1,862
FFO in absolute terms	**50,354**	**48,929**
Average number of shares in fiscal year	27,579,779	27,579,779
FFO per share	**1.83 €**	**1.77 €**
Share price on the respective closing date	28.65 €	29.80 €
FFO yield on the respective closing date	**6.39%**	**5.94%**

FFO (funds from operations) – i.e. cash inflow from operating activities – rose from EUR 48.9 million to EUR 50.4 million in the year under review.

4. OVERALL STATEMENT ON THE COMPANY'S BUSINESS POSITION

From the point of view of the Managing Board of VIB Vermögen AG, the 2020 fiscal year can be regarded as a success despite the ongoing coronavirus crisis. The company's own targets, which had been set in the forecast for the year, were all met.

As a company, the VIB Group believes that it is still exposed to a variety of risks, especially the consequences of the coronavirus pandemic, which remain hard to predict. However, the Managing Board takes the view that the VIB Group remains in a strong position to meet all its targets in 2021. It cannot, however, be ruled out that a renewed intensification of the coronavirus situation could have an adverse impact on the planned course of business and therefore the company's earnings position in 2021. Statements made in the forecast would then have to be amended accordingly.

REPORT ON RISKS AND OPPORTUNITIES

RISK REPORT

1. RISK MANAGEMENT

VIB Vermögen AG operates in an economic environment characterised by a sharp increase in change and complexity. This goes hand in hand with frequently changing underlying conditions in day-to-day operations, which may relate to a variety of areas, such as politics, society, legislation, business and technology. Changes in these underlying conditions may influence the course of business and are sometimes associated with risks for the company. With this in mind, VIB Vermögen AG has established a risk management system (RMS) that makes it possible to identify potential risks at an early stage. The RMS ensures that the Managing Board is informed promptly of the occurrence of a risk scenario, enabling it to take appropriate countermeasures.

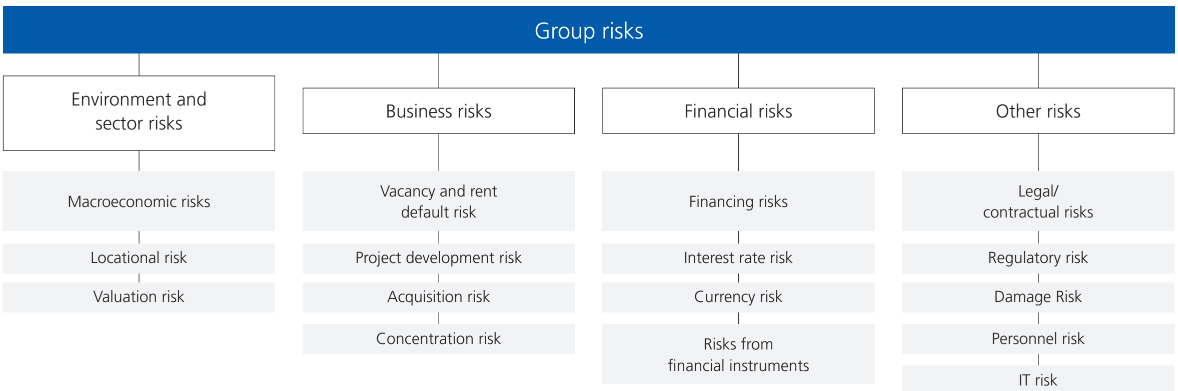
BASIC PRINCIPLES OF RISK MANAGEMENT

The VIB risk management policy supports the corporate goal of safeguarding the company's future as a going concern and of increasing the company's value by means of sustainable growth. In this regard, we define risks both as the danger of possible losses and the danger of potential profits not being realised or only being realised to an insufficient extent.

The VIB risk management policy forms an integral component of the company's business strategy and is set by the Managing Board. In order to identify, manage and counteract potential risks at an early stage, a risk management system has been implemented at all Group subsidiaries. This RMS is closely integrated into operating procedures and processes – especially property-related operations, controlling and planning processes, the group-wide accounting process, and reporting to the Managing and Supervisory Boards.

Risk reporting occurs on a regular basis – at least, however, twice a year. The Managing Board is also to be informed immediately in the form of unscheduled reports about all new risks categorised as material.

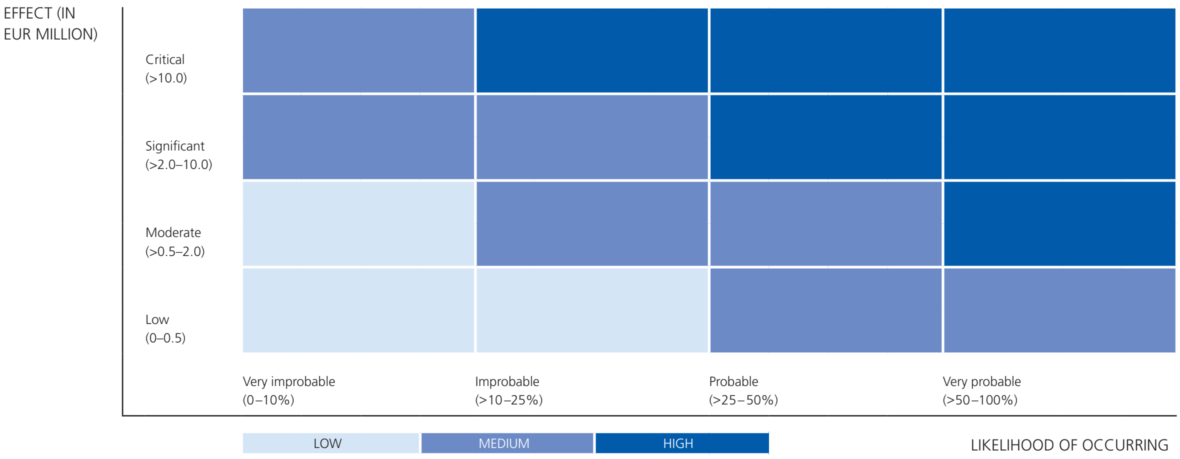
We classify potential risks into four categories that are also applied Group-wide at all subsidiaries.



Once specific risks have been identified and recorded, they are analysed and classified according to their potential loss level and event probability. This is intended to enable conclusions to be drawn about the specific risk potential for VIB (see risk matrix graph):

1. The likelihood of a risk occurring is divided into the classes of "very improbable", "improbable", "probable" and "very probable". These classes reflect the percentage probability with which a harmful event is expected to occur within a twelve-month period.
2. The potential effect (loss level) states the potential maximum extent of a loss given the occurrence of the harmful event. Here, differentiation is made between "low", "moderate", "significant" and "critical" loss extents.
3. Multiplication of the maximum loss level by the event probability generates the risk potential or weighted potential loss amount of the corresponding risk. Risk potential is classified into the three categories of "low", "moderate" and "high" within the VIB Group.

RISK MATRIX OF THE VIB GROUP



2. ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The objective of the accounting-related internal control and risk management system is to ensure that accounts are prepared consistently and in accordance with statutory requirements, the German generally accepted accounting principles pursuant to the German Commercial Code (HGB), the International Financial Reporting Standards (IFRS), company law regulations and internal company guidelines and processes.

The parent company of the VIB Group, VIB Vermögen AG, is classified as a large corporation pursuant to Section 267 of the German Commercial Code (HGB). Pursuant to Section 290 HGB, in conjunction with Section 293 HGB, VIB Vermögen AG is required to prepare consolidated financial statements and a consolidated management report. It is the responsibility of the Managing Board to prepare the consolidated financial statements and the consolidated management report. This includes the setting up and maintenance of the accounting-related internal control and risk management system.

The accounting-related internal control and risk management system forms part of risk management at the VIB Group. All accounting-related risks are monitored by the Risk Officer of the VIB Group and are included in the regular risk reports submitted to the Managing and Supervisory Boards.

The financial statements are prepared centrally by the Finance and Accounts department under the auspices of the Managing Board. This ensures a uniform and consistent approach when preparing the financial statements. The accounting data is processed using an accounting software program in accordance with a uniform chart of accounts and consistent accounting guidelines, as well as predefined processes and process checks.

Automated plausibility checks are performed with the help of the software used. Accounting-related information is shared on an ongoing basis between the Head of Accounts and the Managing Board. In order to identify and avert possible errors and deviations during preparation of the financial statements, the dual-control principle is applied to all key procedures and processes. This principle states that no single individual can be responsible for an important procedure or process. The use of IT systems with automated access control mechanisms and integrated plausibility checks establishes an automated control structure that seeks to ensure maximum data security at all times. All internal processes and guidelines connected with the preparation of financial statements are regularly reviewed in terms of their effectiveness and, where necessary, adapted to reflect new requirements.

Once the consolidated financial statements have been prepared and then audited by the appointed auditor, these consolidated financial statements and the management report are submitted to the Supervisory Board for review. This review takes place in consultation with the auditor. Once the review has been concluded, the Supervisory Board approves the consolidated financial statements.

3. COMPANY RISKS

Compared to the previous year, the risk situation of the company has increased, primarily due to the spread of the coronavirus crisis. This impacts several of the individual company risks outlined below.

ENVIRONMENT AND SECTOR RISKS

MACROECONOMIC RISKS

The commercial property market in Germany is influenced by macroeconomic trends. In the event of an economic slowdown, there is a risk that companies will be less willing to invest. As a consequence, this could result in less demand for rental space, an increased vacancy risk and falling rents.

Due to the spread of the coronavirus crisis, economic growth in Germany has slowed considerably. In addition to a decline in exports, significant falls were witnessed in all areas of economic activity, with private consumer spending and corporate investment no exceptions[1]. With the vaccination campaign launched in January 2021, the plan is to arrest the spread of coronavirus by mid/late 2021, meaning that a gradual return to normality can be anticipated from this point onwards. However, we still expect potentially severe macroeconomic restrictions for 2021, particularly in the first half of the year, that may have a negative impact on the commercial property market in Germany.

In order to counteract these risks, VIB has always pursued a diversified portfolio and a tenant base with excellent credit ratings as part of its property strategy. In order to minimise the risk of long-term vacancies, we always agree long rental terms with our tenants and ensure that our properties offer good alternative usability.

Due to the still unpredictable consequences of the coronavirus pandemic, we continue to assess the macroeconomic risk for VIB as “moderate”, as in the previous year.

LOCATION RISK

When the company acquires or develops properties, certain risks could arise from an incorrect evaluation of the property’s location (e.g. due to changes in the transport infrastructure) or an incorrect assessment of the local rental market. In turn, this could have an adverse impact on the values of the properties concerned and the rental income that can be generated from such properties. In order to mitigate such risks, comprehensive due diligence is performed prior to every transaction. Moreover, our in-house property management allows us to identify changes in the properties’ environment in a timely fashion so that, where necessary, suitable measures can be taken quickly and effectively in response.

We gauge the risk of a general deterioration of the location quality of our properties as “low”, as in the previous year.

VALUATION RISK

The value development of properties is subject to numerous factors over which VIB only has limited control. Depending on how these factors develop, there is a risk that the value of the property portfolio may fall and that the company may sustain valuation losses. In order to receive precise information surrounding the development of the property portfolio, the market value of all properties is calculated every year by an independent external property valuation surveyor, applying the discounted cash flow (DCF) method. The extent to which the property portfolio retains its value depends on various factors, including infrastructure links and the overall condition of each property, the rental incomes that can be generated and the remaining terms of rental contracts.

The main exogenous risks, over which the company has no control, include economic changes, overall interest rate trends and inflation. Possible consequences include declining demand for commercial properties, falling rents overall and rising vacancy rates. The value of a property also

[1] Source: German Federal Statistical Office

depends on internal factors, such as the condition of the property or the remaining term of the rental agreement.

In order to minimise these risks, the property portfolio of VIB is diversified, both in a regional sense and in terms of sector. Furthermore, the in-house management of our properties enables close contact with our tenants, meaning that we can respond very quickly to problems and changing tenant needs where necessary.

As a result of the unpredictable economic consequences associated with the coronavirus crisis, we regard the risk of a significant devaluation of the property portfolio as "moderate", which is unchanged on the previous year.

BUSINESS RISKS

VACANCY AND RENTAL DEFAULT RISK

As a long-term portfolio manager, we are subject to a certain rental default and vacancy risk.

An economic slowdown could reduce demand for rental space. As a result, rents could fall, which would lead to lower rental incomes for VIB. There is also the risk of a rental default due to temporary payment difficulties or the insolvency of a tenant.

In order to identify payment difficulties at an early stage, rents receivable are monitored on an ongoing basis and any rental arrears are processed promptly. Furthermore, priority is also placed on good alternative usability when acquiring properties. This makes it easier to let them again quickly if rental agreements are terminated. Thanks to the aforementioned measures, the vacancy rate at VIB has been constantly below 3% for many years, coming in at 2.5% as of December 31, 2020.

Due to the impacts of the coronavirus pandemic, we see an increased risk that the vacancy rate may rise in the months ahead. Nonetheless, we continue to gauge the vacancy and rental default risk as "moderate", as in the previous year.

PROJECT DEVELOPMENT RISK

As a property developer, we are subject to fundamental risks that arise from the acquisition of land and the subsequent construction of properties.

In some individual development projects, sites are acquired for which planning permission has yet to be obtained. In the event that planning permission is not granted by the authorities, the risk exists that the planned construction projects may be delayed or not even completed at all. Furthermore, development and investment budgets could be exceeded. In turn, this could result in the development yields calculated by VIB not being achieved.

Delays in the completion of the properties cannot be ruled out as part of general construction risk. This would render it impossible to transfer properties to tenants on time. This could lead to temporary losses of rental income, as well as claims for compensation pursued by tenants.

Furthermore, property development is subject to a raft of further risks, such as incorrect evaluation of the market and competitors, poor choice of location, contamination risks in respect of land and buildings, breaches of heritage protection/environmental rules and construction defects/warranty claims. In order to minimise general project development risks and to ensure that projects are completed on schedule and on budget, VIB works with suitable general contractors on larger construction projects.

We gauge the potential risk from development projects as "moderate", as in the previous year.

ACQUISITION RISK

Alongside development projects, the acquisition of existing properties represents a further key pillar of the business strategy at VIB. The acquisition of plots of land also forms part of this acquisition strategy. These plots supplement the VIB site pipeline and, over time, are used successively for the development of new logistics projects.

For VIB, risks such as concealed defects in the building's structure, an excessively high purchase price, problems incorporating the property into the Group structure, unexpected liability claims or problems with the new tenant may also arise in connection with acquisition decisions.

We strive to limit these risks by virtue of our more than 25 years of experience as a portfolio management company and our corresponding connections in the commercial property market. Furthermore, we perform technical, financial and legal due diligence prior to any transaction.

We currently evaluate the acquisition risk for the VIB Group as "low", as in the previous year.

CONCENTRATION RISK

The VIB property portfolio is diversified in terms of its core sectors of logistics and retail, as well as in a regional sense. Our tenant base includes small and medium-sized enterprises as well as multinational corporations. The VIB portfolio includes several anchor tenants, who rent multiple properties. As such, there is a risk that individual anchor tenants could experience payment difficulties or, in a worst-case scenario, be forced to file for insolvency. This would result in payment defaults on the part of the tenant and significant negative impacts on the earnings position of the company.

In order to mitigate the risk of unexpectedly high vacancy rates or rental defaults, VIB focuses on long-running rental agreements when selecting tenants. The low vacancy rate, which has been below 3% for several years, pays testament to property management at VIB that works in this regard.

As the economic implications of the coronavirus crisis could affect both smaller individual tenants and larger groups of tenants, we continue to assess the concentration risk as "moderate", as in the previous year.

FINANCIAL RISKS

FINANCING RISKS

It is currently almost impossible to predict the long-term consequences of the coronavirus pandemic, as well as the impacts of Brexit and international trade disputes. The Managing Board takes the view that a further deterioration in the economic situation could have a negative impact on the banking sector and therefore on the financial system as a whole. This could lead to banks pursuing a more restrictive lending policy, charging higher fees or providing companies with insufficient capital or no capital at all. For VIB, this could result in planned property development projects either not being completed or being delayed due to difficulties with financing.

We are also subject to a liquidity risk in connection with financial risks. Our liquidity management is based on the daily availability of our bank accounts and rolling liquidity planning that factors in all payment-related circumstances. As of the balance sheet date, VIB has sufficient total cash and cash equivalents to ensure solvency at all times in its ongoing business operations.

The financing risk is higher than in the previous year due to the coronavirus crisis. In some cases, rental deferrals and defaults are expected as a result of the shutdown, which also affects some of our tenants. In order to ensure the necessary degree of flexibility in response to liquidity shortfalls, the company is maximising and increasing financial room for manoeuvre and reviewing and optimising pending investment decisions. As a result of the aforementioned measures in combination with the company's capital resources and low vacancy rate, we believe that the company remains in a strong position.

In light of the coronavirus crisis, we continue to assess the financing risk as "moderate", which is unchanged against the previous year.

INTEREST RATE RISK

In order to fund company growth, VIB will continue to draw on debt financing instruments. As such, trends in the overall interest rate in Germany are of considerable importance, as the interest expenses in connection with property loans have a direct impact on the company's earnings position.

A rise in the overall interest rate increases the risk for the company that both the interest rate conditions for funding new projects and the interest rate terms for existing loans on which the fixed-interest period is expiring will worsen.

In order to hedge as effectively as possible against short- and medium-term interest rate fluctuations, we mainly take out annuity loans, the overwhelming majority of which have a fixed-interest period of ten years, for the financing of real estate projects. Within the financing mix, these are complemented on a case-by-case basis by promissory note loans with an agreed fixed term.

Given the current low interest rate level, however, we also utilise loans with variable-interest agreements, such as those based on EURIBOR. Based on the total volume of borrowing liabilities at the VIB Group, the share of variable-interest loans stood at a mere 10% as of December 31, 2020.

We do not anticipate a significant rise in the capital market interest rate over the next twelve months. We therefore assess the possible effects of an interest rate risk on the earnings position of VIB as "low", as in the previous year.

CURRENCY RISK

Loans and credit granted to, and interests in, foreign subsidiaries are always subject to the risk of currency fluctuations. No significant foreign currency items existed at VIB as of December 31, 2020.

We therefore assess risks from financial instruments as "low", as in the previous year.

RISKS FROM FINANCIAL INSTRUMENTS

To safeguard interest rate conditions in the long term and improve the predictability of interest expenses, VIB previously entered into interest rate swaps in respect of certain variable-rate loans. All interest rate swaps at VIB expired as of September 30, 2020.

We therefore assess risks from financial instruments as "low", as in the previous year.

OTHER RISKS

LEGAL AND CONTRACTUAL RISKS

VIB closely monitors new and amended underlying legal conditions so as to be able to respond in a timely fashion. Changes – particularly in the area of construction/environmental law, but also in terms of capital market and tax law – could give rise to a risk that incurs additional costs or, in certain cases, has a negative effect on the course of business at VIB.

VIB and its subsidiaries could be involved in court proceedings connected with the acquisition, development or sale of properties and land. Such proceedings could have negative effects on the economic position of the company. Currently, VIB is not involved in any court proceedings that could have a significant influence on the company's business activities.

As a company, VIB is also reliant on the observance of compliance standards (applicable legislation as well as internal guidelines such as the Code of Conduct and anti-corruption guidelines) by all employees and the management. A failure to comply could have negative consequences on the company's business activities, as well as reputational damage. To ensure observance with compliance standards, a compliance unit has been set up at VIB. This unit defines internal guidelines and process requirements and handles training on compliance-related topics for all employees of the VIB Group. No breaches of compliance guidelines were reported within the VIB Group in the year under review.

