Bouwinvest Dutch Institutional **Office** Fund N.V.

2017

Annual Report

Bouwinvest Real Estate Investors

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2017 at a glance

Key information in 2017

TOTAL FUND RETURN	INCOME RETURN	RELATIVE PERFORMANCE	GRESB STAR RATING
13.1%	2.9%	2.1% IPD PROPERTY INDEX (ALL PROPERTIES)	★★★★★ 5-STAR RATING

SECURED PIPELINE	AVERAGE FINANCIAL OCCUPANCY RATE	LIKE-FOR-LIKE RENT INCREASE	INVESTORS
€ 113 MILLION	86.3%	-1.9%	3

Highlights 2017

- Total Fund return of 13.1%
- One new investor
- € 36 million invested, no divestments
- Delivery and start of construction of Hourglass in Amsterdam
- Long-term lease renewal of major lease for Centre Court (The Hague) finalised in February 2018
- Average financial occupancy rate of 86.3%
- Decrease of like-for-like rent due to lease extensions with reduced rents
- Retained five-star GRESB rating (86 points; +8)
- Outperformance IPD Property Index (all properties) with 2.1%-point

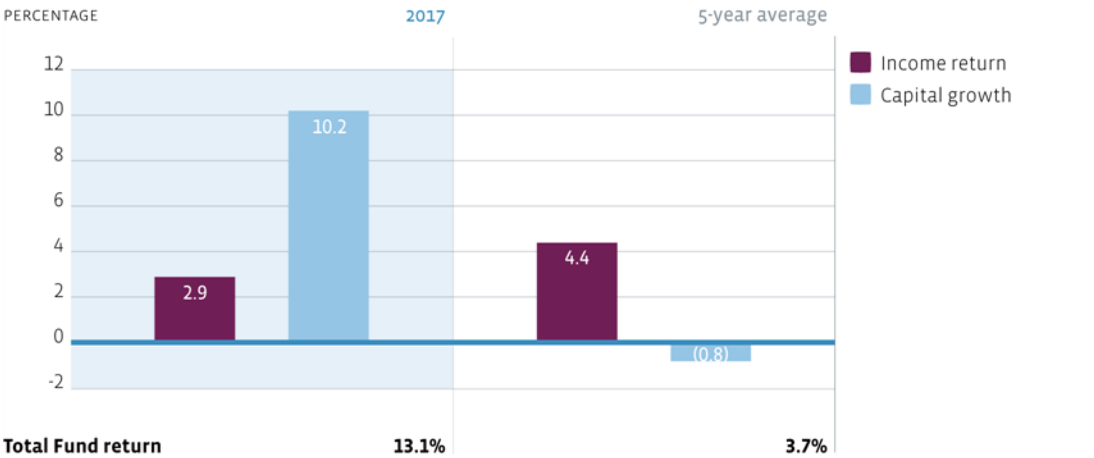
All amounts in € thousands, unless otherwise stated

Performance per share	2017	2016
Dividends (in €)	59.81	73.18
Net earnings (in €)	277.97	118.22
Net asset value IFRS (in €, at year-end)	2,295.87	2,084.17
Net asset value INREV (in €, at year-end)	2,306.55	2,101.63

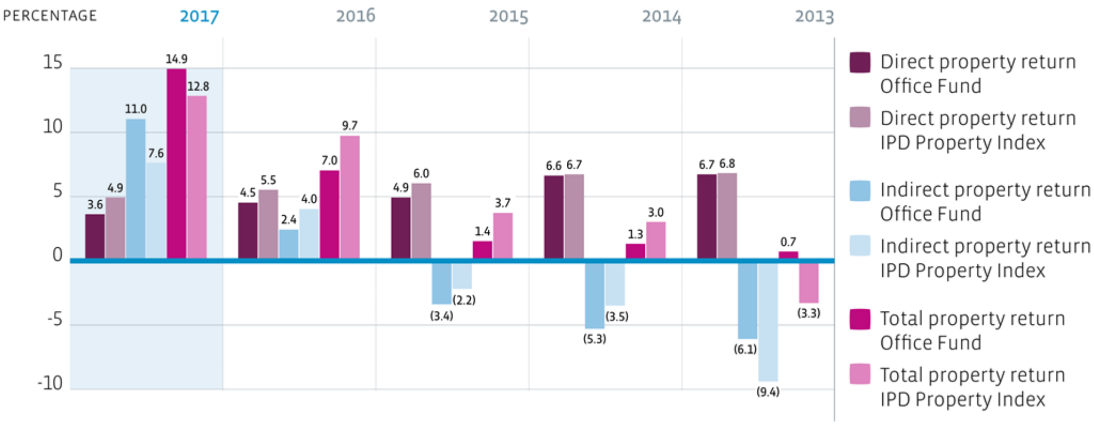
Statement of financial position	2017	2016
Total assets	644,945	536,257
Total shareholders’ equity	631,446	525,988
Total debt from credit institutions	-	-

Result	2017	2016
Net result	71,746	30,506
Total Expense Ratio (TER)	0.54%	0.55%
Real Estate Expense Ratio (REER)	3.20%	2.66%

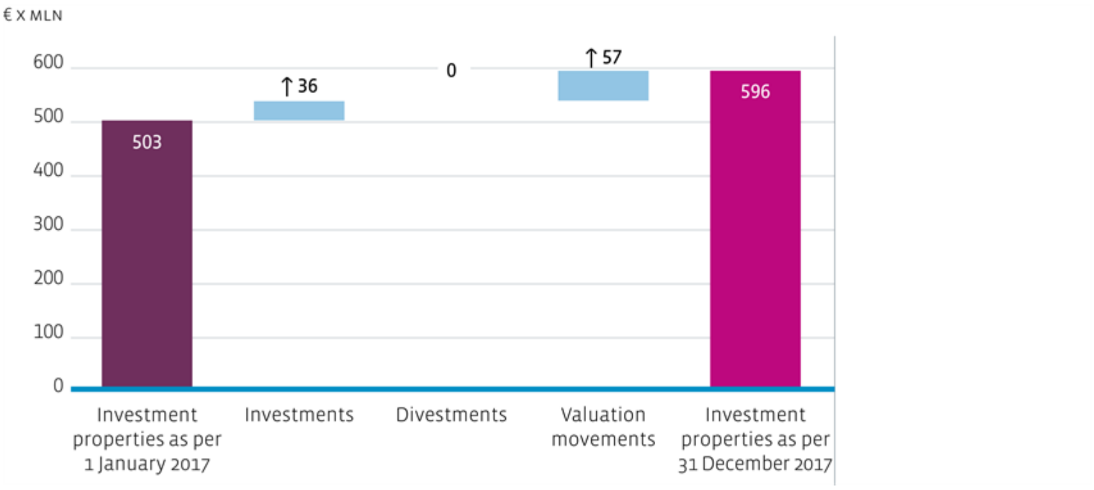
Fund return



Property performance (all properties)

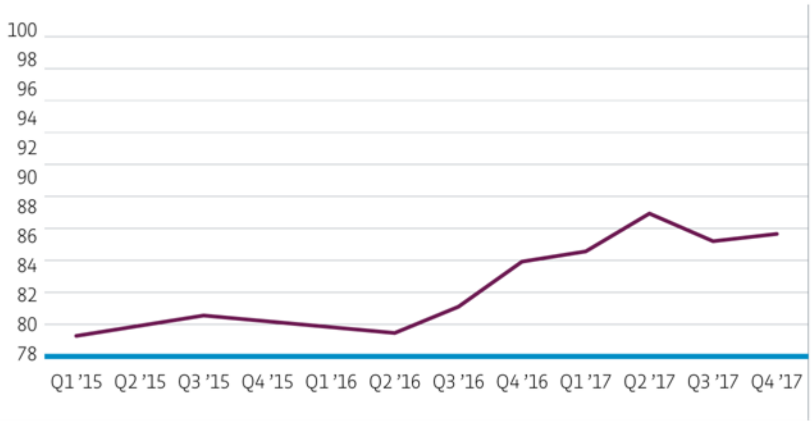


Portfolio movements



Financial occupancy rate

PERCENTAGE



Portfolio figures	2017	2016
Investment property	468,661	458,762
Investment property under construction	127,432	44,645
Gross initial yield	6.6%	6.7%
Total number of properties	17	17
Average rent per square metre per year (in €)	180	183
Financial occupancy rate (average)	86.3%	81.3%
Sustainability (A, B or C label)	73.1%	73.0%

Responsible investment key data

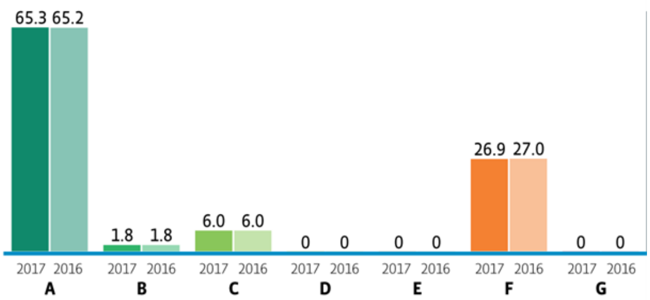
Fund and asset sustainability performance

Fund sustainability performance

Asset sustainability performance

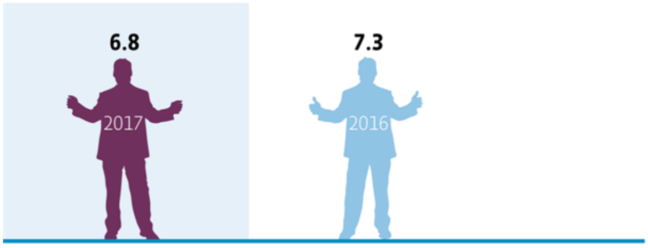
BREEAM label (% of lettable floor space)

Investment property by labelled floor space (m²) in %



Community and stakeholder engagement

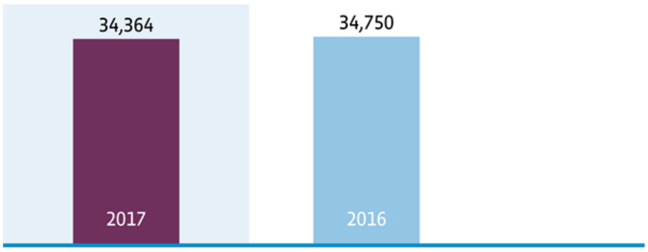
Satisfaction scores tenant engagement survey



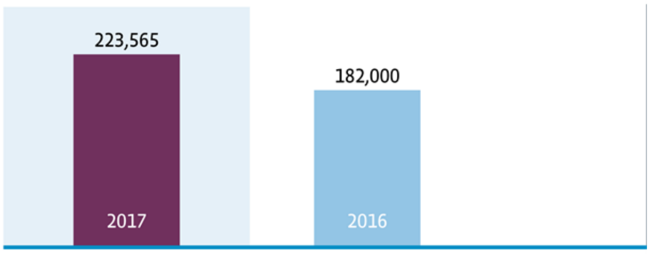
Participant rate tenant engagement survey