As a property management company, VIB could incur contractual risks when entering into agreements with tenants, customers and other business partners (e.g. rental and purchase agreements, agreements with general contractors, service agreements, consultancy agreements, etc.). In order to minimise these risks, all agreements are reviewed internally and, where necessary, externally.

Currently, we are aware of no serious legal and contractual risks that could pose a danger to the company. We therefore appraise this risk as "low", as in the previous year.

REGULATORY RISK

As a public stock corporation, VIB Vermögen AG is subject to a raft of laws and regulations in Germany, such as the German Stock Corporation Act (Aktiengesetz), the German Securities Trading Act (Wertpapierhandelsgesetz) and the German Commercial Code (Handelsgesetzbuch). Over the past few years, more and more measures have been taken at European Union level in order to improve investor protection and the regulation and supervision of the financial sector, including measures taken in light of the economic and financial crisis in 2008.

The new EU market abuse regulation (MAR) (Regulation No 596/2014 of the European Parliament and of the Council) came into force in 2016. For open-market issuers like VIB Vermögen AG, this means an extension of publication obligations and a beefing up of penalties in the event of breaches of this regulation.

Thanks to the long-standing listing of the VIB share on the Munich Stock Exchange, the company possesses appropriate capital market expertise. In terms of complying with stringent capital market regulations, VIB also draws on the expertise of external capital market specialists where necessary.

In a dynamic economic environment, VIB is subject to a tax risk due to evolving tax legislation and case law. In respect of VIB, this applies in particular to the area of income tax and VAT law. In the event of the incorrect representation of tax matters to the tax authorities, the tax burden – and therefore the earnings position and liquidity of the company – could worsen. On previous tax audits, the tax authorities have raised no objections that have led to a notable increase in the tax burden for VIB.

We also deal with many other capital market regulations and regulatory issues, such as the Act for Implementing the Second EU Shareholder Rights Directive (ARUG II), passed in 2019, the AIFM (Alternative Investment Fund Manager) Directive and MIFID II (Markets in Financial Instruments Directive), which came into force in 2018. All key issues are analysed and evaluated on a regular basis by the Managing Board and specialist departments, with appropriate measures to avert and reduce potential risks instigated where necessary. We also draw on the services of external specialists as required, who advise us on all relevant legal and regulatory issues.

Changes in the regulatory environment could entail risks for VIB that could have a negative impact on the company's business operations. Furthermore, the company could incur additional costs for external advisory services or training measures.

We currently appraise a regulatory risk as "low", as in the previous year.

RISK OF DAMAGE

Damage to, or destruction of, the company's properties constitutes a further – and potentially substantial – risk for the company. In individual cases, this could have severe negative consequences for the earnings, assets and financial position of VIB.

We counter these risks through insurance coverage. All-risks insurance polices have generally been taken out in respect of the properties held by VIB. Alongside classic provisions such as protection against fire, storm and water damage, these policies also cover natural hazards such as high water, flooding and snow load. This kind of insurance usually includes a rent default clause for the event that a property can temporarily not be let due to damage and that VIB loses rental income as a result. In order to avoid the risk of underinsurance, the properties are also valued by an external surveyor.

VIB evaluates the negative consequences for the company arising from a damage risk as "low", as in the previous year.

PERSONNEL RISK

The departure of employees could result in a loss of know-how, with the recruitment and integration of replacement technical and managerial staff potentially exerting a negative impact on daily operating business.

We counter this risk with a remuneration system that reflects performance fairly and by granting additional benefits to our employees, such as a company pension scheme. VIB also offers training opportunities. Since 2013, VIB has been certified as an apprenticeship provider for property professionals by the Industrie- und Handelskammer (IHK, German Chamber of Industry and Commerce).

Overall, the personnel risk is regarded as "low", as in the previous year.

IT RISK

All of the VIB Group's significant business processes are based on IT systems. A loss of the data stock or a protracted failure of IT systems could negatively affect business processes.

We continuously enhance our IT systems, including in cooperation with external service providers, in order to protect against such risk. Data of relevance to our business is backed up daily. In the event of hardware or software failure, contingency plans are in place that make it possible to restore system and data operability in a short space of time.

Due to the General Data Protection Regulation (GDPR), which came into force in 2018, the overall data protection risk has increased in line with the fines for breaches contained therein. In order to counteract this risk, VIB attaches considerable importance to data confidentiality, secure passwords and access/rights concepts and to staff training in respect of the GDPR.

In an increasingly connected and global world, the risk of cyberattacks against a company's IT architecture is increasing all the time. As a result of the coronavirus crisis, VIB also offered its employees the option of working from home. In this context, a cyber incident could not only result in protracted system failure, but also the loss or theft of sensitive company data. This would entail financial losses and reputational damage for VIB.

Although there is no such thing as complete protection against IT risks at a company, VIB has nonetheless put measures into place that are designed to ensure protection of the data processed and the IT systems deployed.

IT risks have not changed significantly compared with the previous year. We continue to appraise such risk as "low".

SUMMARY OF RISK SITUATION

Risk management at VIB is an ongoing process that not only identifies new risks, but that also continuously analyses and measures existing risks in order to derive appropriate risk minimisation and risk prevention measures from them. In our opinion, the risk situation remains heightened in some risk categories at the VIB Group due to the coronavirus crisis. It is, however, the appraisal of the Managing Board that no severe risks are currently identifiable that could directly jeopardise the future of the company as a going concern.

OPPORTUNITIES REPORT

In addition to efficient risk management, it is extremely important for the commercial success of the VIB Group to seize opportunities as they present themselves. With this in mind, it is vital that opportunities are identified and evaluated as soon as possible, and that they are harnessed in line with the company's human and financial resources. VIB always aims for a balanced relationship between risks and opportunities in order to increase the company value in the long term, which is in the interests of all stakeholders.

According to Jones Lang Lasalle, investors will continue to focus considerable attention on investment opportunities in the German property market on account of low interest rates[1]. As a portfolio management company, we see an opportunity to continue growing sustainably and profitably in this area. In order to achieve our planned development yields, we aim to continue benefiting from our in-house expertise and our network – particularly in the economically strong southern German region – in respect of development projects.

[1] Source: Jones Lang Lasalle (JLL) Real Estate Market Overview 2020

A key pillar of our business model is the management of our property portfolio by in-house VIB personnel. We see a continued opportunity to achieve a high quality standard for our properties as well as low vacancy rates and long remaining rental agreement terms by means of in-house management.

The property portfolio of VIB now comprises 113 properties with a total useful area of 1.29 million sqm. Some of the remaining land within the portfolio offers further development potential in terms of creating new rentable space by means of targeted redensification, i.e. the construction of new buildings and the expansion of existing ones on portfolio sites. This provides VIB with an opportunity to generate additional rental income without having to acquire new land. As the site is already available, the achievable development yields are usually above market level.

For us, a balanced financing mix is another key building block in terms of achieving our growth targets. On the one hand, the debt financing side plays a key role. By virtue of our many years of experience, we have built up a network with financing banks. Thanks to this network and, not least, the continued favourable interest rate environment, we are in a position to agree suitable terms for new and follow-on financing arrangements for our real estate projects. Annuity loans with fixed-interest periods of ten years are our preferred financing option. However, promissory note loans and short-term variable loans, based on EURIBOR, are also used and represent a sensible addition to our debt financing mix.

On the other hand, we also use the spectrum of equity financing possibilities as a company listed in the open market segment. Through active dialogue with the capital market and the high degree of transparency vis-à-vis our investors and analysts, we are able to draw on all forms of equity financing (e.g. mandatory convertible bonds or capital increases) where necessary.

In terms of the financing of our company growth, we continue to see an overall opportunity to agree very favourable terms on both the debt and equity financing sides, which, in turn, may have a positive effect on the earnings position of the company.

SUMMARY OF THE OPPORTUNITIES REPORT

In recent years, VIB has specialised in the commercial property market, particularly the logistics and retail segments. The company holds a diversified property portfolio, which has exhibited a vacancy rate of below 3% for many years. Despite the current consequences of the coronavirus pandemic, the Managing Board believes that the company is in a strong position to successfully continue its strategy, which is geared towards sustainable growth, and harness market opportunities in this regard as they present themselves in the future.

OUTLOOK

The potential impacts of the coronavirus crisis on the company's earnings position play a major role in terms of planning for the 2021 fiscal year. Based on the experience of the year under review, we calculate rental defaults recognised in income/expenses of approx. EUR 0.5 million across the Group for the 2021 fiscal year. The extent to which these coronavirus-related rental defaults will actually depress the company's earnings will only become apparent during the course of/at the end of 2021 and is largely dependent on the government-ordered lockdowns.

Revenue planning was carried out on the basis of existing properties as of December 31, 2020. Furthermore, this planning also includes pro rata revenue contributions from properties that will be completed during the course of 2021. Based on these assumptions, we anticipate revenue of EUR 99.0 million to EUR 105.0 million for the 2021 fiscal year (2020: EUR 94.2 million).

Taking current developments into account, we forecast EBT, before valuation effects and extraordinary items, of between EUR 61.0 million and EUR 65.0 million for 2021 (2020: EUR 57.7 million). We expect FFO to be within a range of EUR 54.0 million and EUR 58.0 million in the current fiscal year (2020: EUR 50.4 million).

Based on the assumptions made, we expect the vacancy rate to be in the low single-digit percentage range at the end of the 2021 fiscal year (31/12/2020: 2.5%). As rising interest rates are not forecast in the medium term either, we expect a further slight reduction in the average interest rate on our borrowing liabilities as of December 31, 2021 (31/12/2020: 1.77%).

The forecast for the current fiscal year aims to provide as realistic a picture as possible of the anticipated course of business of the VIB Group, including in light of the current coronavirus pandemic. If it transpires that the negative effects of the pandemic are more severe for currently unforeseeable reasons, the Managing Board believes that actual figures may deviate from this forecast.

Neuburg/Danube, April 19, 2021

Martin Pfandzelter
(CEO)

Holger Pilgenröther
(CFO)

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT (IFRS)

FOR THE PERIOD FROM JANUARY 1, 2020, TO DECEMBER 31, 2020

IN EUR THOUSAND	Note	**01/01–31/12/2020**	01/01–31/12/2019
Revenue	D.1	**94,207**	**90,995**
Other operating income	D.2	1,466	1,645
Total operating income		**95,673**	**92,640**
Changes in value for investment properties	D.3	22,323	22,319
Expenses for investment properties	D.4	–17,377	–16,057
Personnel expenses	D.5	–4,216	–3,861
Other operating expenses	D.6	–1,851	–1,775
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**94,552**	**93,266**
Depreciation on intangible assets and amortisation	D.7	–329	–313
Earnings before interest and tax (EBIT)		**94,223**	**92,953**
Profit/loss on equity accounted investments	D.8	118	450
Other interest and similar income	D.9	0	18
Interest and similar expenses	D.10	–14,134	–14,968
Expenses from guaranteed dividends	D.11	–166	–166
Earnings before tax (EBT)		**80,041**	**78,287**
Income tax	D.12	–12,772	–12,876
Consolidated net income		**67,269**	**65,411**
Group shareholders' share of earnings		65,875	63,159
Non-controlling shareholders' share of earnings	D.13	1,394	2,252
EARNINGS PER ORDINARY SHARE (IN EUR)			
Profit/loss on continuing operations	D.14	2.39	2.29
Undiluted earnings per share		**2.39**	**2.29**
DILUTED EARNINGS PER SHARE (IN EUR)			
Profit/loss on continuing operations	D.14	2.39	2.29
Diluted earnings per share		**2.39**	**2.29**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

FOR THE PERIOD FROM JANUARY 1, 2020, TO DECEMBER 31, 2020

IN EUR THOUSAND	Note	**2020**	2019
Consolidated net income		**67,269**	**65,411**
Other income			
Other comprehensive income to be reclassified to the income statement in subsequent periods			
Foreign currency effects from the translation of independent subsidiaries		–6	86
Income tax effect		0	0
		–6	**86**
Cash flow hedges – value changes to effective hedges		1,161	1,747
Income tax effect	D.21	–167	–250
		994	**1,497**
Other comprehensive income to be reclassified to the income statement in subsequent periods		**988**	**1,583**
Other comprehensive income not to be reclassified to the income statement in subsequent periods			
Actuarial gains/losses Pension plans		–159	–365
Income tax effect	D.21	26	58
		–133	**–307**
Other comprehensive income not to be reclassified to the income statement in subsequent periods		**–133**	**–307**
Other comprehensive income after tax		**855**	**1,276**
Total comprehensive income after tax		**68,124**	**66,687**
Total comprehensive income attributable to:			
Group shareholders		66,706	64,400
Non-controlling shareholders		1,418	2,287

CONSOLIDATED BALANCE SHEET (IFRS)

AS OF DECEMBER 31, 2020

ASSETS

IN EUR THOUSAND	Note	31/12/2020	31/12/2019
Non-current assets			
Intangible assets		18	2
Property, plant and equipment	D.16	11,136	10,031
Investment properties	D.17	1,368,001	1,296,352
Interests in associated companies and joint ventures	D.18	14,230	11,941
Total non-current assets		**1,393,385**	**1,318,326**
Current assets			
Receivables and other assets	D.19	3,739	3,555
Bank balances and cash in hand	D.20	39,363	36,738
Prepayments and accrued income		2,769	1,112
Assets held for sale	D.17	14,900	0
Total current assets		**60,771**	**41,405**
Total assets		**1,454,156**	**1,359,731**

EQUITY AND LIABILITIES

IN EUR THOUSAND	ANHANG	31/12/2020	31/12/2019
Equity	D.21		
Subscribed share capital		27,580	27,580
Share premium account		191,218	191,218
Retained earnings		95,106	85,559
Cumulative earnings		285,428	248,539
Cash flow hedges		0	–929
Foreign currency translation		16	22
Equity attributable to shareholders of the parent company		**599,348**	**551,989**
Non-controlling shareholders' share of earnings		25,830	25,306
Total equity		**625,178**	**577,295**
Non-current liabilities			
Financial liabilities	D.22	717,894	680,915
Derivative financial instruments	D.23	0	1,161
Deferred taxes	D.24	66,974	59,824
Pension provisions	D.25	3,328	2,928
Total non-current liabilities		**788,196**	**744,828**
Current liabilities			
Financial liabilities	D.26	30,053	27,687
Income tax liabilities	D.28	241	1,669
Liabilities to participating interests	D.29	827	827
Other liabilities	D.30	9,369	7,298
Accruals and deferred income		292	127
Total current liabilities		**40,782**	**37,608**
Total equity and liabilities		**1,454,156**	**1,359,731**

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

FOR THE PERIOD FROM JANUARY 1, 2020, TO DECEMBER 31, 2020

IN EUR THOUSAND	Note	**01/01–31/12/2020**	01/01–31/12/2019
A. Cash flow from operating activities			
Net income for the year (after tax)		67,269	65,411
+/– Net interest result	D.9, 10	14,134	14,950
+/– Income tax expense	D.12	12,772	12,876
+/– Depreciation/appreciation on property, plant and equipment and intangible assets	D.7	329	312
+/– Increase/decrease in provisions		400	565
+/– Changes in value to investment properties	D.3	–22,323	–22,319
+/– Profit/loss on equity accounted investments	D.8	–118	–450
+/– Income taxes paid		–7,191	–4,422
Cash flow from operating activities after tax (before interest expense)		**65,272**	**66,923**
+/– Other non-cash expenses/income		–160	–365
+/– Changes in inventories, receivables and other assets not attributable to investing activities		–2,031	2,399
+/– Change in liabilities not attributable to financing activities		2,236	168
Cash flow from operating activities (before interest expense)		**65,317**	**69,125**
B. Cash flow from investing activities			
– Payments made for investments in intangible assets		–20	–2
– Payments made for investments in property, plant and equipment	D.16	–1,430	–2,301
– Payments made for investments in investment properties	D.17	–65,542	–93,051
– Payments made for investments in financial assets	D.18	–2,170	–5,317
– Payments made for the acquisition of subsidiaries		0	–9,201
+ Proceeds from the disposal of fixed assets and investment properties		1,500	11,575
Cash flow from investing activities		**–67,662**	**–98,297**

IN EUR THOUSAND	Note	**01/01–31/12/2020**	01/01–31/12/2019
C. Cash flow from financing activities			
+ Proceeds from the drawing down of borrowings	D.32	66,000	107,500
– Payments to company owners and non-controlling shareholders (dividends)	D.14	–20,241	–18,823
– Outgoing payments for the redemption of borrowings	D.32	–26,655	–40,011
+/– Payments received from non-controlling shareholders		0	1,115
+ Interest received	D.9	0	18
+ Dividends received		0	64
– Interest paid	D.10	–14,134	–14,968
Cash flow from financing activities		**4,970**	**34,895**

IN EUR THOUSAND	Note	**01/01–31/12/2020**	01/01–31/12/2019
D. Cash and cash equivalents at end of period			
Net change in cash and cash equivalents			
+/– Cash flow from operating activities		65,317	69,125
+/– Cash flow from investing activities		–67,662	–98,297
+/– Cash flow from financing activities		4,970	34,895
Change in cash flow		**2,625**	**5,723**
Cash and cash equivalents at start of period	D.20	36,738	31,015
Cash and cash equivalents at end of period	D.20	**39,363**	**36,738**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

FOR THE PERIOD FROM JANUARY 1, 2020, TO DECEMBER 31, 2020

IN EUR THOUSAND
Balance 01/01/2020
Net income for the period
Other income
Total income
Reclassifications between shareholders recognised in equity
Transfers to retained earnings
Dividends paid
Balance 31/12/2020

FOR THE PERIOD FROM JANUARY 1, 2019, TO DECEMBER 31, 2019

Balance 01/01/2019
Net income for the period
Other income
Total income
Transfers to retained earnings
Initial consolidation of VST GmbH
Dividends paid
Balance 31/12/2019

Subscribed share capital	Share premium account	Retained earnings	Cumulative earnings	Cash flow hedge reserve	Currency translation reserve	Equity attributable to shareholders of the parent company	Share attributable to non-controlling shareholders	Note D.21 **Consolidated equity**
27,580	**191,218**	**85,559**	**248,539**	**–929**	**22**	**551,989**	**25,306**	**577,295**
0	0	0	65,875	0	0	65,875	1,394	67,269
0	0	0	–133	970	–6	831	24	855
0	**0**	**0**	**65,742**	**970**	**–6**	**66,706**	**1,418**	**68,124**
0	0	0	0	–41	0	–41	41	0
0	0	9,547	–9,547	0	0	0	0	0
0	0	0	–19,306	0	0	–19,306	–935	–20,241
27,580	**191,218**	**95,106**	**285,428**	**0**	**16**	**599,348**	**25,830**	**625,178**
27,580	**191,218**	**75,766**	**212,680**	**–2,387**	**–64**	**504,793**	**22,800**	**527,593**
0	0	0	63,159	0	0	63,159	2,252	65,411
0	0	0	–303	1,458	86	1,241	35	1,276
0	**0**	**0**	**62,856**	**1,458**	**86**	**64,400**	**2,287**	**66,687**
0	0	9,070	–9,070	0	0	0	0	0
0	0	723	0	0	0	723	1,115	1,838
0	0	0	–17,927	0	0	–17,927	–896	–18,823
27,580	**191,218**	**85,559**	**248,539**	**–929**	**22**	**551,989**	**25,306**	**577,295**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2020 FINANCIAL YEAR

A. GENERAL INFORMATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

VIB Vermögen AG, Neuburg/Danube, Germany (also referred to below as “VIB AG” or “the company”), has its corporate seat at Tilly-Park 1, 86633 Neuburg/Danube, Germany, and is registered in the commercial register of Ingolstadt District Court with commercial register sheet number 101699.