Environmental impact

Energy consumption (like-for-like, MWH)



On-site solar panels (Watt)



Highlights responsible investment 2017

- Retained five-star GRESB rating (total of 86 points; +8 points in 2017), ranking in top 20% best-performing real estate funds worldwide
- Average energy index of the portfolio is 1.13
- Energy consumption fell by 1.1% to 34,364 MWH
- 73.1% of assets awarded a green energy label (A,B or C label)
- BREEAM-NL labelling for 89% of the Fund's assets (minimum 'Good')
- Pilot with Nuuka-tool for collection of environmental management data

Key information over five years

All amounts in € thousands unless otherwise stated

	2017	2016	2015	2014	2013
Statement of financial position					
Total assets	644,945	536,257	567,043	579,982	477,308
Total shareholders' equity	631,446	525,988	554,723	565,113	469,201
Total debt from credit institutions	-	-	-	-	-
Performance per share					
Dividends (in €)	59.81	73.18	88.22	129.43	136.91
Net earnings (in €)	277.97	118.22	15.06	3.01	(6.29)
Net asset value IFRS (in €, at year-end)	2,295.87	2,084.17	2,038.11	2,113.01	2,341.19
Net asset value INREV (in €, at year-end)	2,306.55	2,101.63	2,059.70	2,140.47	2,341.69
Result					
Net result	71,746	30,506	4,034	612	(1,260)
Total Expense Ratio (TER)	0.54%	0.55%	0.58%	0.54%	0.58%
Real Estate Expense Ratio (REER)	3.20%	2.66%	2.93%	2.25%	1.70%
Fund return					
Income return	2.9%	3.6%	4.2%	5.7%	5.6%
Capital growth	10.2%	1.9%	(3.7)%	(5.6)%	(5.9)%
Total Fund return	13.1%	5.5%	0.5%	0.1%	(0.3)%
Portfolio figures					
Investment property	468,661	458,762	478,197	553,353	445,979
Investment property under construction	127,432	44,645	-	6,201	-
Gross initial yield	6.6%	6.7%	6.4%	8.2%	7.9%
Total number of properties	17	17	16	30	25
Average monthly rent per square metre (in €)	180	183	178	169	180
Financial occupancy rate (average)	86.3%	81.3%	80.1%	89.9%	90.4%
Sustainability (A, B or C label)	73.1%	73.0%	66.6%	85.5%	79.9%
Property performance (all properties)					
Direct property return	3.6%	4.5%	4.9%	6.6%	6.7%
Indirect property return	11.0%	2.4%	(3.4)%	(5.3)%	(6.1)%
Total property return	14.9%	7.0%	1.4%	1.3%	0.7%
IPD Property Index office real estate (all properties)					
Direct return IPD Property Index	4.9%	5.5%	6.0%	6.7%	6.8%
Indirect return IPD Property Index	7.6%	4.0%	(2.2)%	(3.5)%	(9.4)%
Total return IPD Property index	12.8%	9.7%	3.7%	3.0%	(3.3)%

The Office Fund at a glance

The Bouwinvest Dutch Institutional Office Fund is an investment company with variable capital. The Fund has a clear focus on future-proof office spaces, spaces that are defined by their flexibility and their role as meeting places. The offices in the Office Fund portfolio are inspiring places that people like to visit and want to work in. Our main focus is on sustainable, multifunctional offices with multiple tenants.

Fund characteristics

- No leverage
- Core investment style
- Target of 7.0% long-term average annual Fund return
- Robust governance structure
- Investment structure for an indefinite period of time
- Reports in accordance with INREV standards

Fund management

Bouwinvest is the manager and Statutory Director of the Office Fund. The Bouwinvest Board of Directors is responsible for Bouwinvest's long-term strategy, as well as the day-to-day management of the organisation itself and its assets under management. Bouwinvest's Dutch Investments business unit is responsible for all real estate investments in the Netherlands. This business unit has a dedicated asset management team specialised in the office real estate sector, with experts in acquisition and divestment, property revitalisation and letting.

Our vision of the Dutch office market

- Investors' appetite for office real estate remains high
- Continuing strong take-up of office space
- Urbanisation and polarisation trends continue
- Sustainability goes mainstream
- Smart offices will boost health and well-being of occupants

Fund strategy

The Office Fund aims to optimise its portfolio through targeted acquisitions and the revitalisation of assets.

The Fund's strategy has proven itself over the past years and continues to focus on:

- Core regions and A-locations
- Multifunctional locations with excellent transport links
- Multi-tenant assets
- Enhancement of core assets
- Improvement of sustainability
- Improvement of occupancy rates

The office portfolio at a glance

Portfolio characteristics

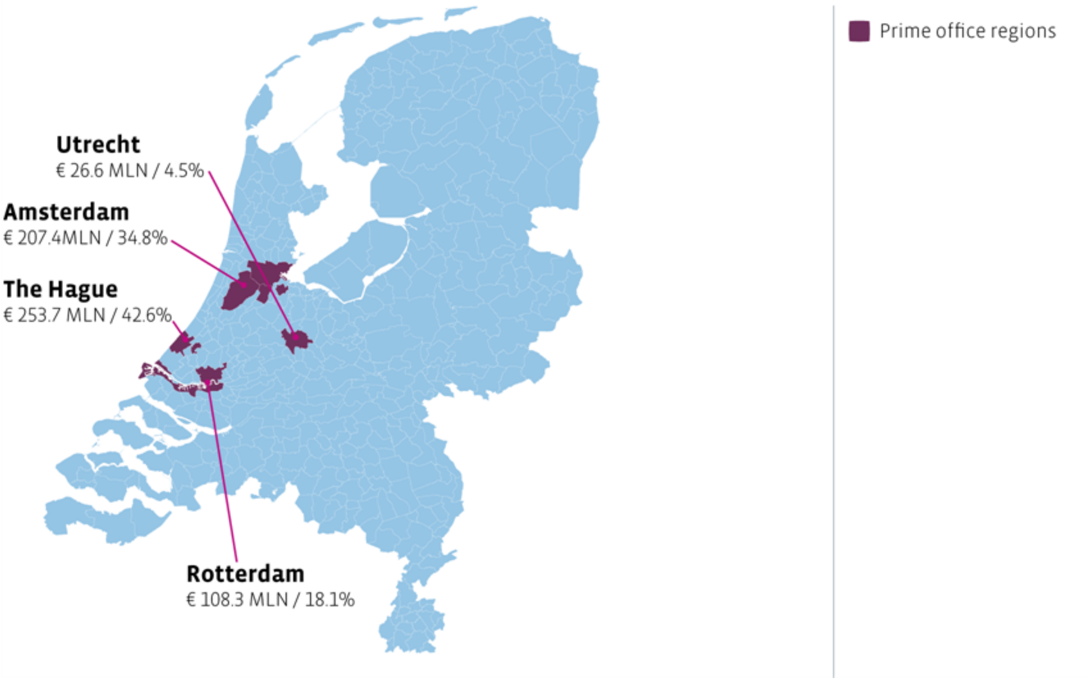
- € 469 million in Dutch office properties (14 assets, 194,717 m²) at year-end 2017
- € 82 million in Dutch office redevelopment projects (2 assets, 18,453 m²) at year-end 2017
- € 45 million in Dutch office development project (1 asset, approx. 21,058 m²) at year-end 2017
- All investments in core regions: Amsterdam, Rotterdam, The Hague and Utrecht
- Focus on multi-tenant assets
- High percentage of green energy labels (A, B or C label)
- Retained GRESB five-star rating (top 20% of best-performing real estate funds worldwide)

Core region policy

The Funds' core regions closely correlate with the trends towards urbanisation and a knowledge-based economy. The Fund distinguishes primairy and secondary core regions. In 2017, the core region policy was tightened in such a way that only Amsterdam, Rotterdam, The Hague and Utrecht are now considered core regions.

The target is to have 80% of the total portfolio value invested in properties in these core regions. This currently stands at 100%.

The Office Fund's core regions based on market value



Major segment

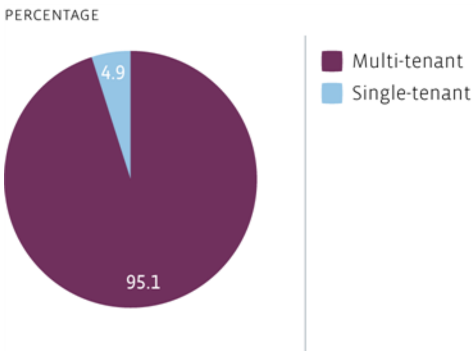
Multi-tenant assets

A Multi-tenant exploitation may reduce the volatility of revaluations and could increase the control of asset management risks, thanks to multiple lease agreements with different expiry dates and debtors.

A diverse office population enhances a building's image as a natural, inspiring meeting place. To reinforce the dynamic character of such work and meeting spaces, it is important to offer additional (shared) facilities in or in the immediate vicinity of the building. These can include catering establishments, shops, childcare facilities and other amenities, plus a range of networking spaces.

Users vary by sector, culture and nationality, but also in their requirements for office space. A flexible lay-out is essential to accommodate the workforce of a large corporate head office, as well as smaller satellite offices. Active asset management also enables the Fund to respond quickly to the changing and evolving needs of its varied tenant base.

Portfolio composition by single vs multi-tenant based on market value



Selection of principal properties
Existing portfolio

WTC
The Hague

WTC
Rotterdam

CentreCourt
The Hague

Olympic Stadium
Amsterdam

De Lairessestraat
Amsterdam

Valina
Amsterdam

Maasparc
Rotterdam

Nieuwe Vaart
Utrecht

Valeriusplein
Amsterdam

Portfolio pipeline

Hourglass
Amsterdam

Building 1931
Amsterdam

Building 1962
Amsterdam

Message from the chairman

Dear stakeholders,

The Dutch office market is currently bouncing back strongly, something that is clear from the total return of 13.1% the Fund recorded in 2017. This was mostly thanks to a strong indirect return, as the direct return is still being dampened by a number of ongoing redevelopments. The solid indirect return is a clear sign that we are on the right track with our core regions and locations with excellent transport connections, in combination with multi-tenant, multi-functional assets.

The recovery of the Dutch economy and the steady rise in employment – together with the ongoing redevelopment of office space for other purposes - has helped take office vacancy to its lowest level in 10 years. In fact, we are now seeing a distinct shortage of office space in certain places, most notably in popular locations like Amsterdam's Zuidas business district. We are also seeing increasing demand for good office space in the likes of Utrecht, Rotterdam and The Hague. This is clear confirmation that we are on the right track with our current strategy and the focus on our core regions.