The company’s shares are traded in the m:access segment of the Regulated Unofficial Market of the Munich Stock Exchange, and through the Xetra trading system of Deutsche Börse AG, which is headquartered in Frankfurt.

The parent company of the VIB Group, VIB Vermögen AG, is classified as a large corporation pursuant to Section 267 of the German Commercial Code (HGB). The listing of the company’s shares in OTC trading is not a listing in the meaning of Section 2 (11) of the German Securities Trading Act (WpHG).

The Group’s core competencies are the purchasing, development and management of its own real estate assets and the holding of participating interests in companies with real estate assets. As a portfolio manager for commercial real estate in the southern German region, the VIB Group has been able to establish a high-yielding portfolio of properties over the past few years, with investments focusing on promising high-growth regions in southern Germany.

VIB Vermögen AG is required to prepare consolidated financial statements pursuant to Section 290 in combination with Section 293 of the German Commercial Code (HGB). The consolidated financial statements are prepared voluntarily according to the requirements of the IASB (Section 315e [3] of the German Commercial Code [HGB]), however.

These consolidated financial statements of VIB AG, including figures from the previous year, were prepared in line with International Financial Reporting Standards (IFRS) as applicable in the European Union, and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC).

These consolidated financial statements have been prepared in euros (EUR). All figures, unless otherwise stated, are presented in thousands of euros. Rounding differences may occur. The separate financial statements of the companies included in the consolidated financial statements are based on uniform accounting policies. Carrying amounts based on tax regulations are not included in the consolidated financial statements. The separate financial statements were prepared on the same balance sheet date as the consolidated financial statements.

The nature of expense method has been applied for the consolidated income statement. In addition to the income statement, the statement of comprehensive income, the balance sheet and the cash flow statement, a statement of changes in equity is also provided.

The consolidated balance sheet is categorised according to the term structure of its respective assets and liabilities. Assets and liabilities are classified as being current if they can be realised or redeemed within one year. Trade receivables and trade payables, tax receivables and tax liabilities are generally reported as current items. Deferred tax assets and liabilities are presented as non-current.

Non-controlling interests form part of consolidated equity.

In order to improve the clarity and transparency of presentation, consolidated balance sheet items and consolidated income statement items are summarised to the extent that it is pertinent and possible to do so. These items are analysed in the notes to the consolidated financial statements and discussed accordingly.

Changes to accounting policies are discussed in the notes. The retroactive application of revised and new standards requires that the results of the previous year and the opening financial statements for this comparable period are adjusted as if the new accounting policies had always been applied, unless a differing regulation exists for the respective standard.

B. APPLICATION OF IFRS

VIB AG has applied all of the standards (IFRS, IAS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) and the Standing Interpretations Committee (SIC) which applied in the EU on December 31, 2020. The corresponding transitional regulations have been applied. The consolidated financial statements also include further information required under the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

The IASB has issued the following **new standards and interpretations, as well as amendments to existing standards**, whose application is mandatory or optional. Amendments to the wording of individual IFRS are intended to clarify the existing regulations. There are also amendments affecting accounting, recognition, measurement and the disclosures required in the Notes.

Standard/interpretations	Content of the standard/interpretations	Mandatory
Amendment to IFRS 3	Definition of a Business	for fiscal years commencing on or after January 1, 2020.
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform – Phase 1	for fiscal years commencing on or after January 1, 2020.
Amendments to IFRS 16	Covid-19-Related Rent Concessions	for fiscal years commencing on or after June 1, 2020.
Amendments to IAS 1 and IAS 8	Definition of Material	for fiscal years commencing on or after January 1, 2020.
Other	Amendments to References to the Conceptual Framework	for fiscal years commencing on or after January 1, 2020.

AMENDMENTS TO IFRS 3 – DEFINITION OF A BUSINESS

In October 2018, the IASB published “Amendments to the Definition of a Business” in IFRS 3. The purpose of the amendments is to make it easier for entities to determine whether an acquired group of activities and assets constitutes a business. The amendments apply to transactions occurring on or after first-time application of the amendments. As no activities took place during the reporting period that would fall under the scope of this standard, it had no effect on the Group.

AMENDMENTS TO IFRS 9, IAS 39 AND IFRS 7 – INTEREST RATE BENCHMARK REFORM

The IASB published amendments to IFRS 9, IAS 39 and IFRS 7 in September 2019. The aim of the amendments was to reform the interest rate benchmarks in light of recent market developments in terms of the benchmark rates affecting certain hedge accounting transactions. As the Group does not currently utilise any hedging instruments in respect of interest rates, these amendments had no effect on the consolidated financial statements in the year under review, but may become applicable to future transactions.

AMENDMENTS TO IFRS 16 – COVID-19-RELATED RENT CONCESSIONS

On May 28, 2020, the IASB published amendments to IFRS 16 (Covid-19-Related Rent Concessions). The Board approved the amendments in order to grant lessees relief when applying the regulations of IFRS 16 to account for lease modifications due to rent concessions as a result of the coronavirus pandemic. The relief does not apply to lessors. As the Group, in its capacity as lessor, has not taken advantage of any rent concessions, this regulation has no impact on the consolidated financial statements of VIB.

AMENDMENTS TO IAS 1 AND IAS 8 – DEFINITION OF MATERIAL

The amendments to IAS 1 and IAS 8 “Definition of Material” were published by the IASB in October 2018. The amendments seek to achieve a precise and consistent definition of the term “material”. Information is deemed “material” if omitting, obscuring or misstating such information may influence the assessment of financial information by primary users of these statements. The harmonisation of the term “materiality” had no impact on the Group.

All other amended standards have no effect on the earnings, financial and asset position of the Group, as such amendments often merely relate to the clarification of documentation or reporting issues and/or do not relate to any business transactions within the Group.

The IASB has published the **standards and interpretations listed below, which have already passed into EU law but whose application was not yet mandatory in the 2020 fiscal year**. The Group is not adopting the standards and interpretations early.

Standard/interpretations	Content of the standard/interpretations	Mandatory
Amendment to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	for fiscal years commencing on or after January 1, 2021.
Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 4	Interest Rate Benchmark Reform (IBOR Reform) – Phase 2	for fiscal years commencing on or after January 1, 2021.

AMENDMENTS TO IFRS 9, IAS 39, IFRS 7 AND IFRS 4 – INTEREST RATE BENCHMARK REFORM

The IASB published amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 7 in August 2020. The amendments aim to provide temporary relief in the event that a benchmark interest rate is replaced by an alternative, risk-free interest rate and that this has an effect on financial reporting. As no benchmark interest rates were replaced by risk-free interest rates at the Group, this amendment has no effect on the earnings, financial and asset position of the Group.

The IASB has published the **standards and interpretations listed below, whose application was not yet mandatory in the 2020 fiscal year**. These standards and interpretations have **not yet been enacted by the EU**.

Standard/interpretations	Content of the standard/interpretations	Mandatory
IFRS 17	Insurance Contracts and Amendments to IFRS 17	for fiscal years commencing on or after January 1, 2023.
Amendments to IFRS 3	References to the Conceptual Framework	for fiscal years commencing on or after January 1, 2022.
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	for fiscal years commencing on or after January 1, 2023.
Amendment to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	for fiscal years commencing on or after January 1, 2022.
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	for fiscal years commencing on or after January 1, 2022.
	Annual improvements process (2018–2020)	for fiscal years commencing on or after January 1, 2022.
Amendments to IAS 1	Disclosure of Accounting Policies	for fiscal years commencing on or after January 1, 2023.
Amendments to IAS 8	Definition of Accounting Estimates	for fiscal years commencing on or after January 1, 2023.
Amendments to IFRS 16	Rental concessions related to COVID-19	for fiscal years commencing on or after April 1, 2021.

The Group intends to apply all amendments to standards and adjustments to interpretations as of the mandatory effective date in each case.

AMENDMENT TO IAS 37 – ONEROUS CONTRACTS – COSTS OF FULFILLING A CONTRACT

In May 2020, the IASB published Amendments to IAS 37 “Provisions for Onerous Contracts – Costs of Fulfilling a Contract” in order to specify which costs a company needs to consider when determining whether a contract is onerous or loss-making. The Group would apply this amendment if not all obligations have been met at the start of the fiscal year. Based on current accounting policies, the Group does not anticipate any effects.

All other new regulations and amendments to standards listed above are not applicable to the Group and will therefore not have any impact on its earnings, financial and asset position or on reporting issues.

C. GROUP OF CONSOLIDATED COMPANIES AND ACCOUNTING POLICIES

The consolidated financial statements are prepared using the going concern principle.

The VIB Group's group of consolidated companies includes VIB Vermögen AG and the subsidiaries over which VIB AG can either directly or indirectly exercise control. Control is deemed to exist when the Group bears a risk from, or has entitlements to, fluctuating returns on the basis of its participating interest and it is able to exercise its discretionary power over the subsidiary in order to influence these returns. In particular, the Group has control over a subsidiary when, and only when, it exhibits all of the following characteristics:

a) Discretionary power over the subsidiary (i.e. the Group has, on the basis of existing rights, the ability to steer those activities of the subsidiary that have a material impact on the returns of the subsidiary,
b) a bearing of risk, or entitlements to, fluctuating returns arising from its participating interest in the subsidiary,
c) the ability to exercise its discretionary power over the subsidiary in such a way that it influences the returns of the subsidiary.

Subsidiaries are consolidated in accordance with IFRS 10 Consolidated Financial Statements and IFRS 3 Business Combinations. The carrying amount of the participation is offset against the subsidiary's remeasured equity on the acquisition date. All business combinations are accounted for using the acquisition method. Acquisition costs correspond to the fair value of the assets rendered, the equity instruments issued, and the debts resulting or assumed on the transaction date (acquisition date). On initial consolidation, assets, liabilities and contingent liabilities that are identified as part of a business combination are measured at their fair value on the date of acquisition. Goodwill is recognised if the acquisition costs for the acquisition of interests in subsidiaries exceed the proportion of the fair value of the net assets that is attributable to the Group. If the acquisition costs are lower than the fair value of the net assets of the acquired subsidiary, and after the purchase price allocation has been reviewed for correctness, the difference is recognised directly in profit or loss (other operating income). The interests of non-controlling shareholders in Group subsidiaries are carried at the fair value of the assets and liabilities recognised in equity equivalent to the amount due to non-controlling interests.

Expenses and earnings relating to subsidiaries acquired or disposed of during the course of a year are included in the consolidated income statement from the time the control option begins or ends. Intra-Group transactions, balances and unrealised gains from intra-Group transactions are eliminated. Unrealised losses are also eliminated unless the transaction indicates a value impairment of the transferred asset.

The portion of the consolidated equity, consolidated annual earnings and comprehensive income due to non-controlling interests is shown separately from the portions due to the shareholders of VIB Vermögen AG as the parent company. The annual financial statements of the companies included in the consolidated financial statements are prepared using uniform accounting policies. The key accounting policies that were applied when preparing these consolidated financial statements are discussed below.

The balance sheet dates of all of the subsidiaries in VIB Vermögen AG's consolidated financial statements are the same as the parent company's balance sheet date.

FAIR VALUE MEASUREMENT

On each balance sheet date, the Group measures certain financial instruments (e.g. derivatives) and certain non-financial assets (e.g. investment properties) at fair value pursuant to IFRS 13. Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in a normal transaction between market participants at the measurement date. When measuring fair value, it is assumed that the business transaction as part of which the sale of the asset or transfer of the liability occurs either

a) takes place on the principal market for the asset or liability or
b) on the most favourable market for the asset/liability if no principal market exists.

The Group must have access to the principal or most favourable market.

The fair value of an asset or liability is measured on the basis of the assumptions that market participants apply as the basis to price the asset or liability. In this context, it is assumed that the market participants operate in their best economic interests.

When measuring the fair value of non-financial assets, the ability of the market participant is taken into account to generate economic benefit through the highest and best use of the asset, or through its sale to another market participant that finds the highest and best use for the asset.

The Group applies valuation techniques that are appropriate under the respective circumstances, and for which sufficient data to measure fair value is available. Both observable and non-observable inputs are utilised in this context.

All assets and liabilities for which fair value is determined or reported in the financial statements are allocated to the fair value hierarchy described below, based on the inputs for the lowest level which is significant for fair value measurement overall:

Level 1 – Listed (unadjusted) prices in active markets for identical assets or liabilities

Level 2 – Measurement procedure where the input parameters of the lowest level that is significant for fair value measurement overall cannot be observed directly or indirectly on the market.

Level 3 – Measurement procedure where the input parameters of the lowest level that is significant for fair value measurement overall cannot be observed on the market.

In the case of assets and liabilities that are recurrently reported in the financial statements, the Group determines whether regroupings between the hierarchy levels have occurred by reviewing the classification at the end of each reporting period (based on the input for the lowest level which is significant for fair value measurement overall).

Together with the Managing Board, the staff who are chiefly responsible for Group financial accounting determine the guidelines and procedures for recurring (e.g. investment properties) and non-recurring (e.g. non-current assets classified as held for sale) fair value measurement.

An external surveyor is contracted to value the real estate portfolio. The related decision in this context is made annually by the Managing Board. Market knowledge, reputation, independence, expertise and compliance with professional standards are the main criteria that are applied to select the surveyor. Following discussions with the external surveyor, the relevant managerial staff who are responsible for real estate valuation and the managers who are responsible for the properties decide which valuation techniques and inputs are to be applied in each specific case. On each balance sheet date, the managerial staff who are responsible for real estate valuation analyse the value changes of assets and liabilities that must be remeasured or reappraised pursuant to Group financial accounting policies. This entails reconciling the significant inputs that are applied in the valuation with contracts and other relevant documents. Fair value changes for each property are reviewed together with the surveyor, and any changes are investigated as to their plausibility.

In order to comply with fair value disclosure requirements, the Group has determined groups of assets and liabilities based on their type, characteristics and risk, as well as levels in the aforementioned fair value hierarchy.

INTERESTS IN ASSOCIATES AND JOINT VENTURES

An associate is a company in which the Group has a significant influence. Significant influence is the ability to participate in the financial and business policy decisions of the company concerned, but is not control or the joint leadership of decision-making processes.

A joint venture is a joint agreement in which the parties who exercise joint leadership of the agreement hold rights in the net assets of the joint venture. Joint leadership is the contractually agreed participation in control over an agreement and only exists when decisions over major activities require the unanimous agreement of the parties involved in joint leadership.

The considerations in respect of determining significant influence or joint leadership are similar to those required for the purpose of determining the control of subsidiaries. The Group's shares in associates and joint ventures are accounted for using the equity method.

In the equity method, the shares in an associate or joint venture are recognised at cost at the time of initial recognition. The carrying amount of the investment is adjusted to reflect changes in the Group's share of the net assets of the associate or joint venture after the time of initial acquisition. Goodwill attributable to the associate or joint venture is included within the carrying amount of the participating interest and is neither subject to amortisation nor specific impairment tests.

The Group's share of the profits and losses of associates and joint ventures are reported from the date of the acquisition or change of status in the financial result in the income statement, and the share of changes to equity directly under equity. Dividends paid by associates and joint ventures reduce their carrying amounts.

As of December 31, 2020, the following companies – as in the previous year – were carried as associates and joint ventures according to the equity method:

- BHB Brauholding Bayern-Mitte AG (34.2% interest)
- KHI Immobilien GmbH (41.7% interest)
- WVI GmbH (50.0% interest)

The associates' and joint ventures' balance sheet dates harmonise with the balance sheet date of the VIB Group.

ASSETS HELD FOR SALE

Non-current assets are reclassified as assets held for sale if the related carrying amount is to be realised predominantly through a disposal transaction rather than through continued utilisation. For this to be the case, it must be possible to sell the asset immediately in its current condition on terms that are current and normal for the disposal of such assets, and such a disposal must be highly probable and the sale expected to be conducted within a year of the date of classification. Non-current assets and disposal groups categorised as held for sale are measured at the lower of their carrying amount and fair value less costs of disposal.

SEGMENT REPORTING

In line with IFRS 8.2, companies such as VIB Vermögen AG, in which shares are publicly traded, must prepare segment reports. The so-called management approach is to be utilised for segmentation.

According to IFRS 8.5, a business segment is a distinguishable component of an entity that reports similar non-current income or has comparable economic characteristics. The individual business segments should also differ from the other segments in terms of risks, opportunities and returns.

The VIB Group reported one segment – "Rental and Management of Real Estate Assets" – in the year under review. The Group represents a so-called "one segment company" in this context. The company has refrained from segment reporting for this reason.

RECOGNITION OF REVENUE AND EXPENSES

Revenue is the gross inflow during the period arising in the course of the Group's ordinary activities. Revenues are recognised if a corresponding agreement and convincing verification that the service has been provided exist, the amount of revenues can be identified reliably, and it can be assumed that it will be possible to collect the receivable.

The VIB AG Group has concluded leasing agreements for the commercial letting of its investment properties. In light of the terms of such contracts, including the fact that the leasing term does not constitute the majority of the useful commercial life of a property, the Group has determined that all material opportunities and risks associated with the let properties remain with the Group. The Group therefore recognises these contracts as operating leases. Revenue from operating leases is recorded on a straight-line basis over the term of the lease and, due to its operational nature, recognised in revenue. The land taxes and insurance premiums charged within ancillary costs do not represent performance obligations in their own right and are assigned to rents accordingly.

Interest income is accrued taking into account the amount of the extended loan outstanding and the applicable interest rate (effective interest rate). The applicable effective interest rate is the interest rate that is utilised to discount the estimated future receipts and payments over the term of the financial asset to the net carrying amount of the asset.

Dividend income from financial assets is reported when the legal claim to payment arises.

Prepayments for services that are not rendered until subsequent periods are deferred and recognised in the income statement for the period concerned.

INCOME TAX

Income taxes constitute the total of current tax expenses and deferred tax.

The Group identifies current tax expenses based on the taxable income of the companies included as subsidiaries in the consolidated financial statements. Taxable income differs from the net income derived from the income statement, as it excludes income and expenses that will subsequently, or never, be taxable or tax-deductible due to tax regulations (including deferrals). Current tax liabilities for the Group companies are calculated based on the tax rates that apply to the assessment period.

Deferred tax liabilities and assets are formed according to the asset and liability method (IAS 12) for anticipated tax charges and tax relief on the differences between the carrying amounts of the assets and liabilities in the IFRS consolidated financial statements and the tax base, from consolidation measures, and on loss carryforwards that are likely to be realised.

Deferred tax liabilities are formed for all taxable temporary differences. Deferred tax assets for deductible temporary differences and tax losses carried forward that can be utilised in the future are reported to the extent that it is probable that sufficient future taxable surpluses will be available for which the deductible temporary differences can be utilised. No deferred taxes are formed for temporary differences from the recognition of goodwill, or from the first-time recognition of other assets or liabilities (unless this formed part of a business combination or a transaction which impacts either taxable income or net income).