In the light of these developments, we have a very promising portfolio. We saw occupancy increase markedly in 2017 – to 86%, from 81% in 2016 - and given ongoing redevelopments there is good potential for further increases in the period ahead. Our investments in WTC The Hague are now paying off, while the ongoing upgrade of WTC Rotterdam and the redevelopment of Building 1931 and Building 1962 in Amsterdam are attracting a lot of interest. Hourglass in Amsterdam's Zuidas is expected to be fully let when it is completed in late 2019. Plus the next 10 years will see the completion of the link between the two sides of the A10 motorway, the expansion of the Station Zuid rail link and improvements to local amenities and public spaces, putting Hourglass at the heart of one of the country's hottest multifunctional office locations. Also on a very positive note, we agreed a new contact for a minimum of five years with the Dutch Government Real Estate Agency for Centre Court in The Hague.

Given these developments, plus the arrival of the prestigious European Medicines Agency in 2019, it is hardly surprising that the Amsterdam city council is looking to boost supply in the area. Quite rightfully, the council is taking a very cautious approach, as they do not want to repeat the mistakes of the past. After all, the impact of surprises is still apparent in certain areas and certain kinds of assets. Which is why we will continue to focus on the Amsterdam and Utrecht city centres and the Schiphol region, together with the area around WTC Rotterdam and the Beatrixkwartier in The Hague. Because we are convinced that the highest demand in the future will be for adaptable multi-tenant offices in multi-functional areas with good transport links.

So while we may currently have a relatively small number of assets they are all well prepared for this future. Investors share our faith in this strategy, as we have more investors in addition to our anchor investor bpfBOUW and we expect to welcome new investors in the future. Along with the continued commitment of our anchor investor, this will give us the financial resources to invest in top class assets, both new-build and redevelopment opportunities. Even if investors have to wait a couple of years to see cash out, assets of this quality are well worth the wait. We have already managed to attract high-profile tenants for Building 1931 and Building 1931, adding gloss to the area as a whole.

We have not yet achieved an optimal balance in terms of our distribution across the four main cities, but we are aiming to correct that balance, potentially via acquisitions in the burgeoning Utrecht market, as we are still committed to increasing the size of our portfolio to € 950 million by year-end 2020.

We should also mention the Holland Metropole initiative, in which the four top Dutch cities have joined forces with investors and other private players to promote and improve transport links across the entire the 4-city region. This initiative fits well with the Office Fund strategy, as the aim is to create urban centres between the major cities, relieving pressure on those cities and creating a truly liveable environment, all without damaging the green heart of the region.

All that is left now is for me to thank our investors for their continued faith in our strategy and all our employees for their hard work and commitment to Bouwinvest in 2017.

Dick van Hal, Chairman of the Board of Directors

Report of the Board of Directors

Market developments and trends

Economy & politics

Positive outlook Dutch economy

In the course of 2017 the Dutch economy has gained additional positive momentum. GDP growth was largely driven by strong export figures, private investments and increased household spending. Housing market-related sectors have flourished in recent years, largely thanks to the very strong rebound in the housing market following the 2008 financial crisis.

Real GDP growth is expected to be around 3.2% and 3.1% in 2017 and 2018 respectively, according to forecasts from the Netherlands Bureau for Economic Policy Analysis (CPB). This is expected to be followed by lower growth rates in the subsequent two years (1.9% in 2019 and 1.5% in 2020). Unemployment has declined steadily to the current level of about 4.5% and is expected to decline further in the years ahead. Job growth is forecast to be positive in a whole range of sectors. Inflation is expected to increase somewhat, to a maximum level of about 2%, but will remain low from a historical perspective. Persistent low inflation is expected to boost consumer spending by an additional 1.5 - 2% annually. All in all, the economic outlook for the Netherlands is solid for the next few years, despite some international political uncertainty.

Brexit and ECB's monetary policy

The overall impact of the Brexit is as yet difficult to assess. So far, the direct consequences seem to be positive for the Netherlands, as we have already seen a string of announcements by international companies and institutions planning to move at least some of their offices to the Netherlands, with the relocation of the European Medicines Agency from London to Amsterdam being the most noteworthy. This will have a direct impact on the office real estate market, and possibly the residential and retail markets.

With respect to the European Central Bank's monetary easing policy, the current programme to purchase a total amount of € 60-80 billion of public and private debt on a monthly basis in order to achieve an inflation level of 2%, was tapered off in early 2018, when the ECB cut its monthly purchases to € 30 billion.

New coalition introduces policies that could harm institutional investors

Following the Dutch general election in March 2017, a four-party coalition government, consisting of the Liberal VVD, the centrist D66, the Christian Democrat CDA and the Christian conservative CU party, was formed in October. The new coalition will have a majority of just one in the highly fragmented 13-party Dutch parliament.

In the coalition agreement, the newly-formed government announced that fiscal investment institutions (Dutch: 'FBI') will no longer be allowed to invest directly in real estate. The change is supposed to come into effect from the financial year 2020 onwards. Bouwinvest, together with other institutional investors, is currently trying to persuade the government not to implement this regulation. Additionally, Bouwinvest is investigating the potential consequences of such a change in fiscal legislation for the funds it manages and is assessing alternative structures to minimise the negative fiscal impact on investors in these funds.

Political impact on the office market

Newly introduced policies related to the office market included new regulations on sustainability and will be covered in the section on sustainability and climate change.

Demographics

Continuing population and household growth

On a national level, both the total population and the number of households are expected to continue to grow in the coming decades. The total population is set to increase by over 700,000 in the 10 years leading up to 2025. In this period, the number of households is projected to rise by almost 600,000 to 8.3 million. This demographic growth, however, will be very much concentrated in the 20 largest municipalities in the Netherlands, especially the main cities of the Randstad region. While household growth in the four largest cities of the Randstad conurbation will be a cumulative 11% in the years to 2025, the figure for the country as a whole is expected to be 7.7%.