Deferred tax assets and deferred tax liabilities are offset if they relate to the same tax authority.

The carrying amount of the deferred taxes recognised in the financial statements is reviewed annually on the balance sheet date and reduced if it is no longer probable that sufficient taxable income will be available to recover the deferred taxes either in full or in part.

Deferred taxes are recognised in profit or loss, except for items that are carried in other comprehensive income or directly in equity.

Deferred taxes are identified based on tax rates that apply on the date the liability is settled or the asset is realised. The impact of changes in tax rates on deferred taxes is recognised in profit or loss in the period in which the legislation on which the change to the tax rate is based has mostly been passed, unless these relate to items carried directly under equity.

Deferred tax liabilities that result from temporary differences connected with interests in subsidiaries and associates (outside basis differences) are recognised, unless the date of the reversal of the temporary differences can be controlled by the Group, and it is probable that the temporary differences will not be reversed in the foreseeable future.

INTANGIBLE ASSETS (LICENCES, INCLUDING SOFTWARE)

Purchased intangible assets are recognised at cost. In the case of acquired software, straight-line amortisation over four years is imputed as a result of its limited useful life. Impairment charges are applied to intangible assets if their recoverable amount is less than their amortised cost on the balance sheet date. They are reversed if the reasons for impairment in previous years no longer apply.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at cost less depreciation and impairment losses. Costs include all of the expenses directly attributable to the acquisition of the asset.

Property, plant and equipment is depreciated straight-line or according to the anticipated course of the future utilisation of the equipment. In the case of straight-line depreciation, costs are depreciated as follows over the anticipated useful life of the assets:

- Business premises (own) 30–35 years
- Other property, plant and equipement 3–12 years

The residual carrying amounts, economic useful lives, depreciation methods and residual useful lives are reviewed on each balance sheet date and adjusted as necessary. If the carrying amount of an asset exceeds its estimated recoverable amount (which is the higher of its fair value less costs of disposal and its value-in-use), it is immediately written down to its recoverable amount. Gains and losses from the disposal of assets are calculated as the difference between the income from the sale and the carrying amount, and recognised in profit or loss.

INVESTMENT PROPERTIES

Due to the business activities of the company, all properties let to third parties are classed as investment properties pursuant to IAS 40. Newly acquired properties are valued at cost. Any government investment subsidies to cover additional expenses from listed buildings as a result of investments in real estate are deducted from the acquisition costs of the corresponding asset pursuant to IAS 20. Subsequent measurement is performed at fair value and recognised in profit or loss, less the ancillary costs that would be incurred by a typical potential buyer.

The fair values were measured by an independent valuation surveyor (Landestreuhand Weihenstephan GmbH Wirtschaftsprüfungsgesellschaft, Freising). The valuation surveyor generally applied the discounted cash flow method to identify the fair values.

In the discounted cash flow method, the fair value of a property mostly depends on the following influencing factors:

- expected gross rent
- expected loss of rent from vacant units
- management costs
  (operating and management costs as well as ground rent not allocable to tenants)
- default risk with regards to rents and assessments
- maintenance expenses
- discount and capitalisation rates

Gross rents include contractual rents and customary rents for short-term vacancies. The capitalisation and discount rates are calculated and categorised individually for each property (please refer to Chapter D. 17, "Investment property").

The transaction costs for a potential, typical purchaser are reflected through a discount from present value.

Please see note 17 in Chapter D for more information about the discounted cash flow method and the inputs applied.

Land under development/property under construction is also reported as investment property. Fair value generally applies for valuation in accordance with IAS 40. In addition to other parameters, this includes rental income from current tenancies and appropriate and reasonable assumptions that correspond to what would be agreed between knowledgeable, willing parties for rental income generated from future tenancies according to current market conditions.

Pursuant to IAS 40.53, a rebuttable presumption exists that an entity will be able to measure reliably and on a continuing basis the fair value of an investment property. If the fair value of an investment property under construction cannot be reliably determined as a result of the early stage of the project, it is measured at cost. As soon as VIB AG is able to identify the fair value, the property is carried at fair value. This occurs when the property is completed, at the latest.

As a result of factors including the early development phase of the properties, the VIB Group was unable to reliably measure the fair value for the overwhelming majority of investment properties under construction. As of the balance sheet date, these were consequently measured at amortised cost in line with IAS 16.

LEASES

At the start of a contract, the Group determines whether the contract establishes or includes a lease. This is the case when the contract entitles an entity to use an identified asset in return for payment of a fee over a set period.

THE VIB AG GROUP AS THE LESSEE

The Group has only concluded contracts as the lessee to an insignificant extent.

THE VIB AG GROUP AS THE LESSOR

Leases in which not all significant opportunities and risks associated with ownership are transferred from the Group to the lessee are classed as operating leases. Resulting rental income is recorded on a straight-line basis over the term of the lease and, due to its operational nature, recognised in revenue. Initial direct costs incurred during the negotiation and conclusion of operating leases are added to the carrying amount of the leased object and recognised as expenses over the term of the lease, in the same way as leasing revenue. Conditional rental payments are recognised as earnings in the period in which they are generated.

FINANCIAL INSTRUMENTS

A financial instrument is a contract that results in a financial asset for one company and in a financial liability/equity instrument for another company.

FINANCIAL ASSETS

FIRST-TIME RECOGNITION AND MEASUREMENT

At the point of first-time recognition, financial assets are assigned to one of the following categories for subsequent measurement: measurement at amortised cost, measurement at fair value directly through other comprehensive income or measurement at fair value through profit or loss.

The classification given to financial assets at the point of first-time recognition depends on the attributes of the contractual cash flows relating to the financial assets and on the business model applied by the Group to manage its financial assets. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group measures financial assets at fair value and, in the case of a financial asset that is not measured at fair value through profit or loss, adds transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined in accordance with IFRS 15.

To ensure that a financial asset can be classified and measured at amortised cost or at fair value through other comprehensive income, the cash flows must comprise solely payments of principal and interest (SPPI) on the outstanding capital amount. This is referred to as the "SPPI test" and is carried out at the level of individual financial instruments.

Depending on the business model, the cash flows are generated by means of the collection of contractual cash flows, the sale of financial assets or both. These various cash flows are then used to manage financial assets and evaluate classification at Group level.

The Group solely holds financial instruments in the category “financial assets measured at amortised cost (debt instruments)”, for which the following conditions have been met:

- The financial asset is held as part of a business model whose objective is to hold financial assets for the purpose of collecting contractual cash flows and
- the contractual terms of the financial asset lead to cash flows at fixed points in time, with these cash flows solely payments of principal and interest on the outstanding capital amount.

SUBSEQUENT MEASUREMENT

Financial assets measured at amortised cost are measured using the effective interest rate method in subsequent periods and are to be investigated for impairments. Gains and losses are recognised in profit or loss if the asset is derecognised, modified or impaired.

The Group’s financial assets measured at amortised cost contain trade receivables as well as other assets that primarily include insurance compensation.

DERECOGNITION

A financial asset (or a portion of a financial asset or a portion of a group of similar financial assets) is mainly derecognised (i.e. removed from the consolidated balance sheet) when the contractual rights relating to cash flows from the financial asset have expired.

IMPAIRMENT OF FINANCIAL ASSETS

For all debt instruments and leasing receivables that are not measured at fair value through profit or loss, the Group recognises an impairment for expected credit losses in accordance with the expected credit loss (ECL) model. Expected credit losses are based on the difference between the contractual cash flows payable under the terms of the contract and the total cash flows that the Group expects to receive, discounted using a value approximate to the original effective interest rate. The expected cash flows include the cash flows from the sale of held securities or other credit sureties that are a significant component of the contractual terms.

Expected credit losses are recorded in a two-step process. In respect of financial instruments whose default risk has not increased significantly since first-time recognition, a risk provision is recognised in the amount of the expected credit losses based on a default event within the next twelve months (12-month ECL). In respect of financial instruments whose default risk has increased significantly since first-time recognition, entities are required to recognise a risk provision in the amount of the expected credit losses over the remaining term, irrespective of when the default event occurs (full-term ECL).

In respect of trade receivables and contract assets, the Group applies a simplified method to calculate expected credit losses. A risk provision on the basis of full-term ECL is recognised as of each cut-off date. The Group has compiled an impairment matrix based on its prior experience of credit losses. This matrix has been adjusted to reflect forward-looking factors that are specific to individual borrowers and the underlying economic conditions.

The Group assumes that the counterparty has defaulted on a financial asset when contractually agreed payments are 90 days overdue. The Group may also assume default when internal or external information indicates that it is unlikely that the Group will receive the outstanding contractual amounts in full before all credit sureties held by the Group have been accounted for. A financial asset is written off when there is no legitimate expectation that the contractual cash flows will be realised.

FINANCIAL LIABILITIES

The Group's financial liabilities comprise trade payables and other liabilities, loans including overdrafts, and derivative financial instruments.

FIRST-TIME RECOGNITION AND MEASUREMENT

At the point of first-time recognition, financial liabilities are assigned to one of the following categories: financial liabilities measured at fair value through profit or loss, liabilities, or derivatives designated as hedging instruments and effective as such.

All financial liabilities are measured at fair value at the point of initial recognition; in the case of loans and liabilities, the directly attributable transaction costs are deducted.

SUBSEQUENT MEASUREMENT

The subsequent measurement of financial liabilities depends on their classification. Following initial recognition, interest-bearing loans are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss if the liabilities are derecognised (the same applies in relation to amortisation using the effective interest rate method).

The calculation of amortised cost takes into account any premium or discount at the time of acquisition, as well as any fees or costs that constitute an integral component of the effective interest rate.

Amortisation using the effective interest rate method is included within financing expenses in the income statement.

DERECOGNITION

A financial liability is derecognised if the underlying obligation is fulfilled or lifted, or if it expires. If an existing financial liability is replaced with another financial liability to the same lender, with substantially different contractual terms, or if the terms of an existing liability are changed significantly, a replacement or change of this kind will be treated as derecognition of the original liability and recognition of a new liability. The difference between the carrying amounts of the two liabilities will be recognised in profit or loss.

DERIVATIVE FINANCIAL INSTRUMENTS AND THE ACCOUNTING TREATMENT OF HEDGES

FIRST-TIME RECOGNITION AND SUBSEQUENT MEASUREMENT

In the past, the Group has concluded interest rate swaps to hedge against interest rate risks (cash flow hedges). These derivative financial instruments are recognised at fair value on their contract dates and remeasured at fair value in subsequent periods. Derivative financial instruments are recognised as financial assets if their fair value is positive, and as financial liabilities if their fair value is negative.

At the start of the hedge, both the hedge itself and the Group's risk management objectives and strategies in terms of the hedge are formally recorded and documented.

The effective portion of the gain or loss from a hedging instrument is recorded in the cash flow hedge reserve within other comprehensive income, whereas the non-effective portion is immediately recognised through profit or loss. The cash flow hedge reserve is adjusted to either the cumulative gain or loss from the hedging instrument since the start of the hedge or the cumulative change in the fair value of the hedged underlying transaction, whichever is lower.

The cumulative amount recorded in other comprehensive income is reclassified to the income statement as a reclassification adjustment in the period(s) in which the hedged cash flows affect profit or loss for the period.

BANK BALANCES AND CASH IN HAND

Bank balances and cash in hand include cash, demand deposits, other current highly liquid financial assets with an original maximum term of three months and current account overdrafts. Current account overdrafts are carried in the balance sheet as bank borrowings under current financial liabilities. Bank balances and cash in hand are measured at amortised cost.

EQUITY

The registered shares of VIB Vermögen AG are categorised as equity. Expenses directly connected with the issue of new shares are deducted directly in equity from the issue proceeds after deducting income tax. The share premium account, retained earnings, the Group's profit carried forward, the cash flow hedge reserve and the interests of non-controlling shareholders are also allocated to equity.

PROVISIONS

Provisions are formed according to IAS 37 if a legal or constructive obligation to third parties exists from past events and if this obligation is likely to lead to an outflow of funds for which the amount can be reliably estimated. Provisions are carried in the amount that is required according to the best possible estimate in order to cover all current obligations on the balance sheet date. Future events that could impact the amount required to settle an obligation are taken into account in the provisions to the extent that these can be predicted with sufficient objective certainty and to the extent that such obligations result from past transactions. Expenses for the formation of provisions are disclosed in the income statement. If an outflow of funds is to be expected only after more than one year, the provisions are discounted applying a pre-tax interest rate. In the event of discounting, the increase in the provisions over time is carried as interest expense.

PENSION PROVISIONS

The actuarial valuation of provisions for pensions for company retirement benefits is based on IAS 19. The provision is formed based on the projected unit credit method for defined benefit plans. The differences (so-called actuarial gains and losses) which result at the end of the year between the forecast pension commitments and the actual projected unit credit are carried directly to other comprehensive income, taking into account deferred tax. The service cost contained in the pension expense is reported under personnel expenses, and the interest portion is carried through the income statement under interest and similar expenses.

FOREIGN CURRENCIES

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

The consolidated financial statements are prepared in euros, the parent company's functional currency.

The functional currency of a Group company is the currency of the primary economic environment in which the company operates. Each company prepares its separate financial statements in the functional currency. This is the euro for all of the companies with the exception of RV Technik s.r.o., CZ.

Assets (including goodwill and hidden reserves disclosed as part of a purchase price allocation) and liabilities for foreign subsidiaries for which the functional currency is not the euro are translated in line with IAS 21 at the rate prevailing on the balance sheet date, while income and expenses are translated applying the average rate of exchange. VIB Vermögen AG takes translation differences directly to equity.

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated to the functional currency applying the exchange rate on the transaction date. Gains and losses that result from the fulfilment of these transactions and from conversion, at the closing rate, of monetary assets and liabilities in foreign currency are reported in the income statement.

RISK MANAGEMENT

The Group is exposed to various financial risks that derive from its operations and financing activities. The key financial risks for the Group arise from changes in interest rates, and its counterparties' credit ratings and solvency.

Financial risk management within the Group is based on principles stipulated by the management and includes interest rate, market, credit and liquidity risks. Principles and guidelines for other areas, such as liquidity management and the procurement of short- and long-term loans, also exist.

Financial risk management aims to guard against, to the extent necessary, the various risks detailed above and consequently to limit the negative impact on the Group's profit and loss and balance sheet. Taking into account the principle of functional separation, the financial risks to which the Group is exposed are measured, monitored and actively controlled on an ongoing basis applying various measures.

VALUATION UNCERTAINTIES, ASSUMPTIONS, ESTIMATION UNCERTAINTIES

Assumptions must be made when applying the accounting and valuation methods. The most important forward-looking assumptions and other key sources of estimation uncertainties which exist on the balance sheet date – as a result of which a risk exists that could necessitate an adjustment to the carrying amounts of assets and liabilities during the next fiscal year – are discussed below:

- The identification of the fair values for assets and liabilities and the useful lives of assets are based on the management's assessments. This also applies to the identification of impairments for property, plant and equipment, intangible assets and financial assets. At VIB Vermögen AG, this applies in particular to the valuation of investment properties, and also to financial instruments and derivatives.
- Valuation allowances are formed for doubtful receivables in order to take estimated losses from customers' unwillingness or inability to pay into account.
- Estimates must also be made when calculating actual and deferred taxes. In particular, the possibility of generating sufficient taxable income plays a key role in assessing whether or not deferred tax assets can be utilised.
- Discount factors and anticipated developments are the key estimates made in accounting for, and measuring, pension provisions and current provisions.
- VIB Group companies are involved in various proceedings and official proceedings as part of their general business operations, and such proceedings may be initiated or asserted in future. Even if the outcome of the individual proceedings cannot be forecast with certainty as a result of the uncertainties associated with litigation, it is currently expected that no significant negative impact will arise for the Group's results of operations that goes beyond the risks taken into account as liabilities or provisions in the financial statements.

The best possible information about circumstances prevailing on the balance sheet date is generally utilised for such valuation uncertainties. The actual amounts that result may differ from the estimated amounts. The carrying amounts disclosed in the financial statements that are subject to such uncertainties are detailed on the balance sheet or in the related notes.

On the date the consolidated financial statements were prepared, no material changes to the assumptions on which accounting or valuation were based were to be assumed. As things stand, no notable adjustments to the assumptions and estimates or the carrying amounts of the affected assets and liabilities are therefore to be expected in the 2020 fiscal year.

INFORMATION ABOUT SUBSIDIARIES

As of December 31, 2020, 14 (previous year: 13) companies were included in the consolidated financial statements of VIB Vermögen AG alongside the parent company.

Companies included in the consolidated financial statements as of December 31, 2020:

Company	Headquarters	Voting rights and equity interest (in %)	
		31/12/20	31/12/19
Merkur GmbH	Neuburg/Danube	100.00	100.00
RV Technik s.r.o., CZ	Pilsen (Czech Republic)	100.00	100.00
VIMA Grundverkehr GmbH	Neuburg/Danube	100.00	100.00
KIP Verwaltung GmbH	Neuburg/Danube	100.00	100.00
UFH Verwaltung GmbH	Neuburg/Danube	100.00	100.00
BK Immobilien Verwaltung GmbH	Neuburg/Danube	100.00	–/–
BBI Bürgerliches Brauhaus Immobilien AG	Ingolstadt	94.88	94.88
IPF 1 GmbH	Neuburg/Danube	94.98	94.98
IPF 2 GmbH	Neuburg/Danube	94.98	94.98
VST Immobilien GmbH	Neuburg/Danube	89.90	89.90
ISG Infrastrukturelle Gewerbeimmobilien GmbH	Ingolstadt	75.00	75.00
Interpark Immobilien GmbH	Neuburg/Danube	74.00	74.00
VSI GmbH	Neuburg/Danube	74.00	74.00
IVM Verwaltung GmbH	Neuburg/Danube	60.00	60.00

In the 2020 fiscal year, the group of subsidiaries was expanded through the cash formation of an additional company (BK Immobilien Verwaltung GmbH). The parent company holds 100% of the shares in this company. Otherwise, there were no further changes in the group of consolidated companies compared to the previous year.

The interests shown correspond to the proportional interests attributable to the Group. For more information, please also refer to the list of shareholdings under note 46.

The main business activity of the parent company and of all its subsidiaries is the management and letting of commercial real estate.

The following table contains details about subsidiaries that the Group does not wholly own, and where significant non-controlling interests exist. The information is based on the companies' IFRS reporting packages.

Name of subsidiary	Headquarters	Equity interest and voting rights interest of non-controlling shareholders (in %)		Gain or loss attributable to non-controlling interests (in EUR thousand)		Cumulative non-controlling interests (in EUR thousand)	
		31/12/20	31/12/19	**2020**	2019	**31/12/20**	31/12/19
BBI Bürgerliches Brauhaus Immobilien AG	Ingolstadt	5.12	5.12	201	344	6,504	6,235
Interpark Immobilien GmbH	Ingolstadt	26.0	26.0	1,343	693	7,380	6,474
ISG Infrastrukturelle Gewerbeimmobilien GmbH	Ingolstadt	25.0	25.0	–759	430	4,345	5,279
Subsidiaries with individually immaterial non-controlling interests						7,601	7,318
Total sum of non-controlling interests						**25,830**	**25,306**

Summarised financial information about Group subsidiaries where there are significant non-controlling interests is presented below. The summarised financial information corresponds to amounts before intra-Group eliminations. Non-current assets mostly relate to investment properties valued in accordance with IAS 40.