Urbanisation and ageing major drivers

The growth in the number of households will be largely driven by the growth in one and two-person households, which in turn will be dominated by the growing number of elderly households. The number of people older than 75 years is expected to double over the next 25 years. At the same time, the working population in the Netherlands will show virtually no growth over the coming years. The major Dutch cities however, especially those within the Randstad region, will continue to grow in number of inhabitants as well as in employment.

Employers follow the trend of urbanisation and polarisation and generally opt for growing cities which show a steady influx of (young) working people. The focus of employers tends to be towards mixed-use locations at well-connected public transport locations, meeting the qualitative requirements of the working population.

Demographic shifts in population, urbanisation and ageing are trends that will continue to have an impact on living, shopping, working, mobility and leisure. These trends make it even more important to align the products in the real estate investment market with the future demands of both users and investors.

Capital market

Strong increase in investment volumes

Given the low interest rate environment and the yield spread offered by real estate, investors' capital inflow into real estate markets remains strong. In 2017, around € 21.0 billion was invested in the Dutch real estate market, significantly more than the € 14.1 billion invested in the previous year. This increase in investment volume was driven by both domestic and international investors, although the market share of the latter group increased. A year-end breakdown is not available yet, but midway through the year international players had accounted for 67% of total investments, compared to 60% for the full year 2016. Strategies among investors differ. Domestic institutional investors largely prefer core fund investments, while US investors target more opportunistic funds (even without seed assets) and Asian investors focus primarily on large single asset deals. European investors tend to concentrate on existing assets, preferably combined in a portfolio, which enables them to achieve acquisition targets more quickly.

Positive expectations

We expect investors' appetite to remain high for real estate investments, despite the expected rise in interest rates. This is due to the fact that real estate continues to prove its value in terms of adding diversification to investment portfolios and the attractive yield and total return it offers compared to interest rates and other asset classes. The highly transparent Dutch property market will remain a major destination for international investors eyeing European property markets.

Investment market

Investment volumes up, supply of core product limited

Preliminary data for 2017 indicates that the office sector accounted for an investment volume of around € 7 billion, or around a third of total real estate investments. This is a further increase on the € 6.0 billion invested in office property the previous year. It should be noted that office buildings purchased with an eye to converting them for other uses, often residential, are not included in these figures.

Overall, most investments are focused on cities with strong employment and economic growth figures. On the office investment front, locations differ from prime CBD to inner city locations near public transport links, to redevelopment sites such as former factories, which are currently in favour with more trendy office occupiers.

In line with the increase in investor interest, yields have continued to compress. This compression was particularly marked in the Amsterdam region, where gross prime yields are now hovering near the 4% level. Good locations in the cities of Utrecht, Rotterdam and The Hague are changing hands at an average yield level of 5.5% to 6.0%. Cities like Eindhoven and Den Bosch have prime initial yields of around 7.0% to 8.0%.

While the overall volumes are exceptional, investors are generally being cautious, as the fundamentals of the office market are still mixed. On the one hand, the average vacancy is still high on a national level and the trend towards the more efficient use of office space is continuing; on the other hand, employment growth has been substantial and conversions of older office stock is substantially reducing vacancy rates.

Investor appetite for real estate remains high

Following the increase in investment volumes, we expect investor interest for the office market to remain high, resulting in further downward pressure on yields. However, due to the declining availability of prime stock combined with the relatively low level of yields for prime property in Amsterdam (the Zuidas business district and the like), it has become increasingly difficult for core investors to meet their return targets.

They are therefore increasingly focusing on core+ and value add product, while also broadening their scope towards portfolios encompassing multiple sectors. In addition, these investors are increasingly open to taking up lease risk or even a certain level of development risk.

Occupiers market

Demand, supply and vacancy showing positive trend

Employment growth picked up strongly in 2017, in line with the steady growth of the Dutch economy. This has had a positive impact on the Dutch office occupier market, as shown by a further increase in take-up volumes: up 26% to 480,000 m^2 in the first half of 2017. The increase in office take-up was especially marked in Amsterdam (+66%), showing the ever-increasing pulling power of the Dutch capital.

Demand was very much focused on modern, multifunctional office space with good transportation links located in the larger (inner) cities of the Randstad region. Vacancy rates in these prime office locations are falling rapidly and in some areas, like the Amsterdam Zuidas business district and the Utrecht Central Station area, there is now a shortage of high-quality office space. In those areas, rents have been on the rise for some time and this is where most new office developments are being built.

Conversions main driver for lower vacancy

Increased take-up coupled with ongoing conversions of outdated offices to other purposes has led to a further overall decline in supply and vacancy rates. Vacancy is currently standing at around 13.1% for the national office market. It should be noted that there still is a large excess supply of outdated stock in some secondary locations and in peripheral regions that are not benefitting from economic or demographic growth.

Sustainability and climate change

Global goals

The Paris Climate Agreement (COP21), the United Nations 2030 agenda for sustainable development and the Dutch Energy Agreement all marked the start of the race to curb global greenhouse gas (GHG) emissions to keep the global temperature rise below 2 degrees Celsius by 2050. At that point, all major business sectors should be operating in what will essentially be a zero carbon emission environment.

The built environment consumes around 40% of the world's energy and accounts for up to 30% of the world's annual GHG emissions. Additionally, the building industry is a large user of raw materials. It is therefore essential that the companies and people who manage global real estate assets play a significant role in finding solutions. This means that the building and construction sector has to move towards a completely zero carbon built environment by 2050. The Energy Performance of Buildings Directive (EPBD) applicable to European countries requires all new buildings to be near zero-energy by the end of 2020.