BBI BÜRGERLICHES BRAUHAUS IMMOBILIEN AG

IN EUR THOUSAND	**31/12/20**	31/12/19
Non-current assets	229,452	227,165
Current assets	6,935	3,158
Non-current liabilities	105,660	109,373
Current liabilities	17,182	11,798
Interest in equity attributable to parent company shareholders	107,734	103,566
Non-controlling shareholders	5,811	5,586

IN EUR THOUSAND	**2020**	2019
Revenue	15,470	14,678
Other income	643	3,489
Expenses	–12,184	–12,665
Net profit for the year	**3,929**	**5,502**
Net profit for the year attributable to parent company shareholders	3,728	5,220
Net profit for the year attributable to non-controlling shareholders	201	282
Total net income for the year	**3,929**	**5,502**
Other comprehensive income attributable to parent company shareholders	441	652
Other comprehensive income attributable to non-controlling shareholders	24	35
Total other comprehensive income	**465**	**687**
Total comprehensive income attributable to parent company shareholders	4,169	5,872
Total comprehensive income attributable to non-controlling shareholders	225	317
Total income	**4,394**	**6,189**
Dividends paid to non-controlling shareholders	—	—
Net cash flows from operating activities	13,947	15,012
Net cash flows from investing activities	–1,948	–14,740
Net cash flows from financing activities	–7,982	–11,977
Total net cash flows	**4,017**	**–11,705**

INTERPARK IMMOBILIEN GMBH

IN EUR THOUSAND	31/12/20	31/12/19
Non-current assets	51,081	47,791
Current assets	1,252	1,386
Non-current liabilities	22,920	23,253
Current liabilities	1,027	1,026
Interest in equity attributable to parent company shareholders	21,005	18,425
Non-controlling shareholders	7,380	6,473

IN EUR THOUSAND	2020	2019
Revenue	3,773	3,621
Other income	3,290	440
Expenses	–1,896	–1,394
Net profit for the year	**5,167**	**2,667**
Net profit for the year attributable to parent company shareholders	3,824	1,974
Net profit for the year attributable to non-controlling shareholders	1,343	693
Total net income for the year	**5,167**	**2,667**
Other comprehensive income attributable to parent company shareholders	—	—
Other comprehensive income attributable to non-controlling shareholders	—	—
Total other comprehensive income	**—**	**—**
Total comprehensive income attributable to parent company shareholders	3,824	1,974
Total comprehensive income attributable to non-controlling shareholders	1,343	693
Total income	**5,167**	**2,667**
Dividends paid to non-controlling shareholders	437	424
Net cash flows from operating activities	2,929	2,899
Net cash flows from investing activities	0	0
Net cash flows from financing activities	–3,106	–3,057
Total net cash flows	**–177**	**–158**

ISG INFRASTRUKTURELLE GEWERBEIMMOBILIEN GMBH

IN EUR THOUSAND	**31/12/20**	31/12/19
Non-current assets	31,549	37,169
Current assets	211	313
Non-current liabilities	8,357	15,138
Current liabilities	6,049	1,256
Interest in equity attributable to parent company shareholders	13,015	15,817
Non-controlling shareholders	4,338	5,272

IN EUR THOUSAND	**2020**	2019
Revenue	2,576	2,579
Other income	0	70
Expenses	–5,611	–929
Net profit for the year	**–3,035**	**1,720**
Net profit for the year attributable to parent company shareholders	–2,276	1,290
Net profit for the year attributable to non-controlling shareholders	–759	430
Total net income for the year	**–3,035**	**1,720**
Other comprehensive income attributable to parent company shareholders	—	—
Other comprehensive income attributable to non-controlling shareholders	—	—
Total other comprehensive income	**—**	**—**
Total comprehensive income attributable to parent company shareholders	–2,276	1,290
Total comprehensive income attributable to non-controlling shareholders	–759	430
Total income	**–3,035**	**1,720**
Dividends paid to non-controlling shareholders	175	175
Net cash flows from operating activities	2,143	2,180
Net cash flows from investing activities	0	0
Net cash flows from financing activities	–2,246	–2,255
Total net cash flows	**–103**	**–75**

D. NOTES ON THE INCOME STATEMENT AND BALANCE SHEET

The structure of the income statement for the current fiscal year is the same as in the previous fiscal year.

1. REVENUE

The Group's revenues are composed as follows:

IN EUR THOUSAND	**2020**	2019
Revenue from rents excluding utilities charges	82,109	79,200
Revenue from passed-on land tax and building insurance	2,275	2,120
Revenue from operating costs	9,037	8,881
Other revenue	786	794
	94,207	**90,995**

The revenue relates almost exclusively to revenue from the letting of investment properties.

The land taxes and building insurance premiums charged to tenants, and from which the tenant derives no separate use, are recognised as earnings from charges passed on to third parties.

The corresponding costs for the accessing of such services are recognised under the item "Expenses for investment properties".

In respect of the operating costs charged to tenants in connection with the letting of investment properties, VIB holds the status of a principal rather than an agent. As such, these ancillary costs billed to tenants are to be classed as revenue.

Other income mainly includes charges passed on to customers, as well as service revenues and compensation for rental defaults.

2. OTHER OPERATING INCOME

IN EUR THOUSAND	**2020**	2019
Other operating revenue	1,466	1,645
	1,466	**1,645**

Other operating income in the year under review primarily arises from insurance payouts and proceeds from asset disposals. The corresponding costs associated with insurance compensation for building damage are recognised under the item "Expenses for investment properties".

3. CHANGES IN VALUE FOR INVESTMENT PROPERTIES

IN EUR THOUSAND	2020	2019
Reversals to impairment charges arising from changes in market value IAS 40	39,647	29,509
Impairment charges arising from changes in market value IAS 40	–17,324	–7,190
	22,323	**22,319**

Rental properties are measured at fair value through profit or loss pursuant to IAS 40. As, in the overwhelming majority of cases, it is not yet possible to reliably determine the fair value of properties still being developed, these are mostly measured and recognised at amortised cost.

Reversals to impairment losses of EUR 39,647 thousand are composed as follows:

IN EUR THOUSAND	2020	2019
Increase in the value of development projects and acquisitions after completion of the development/start of property use	22,286	8,200
Increases in the value of portfolio properties	17,361	15,321
Increases in the value of properties under construction	0	5,988
	39,647	**29,509**

4. EXPENSES FOR INVESTMENT PROPERTIES

The expenses connected with investment properties are composed as follows:

IN EUR THOUSAND	2020	2019
Land expenses/operating costs	12,788	11,919
Maintenance expenses	4,589	4,138
	17,377	**16,057**

Expenses for investment properties that did not contribute to generating rental income during the year under review (including in construction, vacancies, etc.) are of minor importance. Maintenance expenses include items for the repair of building damage connected with the amounts recognised above under D. 2 “Insurance compensation.”

5. PERSONNEL EXPENSES

IN EUR THOUSAND	2020	2019
Wages and salaries	3,373	3,115
Social security contributions	843	746
	4,216	**3,861**

The VIB Group employed an average of 42 employees excluding the two Managing Board members (previous year: 39). Of these, 36 people (previous year: 34) were employed in commercial positions, with 6 people (previous year: 5) employed in industrial positions (caretakers).

6. OTHER OPERATING EXPENSES

Other operating expenses rose slightly from EUR 1,775 thousand in the previous year to EUR 1,851 thousand. This item chiefly comprises general administration, legal and consultancy costs, as well as investor relations expenses and Supervisory Board remuneration.

7. DEPRECIATION AND AMORTISATION

IN EUR THOUSAND	**2020**	2019
Amortisation	4	5
Depreciation	325	307
	329	**312**

The rise in depreciation on property, plant and equipment from EUR 307 thousand in the previous year to EUR 325 thousand in the year under review results from the acquisition of new property, plant and equipment and operating and office equipment.

8. PROFIT/LOSS ON EQUITY-ACCOUNTED INVESTMENTS

The income is due to the following participating interests in associated companies and joint ventures:

IN EUR THOUSAND	**2020**	2019
BHB Brauholding Bayern-Mitte AG	–466	488
KHI Immobilien GmbH	–31	–33
WVI GmbH	615	–5
	118	**450**

The income from investments is recognised pursuant to IAS 28.10 and includes both the share of the profit and loss of the interest held and adjustments to the carrying amounts of the shares due to impairment losses.

9. OTHER INTEREST AND SIMILAR INCOME

Other interest and similar income was not generated in the year under review. An amount of EUR 18 thousand was recognised in the previous year and was mostly due to interest on current account balances and demand deposits, as well as loans comprising part of financial assets.

10. INTEREST AND SIMILAR EXPENSES

Interest and similar expenses in the amount of EUR 14,134 thousand (previous year: EUR 14,968 thousand) are mostly due to interest on bank borrowings and interest payments on interest rate swaps.

The interest expense for financial liabilities that are not measured at fair value through profit or loss amounted to EUR 12,966 thousand in the fiscal year under review (previous year: EUR 13,175 thousand).

11. EXPENSES FROM GUARANTEED DIVIDENDS

This expense results from the dividend guaranteed to outstanding shareholders as set out in the profit and loss transfer agreement with BBI Immobilien AG and reduces earnings in the amount of EUR 166 thousand (previous year: EUR 166 thousand). The cash settlement was set at EUR 0.74 (gross) per ordinary share.

12. INCOME TAX

Income taxes are composed as follows:

IN EUR THOUSAND	**2020**	2019
Current income tax expense	5,763	5,491
Deferred income tax expense	7,009	7,385
Expense from taxes on income	**12,772**	**12,876**

The current tax expense mostly comprises corporation tax including the solidarity surcharge.

The deferred tax expense arises primarily from deferred taxes on the valuation differences on investment properties.

The differences between the reported tax expense and the expected tax expense are reported in the statement of reconciliation below. The expected income tax expense arises from the earnings before taxes multiplied by the expected tax rate. The anticipated income tax rate includes statutory German corporation tax as well as the solidarity surcharge due on this amount. As a result of the further reduction in trade tax, this is not included in this tax rate. The anticipated tax rate is consequently 15.825%, as in the previous year. Any trade tax effects are reported as reconciliation issues.

IN EUR THOUSAND	**2020**	2019
Earnings before income taxes	80,041	78,287
Anticipated income tax rate: 15.825%		
Anticipated income tax expense	12,666	12,389
Prior years’ taxes (current and deferred)	35	0
Use of non-capitalized loss carryforwards	–89	0
Tax impact of subsidiaries and equity accounted investments	–19	–71
Corporation tax on compensation payment	26	26
Tax rate differences (trade tax)	23	26
Tax-free income (especially Sect. 8b KStG)	37	33
Tax-neutral effects from impairments on positive initial consolidation processes (IAS 12,22c)	0	202
Tax effects from 6b (reserves)	188	245
Non-tax-deductible expenses	21	20
Other	–116	6
Reported income tax expense	**12,772**	**12,876**
Effective tax rate	15.96%	16.45%

13. NON-CONTROLLING SHAREHOLDERS' SHARE OF EARNINGS

The consolidated net income in the amount of EUR 67,269 thousand (previous year: EUR 65,411 thousand) includes shares attributable to non-controlling shareholders (BBI Immobilien AG, IPF 1 GmbH, IPF 2 GmbH, VST Immobilien GmbH, ISG Infrastrukturelle Gewerbeimmobilien GmbH, Interpark Immobilien GmbH, VSI GmbH, IVM Verwaltung GmbH) in the amount of EUR 1,394 thousand (previous year: EUR 2,252 thousand).

14. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated based on the following information:

IN EUR THOUSAND	**2020**	2019
Earnings		
Consolidated net income	67,269	65,411
Less: earnings attributable to non-controlling interests	–1,394	–2,252
Basis for undiluted earnings per share	**65,875**	**63,159**
Less: Profit/loss on discontinued operations	0	0
Basis for undiluted earnings per share for continuing operations	**65,875**	**63,159**
Impact of potentially dilutive shares	0	0
Basis for diluted earnings per share	**65,875**	**63,159**
Less: Profit/loss on discontinued operations	0	0
Basis for diluted earnings per share for continuing operations	**65,875**	**63,159**
Number of Shares		
Weighted average number of shares in circulation for undiluted earnings per share	27,579,779	27,579,779
Impact of potentially dilutive shares	0	0
Weighted average number of shares in circulation for diluted earnings per share	27,579,779	27,579,779
Undiluted earnings per share (in EUR)	**2.39**	**2.29**
Undiluted earnings per share for continuing operations (in EUR)	**2.39**	**2.29**
Diluted earnings per share (in EUR)	**2.39**	**2.29**
Diluted earnings per share for continuing operations (in EUR)	**2.39**	**2.29**

DIVIDENDS PAID

In the 2020 fiscal year, and according to the resolution of the Annual General Meeting on July 2, 2020, an amount of EUR 19,305,845.30 (previous year: EUR 17,926,856.35) was disbursed from the 2019 net retained profit of VIB Vermögen AG. This corresponds to a dividend of EUR 0.70 per share (previous year: EUR 0.65 per share).

The Managing and Supervisory Boards of VIB Vermögen AG will propose to the shareholders at the company's 2021 Annual General Meeting that an amount of EUR 0.75 per share for the 2020 fiscal year be disbursed from the net retained profit of VIB Vermögen AG (total of EUR 20,684,834.25).

15. FAIR VALUE MEASUREMENT

The following table shows the fair value measurement of the Group's assets and liabilities by hierarchy levels.

QUANTITATIVE INFORMATION ABOUT THE FAIR VALUE MEASUREMENT OF ASSETS BY HIERARCHY LEVELS AS OF DECEMBER 31, 2020

			Fair value measurement applying		
IN EUR THOUSAND	Measurement date	Total	prices listed on active markets (Level 1)	significant observable inputs (Level 2)	significant observable inputs (Level 3)
Assets measured at fair value:					
Investment properties (Note 17)					
Logistics/Light industry	31/12/20	922,400	—	—	922,400
Retail	31/12/20	320,360	—	—	320,360
Office	31/12/20	37,730	—	—	37,730
Commercial buildings/other	31/12/20	36,280	—	—	36,280
Liabilities measured at fair value:					
Derivative financial liabilities (Note 27)					
Interest rate swaps	31/12/20	0	—	0	—
Liabilities for which fair value is reported in the notes:					
Interest-bearing loans (Note 37)					
Fixed-interest loans	31/12/20	732,495	—	732,495	—

QUANTITATIVE INFORMATION ABOUT THE FAIR VALUE MEASUREMENT OF ASSETS BY HIERARCHY LEVELS AS OF DECEMBER 31, 2019

			Fair value measurement applying		
IN EUR THOUSAND	Measurement date	Total	prices listed on active markets (Level 1)	significant observable inputs (Level 2)	significant observable inputs (Level 3)
Assets measured at fair value:					
Investment properties (note 17)					
Logistics/Light industry	31/12/19	781,490	—	—	781,490
Retail	31/12/19	322,130	—	—	322,130
Office	31/12/19	39,510	—	—	39,510
Commercial buildings/other	31/12/19	37,640	—	—	37,640
Assets held for sale:					
Derivative financial liabilities (Note 27)					
Interest rate swaps	31/12/19	1,161	—	1,161	—
Liabilities for which fair value is reported in the notes:					
Interest-bearing loans (Note 37)					
Fixed-interest loans	31/12/19	722,614	—	722,614	—

No regroupings occurred between the levels of the measurement hierarchies in the period under review.

16. PROPERTY, PLANT AND EQUIPMENT

IN EUR THOUSAND	Land and buildings	Other property, plant and equipment	Advance payments made and fixed assets under construction	Total
Cost as of 01/01/2020	**7,582**	**1,989**	**2,197**	**11,768**
Additions	0	39	1,392	1,431
Disposals	0	–19	0	–19
Reclassified to investment properties	0	3,589	–3,589	0
Balance 31/12/2020	**7,582**	**5,598**	**0**	**13,180**
Amortisation/impairment as of 01/01/2020	**564**	**1,174**	**0**	**1,738**
Additions	205	120	0	325
Disposals	0	–19	0	–19
Balance 31/12/2020	**769**	**1,275**	**0**	**2,044**
Carrying amount 31/12/2020	**6,813**	**4,323**	**0**	**11,136**
Carrying amount 01/01/2020	**7,018**	**815**	**2,197**	**10,030**

IN EUR THOUSAND	Land and buildings	Other property, plant and equipment	Advance payments made and fixed assets under construction	Total
Cost as of 01/01/2019	**7,579**	**1,908**	**0**	**9,487**
Additions	3	100	2,197	2,300
Disposals	0	–19	0	–19
Reclassified to investment properties	0	0	0	0
Balance 31/12/2019	**7,582**	**1,989**	**2,197**	**11,768**
Amortisation/impairment as of 01/01/2019	**359**	**1,091**	**0**	**1,450**
Additions	205	102	0	307
Disposals	0	–19	0	–19
Balance 31/12/2019	**564**	**1,174**	**0**	**1,738**
Carrying amount 31/12/2019	**7,018**	**815**	**2,197**	**10,030**
Carrying amount 01/01/2019	**7,220**	**817**	**0**	**8,037**

17. INVESTMENT PROPERTIES

IN EUR THOUSAND	**2020**	2019
Investment properties, measured at fair value	1,316,770	1,180,770
Property under construction, measured at amortised cost	51,231	115,582
	1,368,001	**1,296,352**

INVESTMENT PROPERTIES, MEASURED AT FAIR VALUE

IN EUR THOUSAND	**2020**	2019
Carrying amount 01/01	**1,180,770**	**1,109,450**
Additions	6,802	19,338
Disposals	–1,320	–11,575
Reclassified from property under construction	123,095	45,856
Reclassified to assets held for sale	–14,900	0
Unrealised increases in market value	39,647	23,520
Unrealised deductions in market value	–17,324	–5,819
Carrying amount 31/12	**1,316,770**	**1,180,770**

The investment properties (IAS 40) relate to properties held for rental and value appreciation purposes deriving from the Group's core business. The Group measures the properties on the basis of the fair value model. An external valuation surveyor, Landestreuhand Weihenstephan GmbH, Wirtschaftsprüfungsgesellschaft, Freising, was appointed for this purpose.

The properties relate predominantly to commercial real estate assets that are largely let to renowned tenants on a long-term basis. The properties are subdivided into the categories of logistics/light industry, wholesale/retail, office, and service and other.

Due to the conditional notarial sale of a retail property in the year under review, this property was reclassified to "Assets held for sale" with a market value of EUR 14,900 thousand. The transfer of ownership will take place in the period after which the contingent condition is met.

At the Group, no restrictions exist relating to the disposability of investment properties, and no contractual obligations exist to purchase, construct or develop investment properties. Moreover, no significant contractual obligations exist relating to repairs, maintenance and improvements.

Note 15 includes information concerning the fair value hierarchy for investment properties measured at fair value.

The changes in the fair values per category are as follows:

IN EUR THOUSAND	Logistics/Light industry	Retail	Office	Commercial buildings/other	Total
Carrying amount 01/01/2020	**781,490**	**322,130**	**39,510**	**37,640**	**1,180,770**
Additions	4,720	1,948	0	135	6,803
Disposals	–1,320	0	0	0	–1,320
Reclassified to assets held for sale	0	–14,900	0	0	–14,900
Reclassified from/to property under construction	111,075	12,019	0	0	123,094
Unrealised market value changes recognised in profit or loss for the period	26,435	–837	–1,780	–1,495	22,323
Carrying amount 31/12/2020	**922,400**	**320,360**	**37,730**	**36,280**	**1,316,770**

IN EUR THOUSAND	Logistics/Light industry	Retail	Office	Commercial buildings/other	Total
Carrying amount 01/01/2019	**709,050**	**323,790**	**39,040**	**37,570**	**1,109,450**
Changes to consolidation scope	0	0	0	0	0
Additions	19,200	134	4	0	19,338
Disposals	–2,000	–9,575	0	0	–11,575
Reclassified from/to property under construction	40,446	5,410	0	0	45,856
Unrealised market value changes recognised in profit or loss for the period	14,794	2,371	466	70	17,701
Carrying amount 31/12/2019	**781,490**	**322,130**	**39,510**	**37,640**	**1,180,770**

The unrealised gains and losses recognised in profit or loss for the period are reported under the “changes in value for investment properties” item.

The value fluctuations were most pronounced in the asset class “logistics/light industry”, although both year-on-year value appreciations and depreciations were recorded depending on the micro location. Overall, the appreciations more than compensated for the depreciations. In absolute terms, the value fluctuations in the other asset classes were of marginal importance.

The applied measurement methods and significant inputs for investment properties measured at fair value are as follows :

Category	Measurement method	Significant non-observable input parameters	Range/value[1] 2020	Range/value[1] 2019
Logistics/Light industry real estate	Discounted cash flow method	Estimated rent per sqm and month	EUR 3.33–EUR 14.70 (weighted average: EUR 5.41)	EUR 3.33–EUR 14.70 (weighted average: EUR 5.27)
		Estimated operating costs per sqm and month	EUR 0.24–EUR 1.33 (weighted average: EUR 0.40)	EUR 0.24–EUR 1.33 (weighted average: EUR 0.39)
		Discounting rate	5.80%–9.00% (weighted average: 6.61%)	5.80%–9.00% (weighted average: 6.76%)
		Capitalisation rate	5.30%–8.50% (weighted average: 6.11%)	5.30%–8.50% (weighted average: 6.26%)
Retail properties	Discounted cash flow method	Estimated rent per sqm and month	EUR 4.50–EUR 12.63 (weighted average: EUR 7.81)	EUR 4.50–EUR 12.63 (weighted average: EUR 8.05
		Estimated operating costs per sqm and month	EUR 0.06–EUR 1.53 (weighted average: EUR 0.65)	EUR 0.06–EUR 1.53 (weighted average: EUR 0.71)
		Discounting rate	5.50%–7.40% (weighted average: 6.22%)	5.65%–7.40% (weighted average: 6.25%)
		Capitalisation rate	5.00%–6.90% (weighted average: 5.72%)	5.15%–6.90% (weighted average: 5.75%)
Office Real estate	Discounted cash flow method	Estimated rent per sqm and month	EUR 5.00–EUR 12.66 (weighted average: EUR 7.69)	EUR 5.64–EUR 12.55 (weighted average: EUR 8.09)
		Estimated operating costs per sqm and month	EUR 0.57–EUR 1.44 (weighted average: EUR 0.87)	EUR 0.64–EUR 1.43 (weighted average: EUR 0.92)
		Discounting rate	5.75%–8.05% (weighted average: 6.62%)	5.75%–8.05% (weighted average: 6.64%)
		Capitalisation rate	5.25%–7.55% (weighted average: 6.12%)	5.25%–7.55% (weighted average: 6.14%)
Commercial buildings/other	Discounted cash flow method	Estimated rent per sqm and month	EUR 2.05–EUR 30.31 (weighted average: EUR 9.17)	EUR 2.05–EUR 28.44 (weighted average: EUR 9.08)
		Estimated operating costs per sqm and month	EUR 0.19–EUR 2.83 (weighted average: EUR 0.88)	EUR 0.19–EUR 2.66 (weighted average: EUR 0.88)
		Discounting rate	3.85%–9.40% (weighted average: 6.15%)	3.85%–7.95% (weighted average: 5.68%)
		Capitalisation rate	3.35%–8.90% (weighted average: 5.65%)	3.35%–7.45% (weighted average: 5.18%)

[1] The average values presented in the table are derived from the arithmetic average of the respective values of a category.

The properties are generally valued applying the discounted cash flow (DCF) method. The model comprises two phases: during the first phase (detailed planning period over 10 years), periodic cash surpluses are calculated and then discounted to the measurement date. For the second phase, which follows the detailed planning period, a residual value (disposal proceeds) is calculated by capitalising a sustainably achievable cash surplus into perpetuity. This residual value is also discounted to the measurement date. The gross present value of the property comprises the sum of the discounted cash surpluses from the detailed planning phase and the discounted disposal proceeds. This is converted into a net present value (net disposal price) by deducting potential buyers' incidental purchase costs (transaction costs): land purchase tax, as well as notary and land registry costs.

The calculation of the income surpluses generally comprises all incoming and outgoing payments relating to the property. Incoming payments include contractually agreed gross rents taking any rental adjustment clauses into consideration. A standard market rent that takes into account rental increases that are expected over the course of time is applied to spaces that become vacant on a short-term basis, as well as for periods after rental contracts expire. Outgoing payments comprise property management costs: mainly administrative expenses, operating costs that cannot be charged on to the tenant, maintenance expenses, ground rents, and costs in relation to guarantees, doubtful debts, contingent losses and so on. During the detailed planning period, management costs are calculated on the basis of cost rates that reflect the anticipated costs. These cost rates are based on actual costs incurred in previous periods.

Identifiable structural vacancies and any maintenance backlogs are reflected through corresponding discounts from the gross present value.

Yields derived from the real estate market are used to discount the cash flows anticipated for the detailed planning period and the residual value (disposal proceeds). The starting point is the "gross initial yield", i.e. the ratio of the contractual rent to the sale price of the property excluding incidental purchase costs. Taking the gross initial yield, the net initial yield is determined as a property-specific rate of interest. The net initial yield shows the ratio of the incoming payment surpluses to the total investment, which comprises the purchase price plus incidental purchase costs. The specific circumstances pertaining to the individual property being valued (location, age, condition, rentability) are factored in by applying property-specific additions or deductions to the net initial yield. The capitalisation rate used to determine the residual value (disposal proceeds) usually deviates from the rate used to discount the incoming payment surpluses during the detailed planning period and the residual value on the measurement date due to growth deductions and ageing additions.

When observed on an isolated basis, significant increases (reductions) in the estimated rent would result in a significantly higher (lower) fair value for the respective property. In contrast, a significant increase (decrease) in management costs would feed through to a considerably lower (higher) fair value. When observed on an isolated basis, a markedly higher (lower) discounting rate (and capitalisation rate) would result in a significantly lower (higher) fair value. In general, a modification to the assumptions relating to the expected market rent gives rise to a corresponding change to the discounting rate (and capitalisation rate).

PROPERTIES UNDER CONSTRUCTION

IN EUR THOUSAND	2020	2019
Carrying amount 01/01	**115,582**	**73,098**
Additions	58,749	83,648
Disposals	0	–1
Exchange rate effects	–5	75
Reclassified to investment properties measured at fair value	–123,095	–45,856
Impairment charges relating to reserved plots due to a decrease in market values	0	4,618
Carrying amount 31/12	**51,231**	**115,582**

Property under construction relates predominately to developed land plots with buildings under construction and undeveloped portfolio land plots measured at amortised cost.

The investment properties are encumbered with land charges and mortgages in connection with the long- and short-term financial liabilities taken out for financing.

The cost value of properties under construction serves as the best approximation of their fair value.

As a result of factors including the early development phase of the properties, the VIB Group was unable to reliably measure the fair value for the overwhelming majority of investment properties under construction. As of December 31, 2020, these were consequently measured at amortised cost in line with IAS 16.

If internal or external sources of information indicate that the recoverable amount of a single asset (plot) is lower than its carrying amount, then the asset concerned will be written down accordingly.

18. INTERESTS IN ASSOCIATES AND JOINT VENTURES

The shares in associated companies and joint ventures were included in the consolidated financial statements in line with the equity method set out in IAS 28 and were recognised at the corresponding remeasured equity.

All interests in associates and joint ventures are regarded as immaterial when taken individually.

IN EUR THOUSAND	2020	2019
Carrying amount 01/01.	**11,941**	**6,238**
Acquired investments	2,171	5,317
Investments disposed of	0	0
Dividends received	0	–64
Profit/loss from continuing operations	118	450
Carrying amount 31/12	**14,230**	**11,941**

Shares in associates chiefly increased due to payments into the share premium accounts of subsidiaries in the amount of EUR 2,171 thousand.

Summarised information for associates and joint ventures that are individually immaterial:

IN EUR THOUSAND	**2020**	2019
Group interest in profit or loss from continuing operations	118	450
Group interest in total comprehensive income	**118**	**450**

In respect of the investment in BHB Brauholding Bayern-Mitte AG, the market value fell below the amortised carrying amount as of year end, due to a decrease in the share price. This devaluation, which will foreseeably continue to apply, resulted in a total impairment loss of EUR 327 thousand as of the balance sheet date.

19. RECEIVABLES AND OTHER ASSETS

IN EUR THOUSAND	**2020**	2019
Trade receivables	1,387	1,033
Other assets	2,352	2,522
	3,739	**3,555**

Trade receivables stem mostly from current renting and relate to claims arising from outstanding rental payments and the settlement of incidental costs due from tenants.

Individual valuation allowances were required in the amount of EUR 232 thousand (previous year: EUR 66 thousand).

Other assets primarily relate to maintenance reserves, insurance payments and short-term loans extended.

All accounts receivable and other assets have a residual term of less than one year.

The changes in valuation allowances are shown in the following table:

IN EUR THOUSAND	**2020**	2019
Balance – start of year	66	63
Additions	192	18
Consumed in derecognition	–4	0
Release	–22	–15
	232	**66**

In respect of determining whether trade receivables are impaired, please refer to the information provided in Chapter C (“Financial instruments”). There is no notable concentration in credit risk, as the customer base is broadly distributed and no correlations exist. However, the Group does regard itself as exposed to a potential increase in default risk in respect of its customer receivables, and therefore associated credit losses (IFRS 9, ECL), due to the impacts of the coronavirus pandemic. Due to the limited number of trade receivables, this situation was countered through the formation of valuation allowances on receivables attributable to certain customers in respect of which this was deemed necessary. The Group takes the view that a further general valuation allowance on all remaining receivables would not be appropriate. Correspondingly, the Managing Board believes that no risk provisions are required over and above the valuation allowances already reported.

The fair value of the trade receivables corresponds to their carrying amount. Additions to valuation allowances during the fiscal year are carried in the income statement under other operating expenses, with reversals carried under other operating income.

20. BANK BALANCES AND CASH IN HAND

This item is utilised to disclose cash in hand and bank balances with a term of less than three months, as well as financial securities with an original term of less than three months. VIB only conducts business relations with banks that have excellent credit ratings and a low risk exposure; for this reason, any potential default risk can be classified as very low or non-existent.

21. EQUITY

SUBSCRIBED SHARE CAPITAL

The subscribed share capital of VIB Vermögen AG amounts to EUR 27,579,779.00 (previous year: EUR 27,579,779.00) and is divided into 27,579,779 ordinary registered shares (previous year: 27,579,779). No new shares were issued from authorised capital, and no new shares were issued from conditional capital, in the 2020 fiscal year.

SHARE PREMIUM ACCOUNT

The share premium account arises from the share premium of VIB Vermögen AG (adjusted to reflect capital raising costs after tax) and remains unchanged.

RETAINED EARNINGS

As part of the preparation of its annual financial statements as of December 31, 2020 (separate financial statements prepared according to the German Commercial Code [HGB]), the Managing Board of VIB Vermögen AG added EUR 9,547 thousand (previous year: EUR 9,071 thousand) to retained earnings.

ACCUMULATED EARNINGS

The Group's accumulated earnings derive from the previous year's earnings less the distribution for 2019 (EUR 19,306 thousand), the allocations to the retained earnings of the parent company (EUR 9,547 thousand) plus the current consolidated net income from the 2020 fiscal year that is due to Group shareholders (EUR 65,875 thousand) and the corresponding other earnings (excluding the cash flow hedge reserve and foreign currency translation) from the statement of other comprehensive income (EUR –133 thousand).

CASH FLOW HEDGES

The cash flow hedge reserve was, until the end of the previous year, utilised to report the market value of cash flow hedge derivatives (including deferred tax) to the extent that these served to hedge (interest) cash flows for specific underlying transactions. In the year under review, the remaining derivatives expired as planned. No new hedging transactions were entered into.

FOREIGN CURRENCY TRANSLATION

This reserve includes the differences from the conversion of foreign currencies at the foreign subsidiaries to the Group's functional currency.

NON-CONTROLLING SHAREHOLDERS' SHARE OF EARNINGS

The interest for non-controlling shareholders is attributable to the interests in BBI Immobilien AG, IPF 1 GmbH, IPF 2 GmbH, VST Immobilien GmbH, ISG Infrastrukturelle Gewerbeimmobilien GmbH, Interpark Immobilien GmbH, VSI GmbH and IVM Verwaltung GmbH.

This item changed as follows:

IN EUR THOUSAND	**2020**	2019
Balance – start of year	25,306	22,800
Distribution to shareholders	–935	–896
Share of annual earnings	1,394	2,252
Non-controlling shareholders' share of other comprehensive income	–1	35
Reclassifications between shareholders recognised in equity	66	0
Recognition of share of non-controlling shareholders		
VST GmbH	0	1,115
Balance – end of year	**25,830**	**25,306**

With regard to material non-controlling interests, please refer to the section "Information on subsidiaries" in Chapter C.

AUTHORISED CAPITAL

Authorised Capital 2015:

The Annual General Meeting on July 1, 2015, adopted a resolution to create further authorised capital (Authorised Capital 2015) in the amount of EUR 2,478 thousand. None of this has been utilised to date. The authorisation granted to the Managing Board to issue, with Supervisory Board assent, new shares in return for cash and non-cash capital contributions, and the possibility of simplified exclusion of subscription rights, expired on June 30, 2020.

Authorised Capital 2015, in the amount of EUR 2,478 thousand, has therefore expired.

Authorised Capital 2020/I:

The Annual General Meeting on July 2, 2020, adopted a resolution to create further authorised capital (Authorised Capital 2020/I) in the amount of EUR 2,758 thousand. None of this has been utilised to date. The authorisation granted to the Managing Board to issue, with Supervisory Board assent, new shares in return for cash and non-cash capital contributions, and the possibility of simplified exclusion of subscription rights, runs until July 1, 2025.

The total available authorised capital consequently stands at EUR 2,758 thousand.

CONDITIONAL CAPITAL

Conditional Capital 2015

The Annual General Meeting on July 1, 2015, adopted a resolution for further conditional capital (2015) in the amount of EUR 2,478 thousand to run until June 30, 2020, with no use having been made of this authorisation.

Conditional Capital 2020

The Annual General Meeting on July 2, 2020, adopted a resolution to create further conditional capital (2020) in the amount of EUR 2,758 thousand. None of this conditional capital had been used as of December 31, 2020. The 2020 conditional capital was still available in full as of the balance sheet date.

DEFERRED TAXES ON INCOME AND EXPENSES TAKEN DIRECTLY TO OTHER INCOME

The following table shows individual details of the deferred taxes on expenses and income taken directly to other income:

IN EUR THOUSAND	2020			2019		
	Before tax	Taxes	After tax	Before tax	Taxes	After tax
Foreign currency effects from the translation of independent subsidiaries	–6	0	–6	86	0	86
Mark-to-market valuation of cash flow hedges	1,161	–167	994	1,747	–250	1,497
Actuarial gains/losses on pension plans	–159	26	–133	–365	58	–307
Income and expenses taken directly to equity	**996**	**–141**	**855**	**1,468**	**–192**	**1,276**

22. NON-CURRENT FINANCIAL LIABILITIES

IN EUR THOUSAND	2020	2019
Remaining term of between 1 and 5 years	175,371	178,966
Remaining term of more than 5 years	542,523	501,949
	717,894	**680,915**

Financial liabilities with a term of more than twelve months are from the following companies:

IN EUR THOUSAND	2020	2019
Non-current financial liabilities		
VIB Vermögen AG	468,367	453,585
BBI Bürgerliches Brauhaus Immobilien AG	90,677	94,460
KIP Verwaltung GmbH	73,872	37,491
Interpark Immobilien GmbH	19,666	20,637
UFH Verwaltung GmbH	13,202	13,679
VSI GmbH	12,677	13,628
IPF 2 GmbH	10,482	11,219
IPF 1 GmbH	9,827	10,518
VST Immobilien GmbH	7,048	7,275
ISG Infrastrukturelle Gewerbeimmobilien GmbH	6,694	12,707
Merkur GmbH	4,097	4,375
IVM Verwaltung GmbH	1,285	1,341
	717,894	**680,915**

The non-current financial liabilities are secured by land charges on the investment properties, and the assignment of rental claims.

23. LIABILITIES ARISING FROM DERIVATIVE FINANCIAL INSTRUMENTS

In the past, the Group utilised interest rate swaps to manage risk and to optimise interest expenses connected with bank loans drawn down.

The resulting cash flows and their effects on profit or loss occurred for the final time in the 2020 reporting period.

IN EUR THOUSAND	2020	2019
Interest rate swaps (payer swaps)	0	1,161
	0	**1,161**

24. DEFERRED TAXES

Deferred tax results from differing valuations between the IFRS and tax values for Group companies and consolidation measures.

The deferred tax liabilities and the deferred tax assets are distributed among the following items:

IN EUR THOUSAND	2020	2019
Deferred tax assets		
Derivative assets	0	166
Pension provisions/other	253	205
Others	26	3
Total deferred tax assets	**279**	**374**
Deferred tax liabilities		
Investment properties	67,253	60,198
Total deferred tax liabilities	**67,253**	**60,198**
Offsetting of deferred tax assets and liabilities	–279	–374
Carrying amount after offsetting		
Deferred tax assets	**0**	**0**
Deferred tax liabilities	**66,974**	**59,824**

Deferred tax assets and deferred tax liabilities were offset insofar as they relate to the same tax authority.

Losses carried forward on December 31, 2020, were reported as follows:

- Trade tax EUR 17,670 thousand (previous year: EUR 16,731 thousand)
- Corporation tax EUR 706 thousand (previous year: EUR 935 thousand)

No deferred tax was capitalised for trade losses due to the expanded scope of tax reduction.

No deferred tax liabilities were recognised for EUR 137,333 thousand (previous year: EUR 114,058 thousand) of outside basis differences since the parent company is able to control a reversal, and reversal is currently not anticipated.

At the level of the parent company, distributions from, or sales of, its subsidiaries would only be taxable at 5% of the tax rate, which would result in a deferred tax liability of EUR 1,087 thousand (previous year: EUR 902 thousand).

25. PENSION PROVISIONS

Provisions for pensions include company retirement benefit commitments to beneficiaries and their surviving dependants. The pension commitments are based on individual contractual benefit commitments. The beneficiaries can generally claim a fixed old-age and invalidity pension when they reach pensionable age (63) depending on their period of service. Other benefits are not planned after the end of employment contracts. The pensions' values are linked to the inflation index. No plan assets in the meaning of IAS 19 exist.

The Group's commitments from retirement benefit plans totalling EUR 3,328 thousand as disclosed on the balance sheet correspond to their projected unit credit value.