Sustainability and the office market

In late 2016, the Dutch government announced that as of 2023 office buildings will be required to have a minimum of a C energy label. If a building has a D-rating or worse it can no longer be used as an office building. Monuments will be exempted from this requirement for the time being. While this may not directly affect the Bouwinvest portfolio, it will have impact on the overall office market. Outdated offices in areas with low price levels and high vacancy rates will be particularly challenging, as it may prove difficult to make a sound business case for continued use as office space. Thankfully, there is no shortage of initiatives to convert outdated office space for other uses, although this does still depend on the location of the buildings.

Eight interconnected sustainability megatrends
most critical for the real estate sector over the next 15 to 20 years.

Low carbon economy	Urbanisation	Workforce transformation	Health and wellness
Technological innovation	Land and resource scarcity	Changing demographics	Transparency and social value

Technology and innovation

Property and technology

Proptech is an overarching term used for technological innovations in the property sector. Innovative proptech concepts include the creation of digital platforms for improved information and knowledge exchange, the use of virtual reality or augmented reality in the design and marketing of properties, the addition of sensors to buildings to obtain more knowledge on their usage and performance, advanced (big) data analytics for property selection, as well as the possible use of blockchain technology for smart rental contracts to speed up and simplify processes and cut overheads.

New construction process and materials

New materials are opening up possibilities and helping to increase sustainability. Overall, the trend is towards the re-use of building materials when redeveloping and constructing buildings in line with the circular economy concept. Additionally, we are seeing the rise of new building methods, sometimes on-site, such as 3D printing, but more often off-site. Drones can be used for inspection purposes, while robots can pour concrete and lay bricks.

Smart offices will boost the health and well-being of occupants

The real estate business, originally conservative in nature, has been discovered by start-ups that offer a wide range of new services for building owners, asset managers and tenants. An important development is the rise of Environmental and Energy Management Systems (EMS). These systems enable owners and managers to actively monitor and collect building data, such as occupancy rates, energy usage, quality of the indoor climate and waste, using sensor technology. Improving insight into this data will improve management decisions related to tenant health & well-being and a building's environmental footprint.

Additionally, office workers can use IT solutions to adapt the likes of temperature and lighting automatically to their individual preferences. When building data is combined with external data, like the diaries of employees and weather forecasts, these systems turn office buildings into smart offices. It is then just a small step to healthy offices, which maximise benefits for people (low carbon, resource efficient, healthy and productive).

The Fund's strategy

The Office Fund's strategy is to optimise its portfolio through targeted acquisitions and continuous enhancement of core assets.

The Fund's strategy focuses on office properties that currently generate predictable and stable returns and will continue to do so in the future, taking into account the trends and development in the office market. In addition to this, the Fund's strategy is focused on active asset management to optimise the portfolio and keep it as future-proof as possible. Based on the market trends and developments described above, the Fund's strategy focuses on:

- **Core regions and property in A locations.** The Funds' core regions closely correlate with the trends towards urbanisation and a knowledge-based economy. In 2017, the core region policy was tightened in such a way that only Amsterdam, Rotterdam, The Hague and Utrecht are now considered core regions. At least 80% of the Fund's investment will be in its defined core regions. The Fund has a preference for inner city areas.
- **Multifunctional locations.** Good retail, residential and leisure facilities play a major role in the appeal of (business) meeting places. Locations where a widely diverse group of people come together form a good basis for an inspiring working environment. The blending of culture, education, sport and work makes a positive contribution to this environment.

- **Multi-tenant assets.** This type of exploitation may reduce the volatility of revaluations and could increase the control of asset management risks, thanks to multiple lease agreements with different expiry dates and debtors.
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- In 2017 a multi-tenant asset has been defined as follows:
  - the two largest tenants/ leases account for a maximum of 80% of the total rental income at asset level; and
  - the largest tenant/ lease accounts for a maximum of 75% of the total rental income at asset level;
  - vacancy is considered to be let to multiple tenants.
- Reporting of multi-tenant assets will occur according to this definition as of 2018.
- **Enhancement of core assets.** Every asset needs a distinctive character to outperform. Good accessibility, technical condition and parking spaces are no longer sufficient. To create a special building proposition, the focus will be on increasing comfort for users and providing an attractive environment that is seen as an appealing (business) meeting place. An office may be special, for instance, because of full service concepts devised to provide tenants with a high level of service or due to the building's history.
- **Sustainability.** We believe that green buildings can help combat climate change, as well as achieve numerous other wider social, economic, environmental and health benefits. Acting responsibly is therefore an integral part of the Fund's investment strategy and we are certain it lowers risks, increases returns and increases lettability.
- **Occupancy rate.** Close relationships with tenants enables the Fund to propose lease extensions at the right time. Partnerships with property managers and (local) real estate agents are important. New lettings may also result from close cooperation between (local) government organisations, foreign investment agencies, etc. Maintaining and expanding our networks is an ongoing activity. Sometimes, property upgrades are necessary to support or improve a competitive proposition. These always take sustainability into account.

Responsible investment strategy at Fund level:

- Our ambition is to be in the **leading group of sustainable real estate managers**. We want to set the standard in our sector and create and sustain stakeholder value through effective integration of material ESG issues that lower risks and future-proof our real estate investments.
- The Fund's long-term ambition is to retain its **five-star ranking** according to the Global Real Estate Sustainability Benchmark (GRESB).