The actuarial target value of the pension obligation, as calculated using the projected unit credit method, is the present value of the defined benefit obligation (DBO), which corresponds to the present value of the entitlements earned as of the valuation cut-off date, which are therefore to be allocated to prior reporting periods.

The projected unit credit values of the defined benefit obligations changed as follows:

IN EUR THOUSAND	**2020**	2019
Balance 01/01	**2,928**	**2,363**
Newly acquired benefit entitlements	314	262
Interest expense	39	47
Pensions paid	–111	–108
Actuarial gains/losses		
due to changes in demographic assumptions	–9	66
due to changes in financial assumptions	167	298
due to experience-related adjustments	0	0
Balance 31/12	**3,328**	**2,928**

Calculated actuarial assumptions:

IN %	**2020**	2019
Discounting rate	0.70 – 1.17	1.01 – 1.49
Pension trend	1.75 – 2.00	1.75 – 2.00

The revised 2018 G Heubeck reference tables were used as mortality tables.

The salary trend was carried at 0.0% (as was the case for the probability of staff turnover).

A quantitative sensitivity analysis for the most important assumptions as of December 31, 2020, generates the following results:

- A 1 percentage point increase in the discount rate results in a EUR 485 thousand decrease in the DBO, and a EUR 18 thousand increase in the interest cost.
  A 1 percentage point decrease in the discount rate results in a EUR 623 thousand increase in the DBO, and a EUR 36 thousand decrease in the interest cost.
- A 1 percentage point increase in pension growth results in a EUR 466 thousand increase in the DBO, and a EUR 1 thousand increase in the interest cost.
  A 1 percentage point decrease in pension growth results in a EUR 385 thousand decrease in the DBO, and a EUR 9 thousand decrease in the interest cost.

This sensitivity analysis was conducted using a method that extrapolates the effects of realistic modifications to the most important assumptions on the defined benefit obligation until the end of the reporting period.

The following amounts are expected to be paid out over the coming years as part of the defined benefit obligation:

IN EUR THOUSAND	**2020**	2019
Over the next 12 months	111	111
Between 2 and 5 years	430	430
Between 5 and 10 years	805	592
More than 10 years	1,982	1,795
Expected outgoing payments	**3,328**	**2,928**

The average duration of the defined benefit obligation amounted to eight years at the end of the reporting period (previous year: 8).

26. CURRENT FINANCIAL LIABILITIES

Current financial liabilities mostly relate to current bank borrowings. This item includes current account credit lines that can be terminated at short notice, short-term loans, and redemption payments for long-term loans due within one year of the balance sheet date.

Current financial liabilities are from the following companies:

IN EUR THOUSAND	**2020**	2019
VIB Vermögen AG	14,594	17,495
ISG Infrastrukturelle Gewerbeimmobilien GmbH	6,013	1,204
BBI Bürgerliches Brauhaus Immobilien AG	3,775	4,039
KIP Verwaltung GmbH	1,129	509
VSI GmbH	1,023	1,003
Interpark Immobilien GmbH	970	949
IPF 2 GmbH	737	712
IPF 1 GmbH	691	667
UFH Verwaltung GmbH	477	469
Merkur GmbH	360	360
VST Immobilien GmbH	227	225
IVM Verwaltung GmbH	57	55
	30,053	**27,687**

The current financial liabilities are secured by land charges and the assignment of rental claims.

27. PROVISIONS

The amounts carried as provisions relate to transactions from 2020 or earlier years that have led to a current obligation by the company and that are expected to lead to an outflow of resources. Uncertainty exists, however, surrounding the date on which these will become due and the exact amount of the liability.

As in the previous year, no obligations entailing significant uncertainties existed as of December 31, 2020. As a consequence, all corresponding amounts are reported among liabilities.

28. INCOME TAX LIABILITIES

The reported income tax liabilities of EUR 241 thousand (previous year: EUR 1,669 thousand) mainly relate to current tax liabilities for 2020 relating to VIB AG (EUR 199 thousand).

29. LIABILITIES TO PARTICIPATING INTERESTS

The reported liabilities relate to liabilities of fully consolidated companies to their non-controlling shareholders. This instance relates to interest-bearing liabilities on the part of VSI GmbH in the amount of EUR 827 thousand (previous year: EUR 827 thousand).

30. OTHER LIABILITIES

IN EUR THOUSAND	**2020**	2019
Trade payables	1,521	1,742
Other current liabilities	7,848	5,556
	9,369	**7,298**

Other current liabilities mainly relate to liabilities from outstanding property-related invoices, bonus payments, operating cost rebates, accrued interest and payable VAT.

31. SEGMENT REPORTING

Please refer to the comments under section C regarding the scope of segment reporting.

Pursuant to IFRS 8, VIB Vermögen AG defines its primary business area, as in the previous year, as the utilisation and development of its own real estate portfolio (the letting and management of portfolio properties segment).

One reporting segment pursuant to IFRS 8 was calculated since the Group's business activities are restricted almost exclusively to the letting of properties to predominantly commercial tenants in Germany. This segment comprises all of the VIB Group's operating activities.

As business activities are geared almost exclusively to Germany, no secondary, "Regions" reporting format is presented in the company's internal reporting. The company has consequently refrained from such segmentation. Internal reporting to the Managing Board is in line with this reporting.

32. CASH FLOW STATEMENT

The cash and cash equivalents in the amount of EUR 39,363 thousand (previous year: EUR 36,738 thousand) comprise the balance sheet item cash and cash equivalents, which includes cheques, cash on hand and bank balances as well as financial securities with an original term of three months or less.

RECONCILIATION OF FINANCIAL LIABILITIES PURSUANT TO IAS 7

			Non-cash			
IN EUR THOUSAND	31/12/2019	Cash	Addition/ disposal	Interest	Reclassification	31/12/2020
Development of financial liabilities						
Non-current financial liabilities	680,915	67,032	0	0	–30,053	717,894
Current financial liabilities	27,687	–27,687	0	0	30,053	30,053
Total financial liabilities	**708,602**	**39,345**	**0**	**0**	**0**	**747,947**

			Non-cash			
IN EUR THOUSAND	31/12/18	Cash	Addition/ disposal	Interest	Reclassification	31/12/19
Development of financial liabilities						
Non-current financial liabilities	607,849	100,753	0	0	–27,687	680,915
Current financial liabilities	33,264	–33,264	0	0	27,687	27,687
Total financial liabilities	**641,113**	**67,489**	**0**	**0**	**0**	**708,602**

33. OTHER FINANCIAL LIABILITIES AND CONTINGENT LIABILITIES

Contingent liabilities comprise existing or future liabilities which are based on past events, but for which an outflow of resources is not deemed to be probable. According to IAS 37, these liabilities are to be listed in the notes to the financial statements. No contingent liabilities required recognition as of December 31, 2020, or in the previous year.

Shares in the provident fund of Bürgerliches Brauhaus Ingolstadt GmbH were transferred to BHB Brauholding Bayern-Mitte AG in 2010. BBI Bürgerliches Brauhaus Immobilien AG is indirectly liable on the basis of subsidiary liability for the provision of company pensions in an amount of EUR 13 thousand (previous year: EUR 14 thousand). Utilisation is not anticipated as of the balance sheet date due to business and financial circumstances.

As of the balance sheet date, an order obligation of EUR 5,279 thousand (previous year: EUR 44,732 thousand) exists from investment projects and land purchase agreements that have already commenced.

34. LEASES

VIB VERMÖGEN AG AS LESSOR

As part of its operating activities, the Group has primarily concluded rental agreements in relation to the commercial letting of its investment properties. These are operating leases.

For fiscal years from 2021, VIB AG will receive the following minimum lease payments from uncancellable existing rental agreements.

IN EUR THOUSAND	**2020**	2019
Due within one year	87,808	78,789
Due within 1 to 5 years	250,708	212,199
Due in more than 5 years	174,471	144,951
	512,987	**435,939**

The minimum lease payments include the contractually agreed payments from tenants (excluding ancillary costs) through to the end of the contract or the earliest possible termination date.

The company reported through the income statement EUR 127 thousand (previous year: EUR 201 thousand) of contingent rental payments in the fiscal year under review.

35. LIQUIDITY AND INTEREST RATE RISK

Liquidity risk reflects a scenario in which the Group is unable to pay its own liabilities. The Group manages its liquidity centrally so that it has sufficient funds available at all times in order to service its liabilities when they fall due. As of December 31, 2020, the Group had at its disposal undrawn credit lines in an amount of EUR 22,959 thousand (previous year: EUR 12,449 thousand).

The following table shows when the financial liabilities are due. The table is based on undiscounted cash flows. Financial liabilities are allocated to the earliest band of maturities in which the Group can be obligated to make a payment, even if the Group expects that part of the liabilities will only have to be paid later than the earliest date on which they are due.

IN EUR THOUSAND	Financial loans with variable interest (Repayments and interest payments)	Financial loans with fixed interest (Repayments and interest payments)	Trade payables	Other financial liabilities	Derivative financial instruments	Total
Liquidity analysis as of 31/12/2020						
due in 1–12 months	8,084	34,962	1,521	6,105	0	**50,672**
due in 12–60 months	15,871	199,813	0	0	0	**215,684**
due in > 60 months	43,105	659,428	0	0	0	**702,533**
Liquidity analysis as of 31/12/2019						
due in 1–12 months	3,938	36,702	1,742	4,498	1,134	**48,014**
due in 12–60 months	14,186	207,757	0	0	0	**221,943**
due in > 60 months	24,530	625,463	0	0	0	**649,993**

The average interest rate on the variable-rate financial loans amounted to 0.82% as of December 31, 2020 (previous year: 1.03%). The average interest rate on the fixed-rate financial loans amounted to 1.85% as of December 31, 2020 (previous year: 2.15%).

Changes to interest rates are presented in sensitivity analyses in line with IFRS 7. These show the effects of changes in the market interest rates on financial income and expenses and on equity. No significant concentration of interest rate risks exists in the Group.

The Group takes out non-current bank borrowings at fixed and variable interest rates. Changes in market interest rates for bank borrowings with fixed interest rates only impact earnings if they are measured at fair value. Measurement is always at amortised cost. As a result, non-current liabilities to banks with fixed interest rates are not subject to any risks of interest rate changes within the meaning of IFRS 7. Non-current bank borrowings with variable interest rates were, in part, previously hedged against the risk of interest rate changes using interest rate swaps; to this extent, no interest rate risk existed. However, there are no longer any interest rate swap-based hedging transactions in place.

Changes in market interest rates for interest rate swaps classified as hedges impacted the hedge reserve under equity and were consequently taken into account in equity-related sensitivity calculations.

Changes in the market interest rate impact the interest result for short-term variable-interest bank loans, for which interest payments are not intended to be underlying transactions as part of a hedge, and are consequently taken into account in the earnings- and equity-related sensitivity calculations.

If the market interest rate level had been 100 basis points higher (lower) in 2020, earnings would have been approx. EUR 370 thousand (previous year: EUR 384 thousand) lower (higher).

36. DEFAULT RISKS

The maximum default risk is reflected by the carrying amount of each financial asset on the balance sheet. An analysis of carrying amounts by balance sheet items and categories as per IFRS 7 is presented in the "Notes to the balance sheet". No other material off-balance-sheet default risks exist.

No de facto default risk exists relating to cash and cash equivalents and derivative financial instruments, as these are held by banks with excellent credit ratings as certified by ratings agencies. The following considerations consequently focus on "Loans and receivables". This affects the following balance sheet items: non-current and current financial investments, trade receivables and other receivables and assets.

The following table quantifies the loans and receivables that have been written down individually as well as the overdue loans and receivables not yet written down:

IN EUR THOUSAND	Trade receivables	Other financial receivables and assets
Loans and receivables – 31/12/2020		
Gross carrying amount	1,619	2,352
of which overdue, but not-value adjusted	0	0
of which value-adjusted	415	0
Loans and receivables – 31/12/2019		
Gross carrying amount	1,099	2,521
of which overdue, but not-value adjusted	0	0
of which value-adjusted	164	0

In the case of the trade receivables and other receivables and assets that were neither value-adjusted nor in default, no signs existed on the balance sheet date that the debtors would fail to fulfil their payment obligations.

The fair values of the cash and cash equivalents, current receivables and liabilities roughly correspond to their carrying amounts. This is due, in particular, to these instruments' short terms.

37. CATEGORIES OF FINANCIAL INSTRUMENTS

The following table shows by category the carrying amounts and fair values of all of the Group's financial instruments reported in the consolidated financial statements.

No fair value is stated for financial instruments whose carrying amounts represent appropriate approximations of fair value.

2020

IN EUR THOUSAND
Assets
Receivables and other assets
Trade receivables
Other financial assets
Bank balances and cash in hand
Equity and liabilities
Variable-rate loans
Fixed-interest loans
Hedge accounting derivatives
Liabilities to participating interests
Trade payables
Other financial liabilities
of which aggregated according to IFRS 9 measurement categories
Financial assets
Loans and receivables (LaR) (measured at amortised cost)
Financial liabilities
Financial liabilities at cost (FLAC) (measured at amortised cost)
Derivatives with cash flow hedge (CF hedge) (measured at fair value directly in equity)

IFRS 13 fair value category	Carrying amount as of 31/12/2020	Fair value as of 31/12/2020	of which at amortised cost	of which at fair value through profit or loss	of which at fair value through equity
n. a.	1,387	n. a.	1,387	—	—
n. a.	2,352	n. a.	2,352	—	—
n. a.	39,363	n. a.	39,363	—	—
Level 2	55,443	n. a.	55,443	—	—
Level 2	692,503	732,495	692,503	—	—
Level 2	0	0	—	—	0
n. a.	827	n. a.	827	—	—
n. a.	1,521	n. a.	1,521	—	—
n. a.	6,105	n. a.	6,105	—	—
	43,102				
	756,399				
	0				

2019

IN EUR THOUSAND
Assets
Receivables and other assets
Trade receivables
Other financial assets
Bank balances and cash in hand
Equity and liabilities
Variable-rate loans
Fixed-interest loans
Hedge accounting derivatives
Liabilities to participating interests
Trade payables
Other financial liabilities
of which aggregated according to IFRS 9 measurement categories
Financial assets
Loans and receivables (LaR) (measured at amortised cost)
Financial liabilities
Financial liabilities at cost (FLAC) (measured at amortised cost)
Derivatives with cash flow hedge (CF hedge) (measured at fair value directly in equity)

Measurement categories as per IFRS 13	Carrying amount as of 31/12/2019	Fair value as of 31/12/2019	of which at amortised cost	of which at fair value through profit or loss	of which at fair value through equity
n. a.	1,033	n. a.	1,033	—	—
n. a.	2,521	n. a.	2,521	—	—
n. a.	36,738	n. a.	36,738	—	—
Level 2	34,479	n. a.	34,479	—	—
Level 2	674,080	722,614	674,080	—	—
Level 2	1,161	1,161	—	—	1,161
n. a.	827	n. a.	827	—	—
n. a.	1,742	n. a.	1,742	—	—
n. a.	4,498	n. a.	4,498	—	—
	40,292				
	715,626				
	1,161				

As far as items for which no fair values are stated in the tables above are concerned, the management has determined that the carrying amounts almost correspond to their fair values due to their short terms or standard market interest rate.

The fair value of fixed-interest loans and derivative financial instruments is stated at the amount at which the respective instrument could be exchanged between business partners that were willing to enter into agreement concerning a current transaction (except forced disposal or liquidation).

The methods and assumptions applied to calculate fair value are as follows:

- The fair values of the Group's fixed-interest loans are calculated applying the discounted cash flow method. This is based on the discounting rate that reflects the issuer's debt funding rate at the end of the period under review. The proprietary risk of non-satisfaction was categorised as low as of December 31, 2020.
- The Group previously entered into derivative financial instruments with various parties, especially banks with good credit ratings. Derivatives measured using observable market input parameters mainly comprised interest rate swaps and forward currency contracts. The most frequently applied valuation methods included option pricing and swap models utilising present value calculations. These models included a range of variables such as business partners' credit ratings, cash and forward currency exchange rates and yield curves. As of December 31, 2020, the marked-to-market derivative items were closed and dissolved.

The VIB Group has pledged investment properties in the amount of EUR 51,949 thousand as security for current account credit lines granted. The carrying amount of the collateral is less than fair value.

The following net gains and losses were reported for the individual categories of financial assets and liabilities in the income statement and statement of comprehensive income:

IN EUR THOUSAND	**2020**	2019
Loans and receivables	166	3
Bank balances and cash in hand	0	18
Financial liabilities measured at amortised cost	–13,203	–13,435
Derivative financial instruments designated and effective as hedging instruments (cash flow hedges)	–7	–46
of which in consolidated profit or loss	–1,168	–1,793
of which in other comprehensive income	1,161	1,747

The net gains/losses comprise interest expenses, interest income, dividends, impairment losses and reversals of impairment losses, as well as valuation gains/losses on financial instruments. Commissions and fees for financial liabilities that are measured at cost depressed earnings by EUR 237 thousand (previous year: EUR 260 thousand).

As part of its risk management, the company previously mostly utilised interest rate swaps to hedge against interest rate risks from variable-interest loans. It mostly utilised cash flow hedges, which compensated for the risks from future changes in interest cash flows.

Impairment losses of EUR 192 thousand relating to financial assets were expensed during the period (previous year: EUR 66 thousand). The impairment losses relate to specific valuation allowances applied to trade receivables. Reversals of valuation allowances applied to trade receivables amounted to EUR 26 thousand (previous year: EUR 15 thousand).

38. CAPITAL RISK MANAGEMENT

The Group manages its capital with the aim of maximising income for its stakeholders by optimising its debt to equity ratio. This ensures that all of the Group companies can operate on a going concern basis.

The Group's capital structure comprises liabilities, cash and cash equivalents and the equity due to investors in the parent company. This comprises issued shares and reserves.

Capital management aims to ensure a going concern and generate an adequate return on equity.

Capital is monitored based on economic equity. Economic equity comprises the equity as recognised on the balance sheet. Liabilities are defined as being non-current and current financial liabilities, provisions and other liabilities.

Balance sheet equity and the total assets are as follows:

IN EUR THOUSAND	**31/12/2020**	31/12/2019
Equity	625,178	577,295
Equity as a % of total capital	43.0	42.5
Liabilities	828,978	782,436
Liabilities as a % of total capital	57.0	57.5
	1,454,156	**1,359,731**

39. THE COMPANY'S BOARDS

During the 2020 fiscal year, the company's Managing Board comprised:

Martin Pfandzelter, Chief Executive Officer, business administration graduate (Diplom-Kaufmann), Neuburg/Danube
As of 31/12/2020, Mr Pfandzelter performs no functions on controlling bodies.

Holger Pilgenröther, Chief Financial Officer, business studies graduate (Diplom-Betriebswirt), Neuburg/Danube
As of 31/12/2020, Mr Pilgenröther performs no functions on controlling bodies.

In the 2020 fiscal year, the Supervisory Board comprised the following members:

› Mr Ludwig Schlosser (Chairman),
  mathematics graduate (Diplom-Mathematiker), Managing Director of Boston Capital GmbH
› Mr Jürgen Wittmann (Deputy Chairman),
  Sparkasse Ingolstadt Eichstätt (Ingolstadt Eichstätt savings bank) Managing Board member
› Mr Franz-Xaver Schmidbauer,
  engineering graduate (Diplom-Ingenieur), Managing Director of FXS Vermögensverwaltung GmbH
› Mr Rolf Klug,
  businessman, Managing Director of MK Vermögensverwaltungs GmbH

With the exception of Mr Ludwig Schlosser, the elected Supervisory Board members have never served on the Managing Board of VIB AG.

40. DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

The statement relating to the German Corporate Governance Code, which is required pursuant to Section 161 of the German Stock Corporation Act (AktG), was issued for subsidiary BBI Bürgerliches Brauhaus Immobilien Aktiengesellschaft by its Managing and Supervisory Boards in December 2020 (and previously in December 2019), and was made accessible to shareholders on the website (www.bbi-immobilien-ag.de).

The Managing and Supervisory Boards of BBI Bürgerliches Brauhaus Immobilien AG issued a corporate governance declaration within the meaning of Section 289a of the German Commercial Code (HGB) and published this in the management report of BBI Bürgerliches Brauhaus Immobilien AG.

41. MANAGING BOARD REMUNERATION

As of 01/01/2020, the remuneration of the members of the Managing Board of parent company VIB Vermögen AG comprises a fixed component, a short-term incentive (STI) component and a long-term incentive (LTI) component. During the year under review, members of the Managing Board received current remuneration of EUR 1,090 thousand (previous year: EUR 1,070 thousand), of which EUR 594 thousand came in the form of variable remuneration (previous year: EUR 700 thousand) and EUR 26 thousand in the form of other fringe benefits (previous year: EUR 28 thousand). In addition, pension contributions of EUR 276 thousand (previous year: EUR 225 thousand) for serving and former Managing Board members are included in personnel expenses. Pension payments of EUR 38 thousand were made to former Managing Board members in the year under review (previous year: EUR 37 thousand).

The Supervisory Board determines Managing Board compensation, taking into account individual performance and market trends.

SHARE-BASED REMUNERATION
Obligations arising from share-based remuneration with cash settlement are recognised as other liabilities and remeasured at fair value on each balance sheet date. Expenses are recognised as personnel expenses for the period concerned.

Since the relaunch of the long-term incentive (LTI) programme in the 2020 fiscal year, Managing Board members have been receiving additional long-term variable remuneration in the form of phantom stocks in accordance with the attainment of strategic growth targets and the company's valuation on the capital market. At the start of each fiscal year, the Supervisory Board sets specific targets for the programme. At the end of the fiscal year concerned – or, at the latest, by the end of the first quarter of the following year – the Supervisory Board carries out a review to determine the percentage attainment of the targets set. The remuneration entitlement therefore came into effect at the end of the fiscal year. The average XETRA share price over the last 30 days prior to the cut-off date is used to calculate the number of phantom stocks. The amount pledged on the basis of target attainment is then divided by the average share price in order to calculate the number of phantom stocks. The maximum assessment basis in the event of 100% target attainment has been contractually set and is capped at EUR 190 thousand. In addition to the maximum assessment basis, the Managing Board members are, however, entitled to the dividend paid out in the following fiscal year. The phantom stocks are once again used to calculate the dividend entitlement.

The LTI programme has been designed as a cash-settled plan within the meaning of IFRS 2, meaning that there is no dilution of earnings attributable to shareholders; by the same token, the payment entitlement may cease to apply completely if the targets are not attained to the defined extent.

The value of the phantom stocks under the LTI programme that were attributed but not yet paid out as of December 31, 2020, has been calculated on the basis of the underlying agreements.

The obligation recognised as of the cut-off date is broken down as follows:

Term	End of the vesting period	TOTAL
2020–2023	31/12/2024	EUR 190 thousand

In the 2020 reporting period, a total expense pursuant to IFRS 2 of EUR 190 thousand (2019: EUR 0 thousand) arose from the LTI programme.

The obligation is generally remeasured through profit and loss as of the cut-off date by multiplying the number of calculated phantom stocks by the share price on the cut-off date.

Please refer to the Management Board remuneration report for more details.

42. SUPERVISORY BOARD REMUNERATION

Total compensation for the Supervisory Board of VIB Vermögen AG amounted to EUR 230 thousand in the fiscal year under review (previous year: EUR 208 thousand).

43. AUDITOR'S FEES

The expenses reported in the 2020 fiscal year for the auditor of the parent company relating to audit services amount to EUR 98 thousand for 2020 (previous year: EUR 93 thousand). A total of EUR 0 thousand (previous year: EUR 0 thousand) was reported for other certification services.

44. EVENTS AFTER THE REPORTING DATE

In light of the coronavirus pandemic, a macroeconomic slowdown is expected for 2021. For the company, this may give rise to risks due to rental deferrals and lost earnings, as well as delays in the implementation of modernisation work and new construction. It is not currently possible to conclusively evaluate these risks in terms of the likelihood of their occurrence and the scale of their impact on liquidity and earnings. Despite the coronavirus pandemic, VIB does not anticipate any significant, long-term negative impacts on the property market. As such, it forecasts stable property values.

45. RELATED PARTIES

VIB Vermögen AG prepares these consolidated financial statements as the uppermost controlling company. These consolidated financial statements are not included in any higher-level consolidated financial statements.

Balances and business transactions between VIB Vermögen AG and its subsidiaries and related entities and parties have been eliminated as part of consolidation and are not examined in these Notes. Details of business transactions between the Group and other related entities and parties are disclosed as follows.

The company once again concluded several loans with Sparkasse Ingolstadt Eichstätt as part of its business activities. Supervisory Board member Jürgen Wittmann is a managing board member of Sparkasse Ingolstadt Eichstätt. The company's total exposure amounts to EUR 47.0 million (previous year: EUR 48.9 million). The company has also taken out multiple loans in a total amount of EUR 1.9 million (previous year: EUR 2.4 million) with VR Bank Neuburg-Rain eG. Supervisory Board Chairman Ludwig Schlosser is also the Chairman of the bank's Supervisory Board. The loans extended were entered into on an arm's-length basis.

Please refer to notes 41 and 42 in these Notes for information about compensation of staff in key positions (Managing Board members).

46. LIST OF SHAREHOLDINGS PURSUANT TO SECT. 313 (2) OF THE GERMAN COMMERCIAL CODE (HGB)

The following comprise the company's significant direct or indirect shareholdings:

	Capital in %
Merkur GmbH, Neuburg a. d. Donau	100.00
VIMA Grundverkehr GmbH, Neuburg	100.00
KIP Verwaltung GmbH, Neuburg	100.00
UFH Verwaltung GmbH, Neuburg	100.00
BK Immobilien Verwaltung GmbH, Neuburg	100.00
RV Technik s.r.o., Plzen (Czech Republic)	100.00
IPF 1 GmbH, Neuburg	94.98
IPF 2 GmbH, Neuburg	94.98
BBI Bürgerliches Brauhaus Immobilien AG, Ingolstadt	94.88
VST Immobilien GmbH, Neuburg	89.90
ISG Infrastrukturelle Gewerbeimmobilien GmbH, Ingolstadt	75.00
Interpark Immobilien GmbH, Neuburg	74.00
VSI GmbH, Neuburg	74.00
IVM Verwaltung GmbH, Neuburg	60.00
BHB Brauholding Bayern-Mitte AG, Ingolstadt*/***	34.18
KHI Immobilien GmbH, Neuburg**/***	41.66
WVI GmbH, Neuburg***	50.00

* Indirect interest
** Direct and indirect interest
*** Inclusion as per the equity method

47. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR PUBLICATION PURSUANT TO IAS 10,17

The Managing Board approved these consolidated financial statements for publication on April 19, 2021. The Supervisory Board's task is to review the consolidated financial statements and declare whether it approves the consolidated financial statements.

Neuburg/Donaube, April 19, 2021

Martin Pfandzelter
(Chief Executive Officer)

Holger Pilgenröther
(Chief Financial Officer)

AUDIT OPINION OF THE INDEPENDENT AUDITOR

To VIB Vermögen AG

AUDIT FINDINGS

We have audited the consolidated financial statements of VIB Vermögen AG, Neuburg an der Donau, Germany, and its subsidiaries ("the Group") comprising the consolidated balance sheet as of December 31, 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year from January 1, 2020, to December 31, 2020, and the notes to the consolidated financial statements (including a summary of significant accounting methods). Furthermore, we have audited the consolidated management report of VIB Vermögen AG for the fiscal year from January 1, 2020, to December 31, 2020.

In our judgement, and based on the findings gleaned from the audit,

- the enclosed consolidated financial statements comply with IFRS (as applicable in the EU) – and the applicable supplementary provisions of German law pursuant to Section 315e (1) HGB – in all significant respects and, paying due regard to these provisions, provide a true and fair view of the Group's assets and financial position as of December 31, 2020, as well as its earnings position for the fiscal year from January 1, 2020, to December 31, 2020, and
- the enclosed consolidated management report provides an accurate overall picture of the position of the company. This consolidated management report is consistent with the consolidated financial statements in all significant respects, complies with German statutory requirements and accurately presents the opportunities and risks connected with future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has resulted in no objections to the conformity of the consolidated financial statements and the consolidated management report.

BASIS OF THE AUDIT FINDINGS

We conducted our audit of the consolidated financial statements and the consolidated management report in accordance with Section 317 HGB, paying due regard to the principles of proper end-of-year audits set out by Institut der Wirtschaftsprüfer in Deutschland e.V. [Institute of Public Auditors in Germany, Incorporated Association] (IDW). Our responsibility pursuant to these regulations and principles is described in greater detail in the section of our audit opinion entitled "Responsibility of the auditor for auditing the consolidated financial statements and the consolidated management report". In accordance with the provisions of German commercial and professional law, we are independent from the Group companies and have also met our other German professional obligations in accordance with these requirements. We take the view that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit findings in respect of the consolidated financial statements and the consolidated management report.

OTHER INFORMATION

The Supervisory Board is responsible for the Supervisory Board report. The legal representatives are responsible for the other information. This other information comprises the following intended sections of the Annual Report: the letter to the shareholders, the Supervisory Board report, the business model, EPRA performance indicators, the share and investor relations and the property portfolio. We have obtained a version of this other information prior to issuing this audit opinion.

Our audit findings on the consolidated financial statements and the consolidated management report do not extend to the other information. Accordingly, we issue neither an audit opinion nor any other form of audit conclusion in respect hereof.

In connection with our audit, it is our responsibility to read the other information and to deem whether this other information

- exhibits significant discrepancies with the consolidated financial statements, the consolidated management report or any other findings gleaned during our audit or
- appears to be incorrect in any other significant respect.

We have nothing to report in this regard.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT

The legal representatives are responsible for preparing consolidated financial statements that comply with IFRS (as applicable in the EU) and the applicable supplementary provisions of German law pursuant to Section 315e (1) HGB in all significant respects and for ensuring that the consolidated financial statements, paying due regard to these provisions, provide a true and fair view of the Group's asset, financial and earnings position. Further, the legal representatives are responsible for the internal controls that they deem necessary to enable preparation of consolidated financial statements that are free from significant misrepresentations, whether intentional or unintentional.

When preparing the consolidated financial statements, the legal representatives are responsible for evaluating the ability of the Group to continue as a going concern. Furthermore, they are responsible for disclosing any relevant circumstances in connection with the Group's ability to continue as a going concern. In addition, they are responsible for preparing a balance sheet on the basis of the going concern principle of accounting unless it is their intention to liquidate the Group or to discontinue operations or if there is no realistic alternative hereto.

The legal representatives are also responsible for preparing a consolidated management report that provides an accurate overall picture of the position of the company, is consistent with the consolidated financial statements in all significant respects, complies with German statutory requirements and accurately presents the opportunities and risks connected with future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they regard as necessary to enable preparation of a consolidated management report in accordance with the applicable German statutory requirements and to provide sufficient and appropriate evidence for the statements made in the consolidated management report.

The Supervisory Board is responsible for monitoring the accounting process used by the Group to prepare the consolidated financial statements and the consolidated management report.

RESPONSIBILITY OF THE AUDITOR FOR AUDITING THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT

Our aim is to acquire reasonable assurance as to whether the consolidated financial statements as a whole are free from significant misrepresentations (whether intentional or unintentional) and as to whether or not the consolidated management report as a whole provides an accurate overall picture of the position of the Group, is consistent with the consolidated financial statements and the findings gleaned during the audit in all significant respects, complies with German statutory requirements and accurately presents the opportunities and risks connected with future development – and to issue an audit opinion that contains our audit findings in respect of the consolidated financial statements and consolidated management report.

Reasonable assurance is a high degree of assurance, but not a guarantee that an audit conducted in accordance with Section 317 HGB, paying due regard to the principles of proper end-of-year audits set out by Institut der Wirtschaftsprüfer in Deutschland e.V. [Institute of Public Auditors in Germany, Incorporated Association] (IDW), will always identify a significant misrepresentation. Misrepresentations may result from infringements or inaccuracies and are regarded as significant if it could reasonably be expected that they would – whether taken individually or in aggregate – influence the economic decisions taken by addressees on the basis of these consolidated financial statements and this consolidated management report.

During the audit, we exercise due care and discretion and maintain professional scepticism. Moreover, we

- identify and assess the risks of significant misrepresentations (whether intentional or unintentional) in the consolidated financial statements and the consolidated management report, plan and execute audit activities as a response to these risks and obtain audit evidence that is sufficient and appropriate as a basis for our audit findings. The risk of a significant misrepresentation not being identified is higher in the event of infringements than in the event of inaccuracies, as infringements may involve fraudulent conspiracy, forgeries, the deliberate withholding of information, misleading representations and/or the abrogation of internal controls;
- gain an understanding of the internal control systems relevant for the audit of the consolidated financial statements and the precautions and measures relevant for the audit of the consolidated management report in order to plan audit activities that are appropriate to the circumstances, but not with a view to issuing an audit opinion in respect of the effectiveness of these company systems;
- evaluate the appropriateness of the accounting methods applied by the legal representatives and the validity of the estimated values and associated disclosures presented by the legal representatives;
- draw conclusions about the appropriateness of the going concern principle of accounting applied by the legal representatives and, on the basis of the audit evidence obtained, draw conclusions as to whether there is significant uncertainty in relation to events or circumstances that could cast significant doubt on the ability of the Group to operate as a going concern. If we come to the conclusion that significant uncertainty exists, we are obliged, in the audit opinion, to draw attention to the corresponding disclosures in the consolidated financial statements and consolidated management report or, if these disclosures are inappropriate, to modify our audit findings in respect hereof. We base our conclusions on the audit evidence we have obtained prior to issuing our audit opinion. However, future events or circumstances may result in the Group being unable to continue operating as a going concern;

- assess the overall presentation as well as the structure and content of the consolidated financial statements, including the disclosures, and assess whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements, paying due regard to IFRS (as applicable in the EU) and the applicable supplementary provisions of German law pursuant to Section 315e (1) HGB, provide a true and fair view of the Group's asset, earnings and financial position.
- obtain sufficient and appropriate audit evidence for the accounting information pertaining to companies or business activities within the Group in order to issue audit findings in respect of the consolidated financial statements and consolidated management report. We are responsible for directing, monitoring and conducting the audit of the consolidated financial statements. We bear sole responsibility for our audit findings;
- evaluate the consistency of the consolidated management report with the consolidated financial statements, its compliance with legislation and its presentation of the Group's position;
- carry out audit activities in respect of the forward-looking statements made by the legal representatives in the consolidated management report. On the basis of sufficient and appropriate audit evidence, we examine, in particular, the significant assumptions underlying the forward-looking statements made by the legal representatives and assess whether the forward-looking statements have been derived appropriately from these assumptions. We do not issue a separate audit opinion on either the forward-looking statements or the assumptions on which they are based. There is a considerable and unavoidable risk that future events will deviate significantly from forward-looking statements.

We discuss, with the officers responsible for monitoring, aspects such as the planned extent and scheduling of the audit and significant audit findings (including any shortcomings in internal control systems that we identify during our audit).

Munich, April 21, 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Horbach	Ehrnböck
(Auditor)	(Auditor)

FINANCIAL CALENDAR

March 24, 2021
Publication of 2020 interim figures

April 28, 2021
Publication of the 2020 Annual Report

May 12, 2021
Publication of the 2021 Q1 interim report

July 1, 2021
Annual General Meeting

August 11, 2021
Publication of the 2021 half-yearly report

November 10, 2021
Publication of the 2021 Q3 interim report

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KEY GROUP INDICATORS 5-YEAR OVERVIEW

IN EUR THOUSAND	2016	2017	2018	2019	**2020**
Income statement					
Revenue	79,549	83,550	86,789	90,995	94,207
Changes in value for investment properties	18,018	17,380	19,454	22,319	22,323
EBT (earnings before tax)	58,820	64,453	71,200	78,287	80,041
EBT excluding valuation effects and extraordinary items	40,802	47,073	51,746	55,968	57,718
Consolidated net income	49,403	53,938	59,895	65,411	67,269
Earnings per share (in EUR), undiluted/diluted	1.71	1.87	2.09	2.29	2.39
Balance sheet					
Total assets	1,116,768	1,153,741	1,234,908	1,359,731	1,454,156
Investment properties	1,061,773	1,096,724	1,182,548	1,296,352	1,368,001
Equity	443,527	483,355	527,593	577,295	625,178
Equity ratio (in %)	39.7	41.9	42.7	42.5	43.0
Net debt	574,917	570,452	610,098	671,864	708,584
LTV (loan-to-value ratio, in %)	53.6	51.4	51.0	51.0	50.3
NAV (net asset value), undiluted	470,117	512,547	559,949	612,974	666,322
NAV per share (in EUR), undiluted	17.05	18.58	20.30	22.23	24.16
Other key financials					
FFO (funds from operations)	35,767	41,194	45,298	48,929	50,354
FFO per share (in EUR)	1.30	1.49	1.64	1.77	1.83
Share price (Xetra closing price, in EUR)	19.67	21.20	21.20	29.80	28.65
Number of shares (reporting date: 31/12)	27,579,779	27,579,779	27,579,779	27,579,779	27,579,779
Market capitalisation (reporting date: 31/12)	542,494	584,691	584,691	821,877	790,161
Dividend per share (in EUR)	0.55	0.60	0.65	0.70	0.75[1]
ICR (interest coverage ratio: interest expense/ net basic rents, in %)	30.0	24.4	21.1	19.1	17.5
Average borrowing rate (in %)	3.11	2.55	2.33	2.10	1.77
Real estate KPIs					
Annualised net basic rents	70,841	73,615	78,249	81,321	89,597
Vacancy rate (in %)	1.3	0.8	0.7	1.0	2.5
Rentable space (in sqm)	1,042,769	1,060,896	1,123,271	1,162,586	1,285,995
Rental yield (in %)	7.14	7.09	7.02	6.92	6.83
Average remaining term of rental agreements (in years)	5.7	5.2	5.4	5.3	5.7
EPRA performance indicators					
EPRA earnings	32,587	37,620	41,777	44,762	46,588
EPRA earnings per share (in EUR)	1.18	1.36	1.51	1.62	1.69
EPRA NRV				668,699	727,901
EPRA NRV per share (in EUR)				24.25	26.39
EPRA NAV	470,117	512,547	559,949	612,974	
EPRA NAV per share (in EUR)	17.05	18.58	20.30	22.23	
EPRA vacancy rate (in %)	1.3	0.8	0.7	1.0	2.5
EPRA net initial yield (in %)	6.6	6.6	6.7	6.5	6.3
EPRA cost ratio (in %))	12.4	12.1	11.9	12.2	13.0

[1] Management proposal

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