Responsible investment strategy at asset level:

- Focus on assets with an **above-average sustainability performance** (environmental impact, stakeholder value and community engagement).

Diversification guidelines and investment restrictions

The Fund applies a defined set of Investment Restrictions in the execution of its strategy. The Fund will adhere to the following Investment Restrictions to focus on its core activity and to limit risks. In the Fund Plan 2018-2020 the diversification guidelines have been slightly expanded.

Diversification guidelines	Current portfolio	Conclusion
≥ 80% of investments invested in the core regions	100.0% in core regions	Compliant
≥ 90% of investments invested in low or medium risk categories	100.0% in low and medium risk	Compliant
Investment restrictions when the total investments of the Fund are > € 750 million		
< 15% invested in single investment property	There is one investment properties exceeding 15%	N/A *
< 10% invested in non-core office properties	6.1% concerns non-core office properties (2 public parking assets)	N/A *
No investments that will have a material adverse effect on the Fund’s Diversification Guidelines.	There have been no investments in 2017 that have a material adverse effect on the Fund's diversification guidelines	N/A *
Restrictions on (re)development activities < 5% of the Fund's total investment portfolio value		
a. only Assets from the Fund's porfolio qualify for (re)development	In 2017 all (re)development activities were executed only for assets of the Fund's portfolio	Compliant
b. the activities are exclusively targeted at optimising the quality of the portfolio	All activities were targeted at optimising the quality of the Fund portfolio	Compliant
c. not allowed if it has a negative impact on the Fund’s Diversification Guidelines	There was no negative impact on the Fund's diversification guidelines	Compliant
d. signed commitments relating to at least 60% of the rental income of the Asset is required	Commitment > 60%	Compliant
e. (re)development is undertaken by and for the risk and account of Bouwinvest Office Development, a wholly owned subsidiary of the Fund	All (re)development activities are undertaken by and for the risk and account of Bouwinvest Office Development	Compliant
f. all financial risks in connection with the work to be conducted as part of the (re)development will be contractually excluded by Bouwinvest Office Development and transferred to external developers or contractors. Examples of such risks are: design and building risks and cost and planning risks	All financial risks in connection with the work to be conducted as part of the (re)development are contractually excluded by Bouwinvest Office Development and transferred to external developers or contractors	Compliant
g. zoning risks remain with the Fund, however starting the building activities in relation to a (re)development is conditional upon obtaining the relevant zoning permits	The building activities in relation to a (re)development were conditional upon obtaining the relevant zoning permits	Compliant

(*) The total value of investment property and investment property under construction in the Fund is € 596 million, so the restriction is not yet applicable.

Portfolio developments 2017 in perspective

Portfolio composition at year-end 2017:

- € 469 million in Dutch office properties, all in the Fund's core regions (14 assets, 194,717 m^2 of lettable floor space)
- € 82 million in Dutch office redevelopment projects (2 assets, 18,453 m^2 of lettable floor space)
- € 45 million in Dutch office development project (1 asset, approx. 21,058 m^2 of lettable floor space)

Investments, divestments and redevelopments

The Fund invested in redevelopments and optimised the quality of the Fund's assets. The size of the Fund's total portfolio increased to € 596 million in 2017 from € 503 million in 2016. This growth was largely driven by positive revaluations, which were the result of improved circumstances in the investment and occupier markets as well as various active asset management activities leading to new and renewed leases.

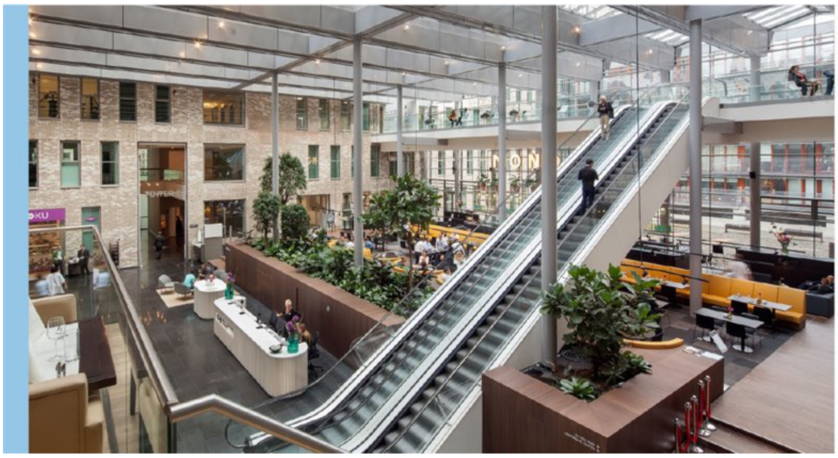
Investments

Hourglass, Amsterdam

Hourglass
Amsterdam South Axis,
The Netherlands

Since the transaction for this acquisition in October 2016, the Fund has assessed several requests from the seller (development company Sax) to finalise the design of the building. The Fund has completed a ground lease agreement and paid the first instalment upon the delivery of the ground lease. In October 2017, Sax organised a festive start of construction. The Q3 2017 valuation of Hourglass showed a substantial increase in value compared to the purchase price and this made a significant contribution to the indirect return in 2017. The delivery is still foreseen for Q4 2019.

WTC The Hague



WTC The Hague
The Hague,
The Netherlands

The completion of a renewed central entrance for WTC The Hague in 2016 boosted the dynamics in the building in 2017. This vibrant space inspired companies to hold their meetings and events in WTC The Hague, which welcomed many guests and reinforced its attractiveness as a business meeting place in The Hague and the immediate region. The upgrade also supported new lettings and lease renewals, which resulted in an increase in the occupancy rate.

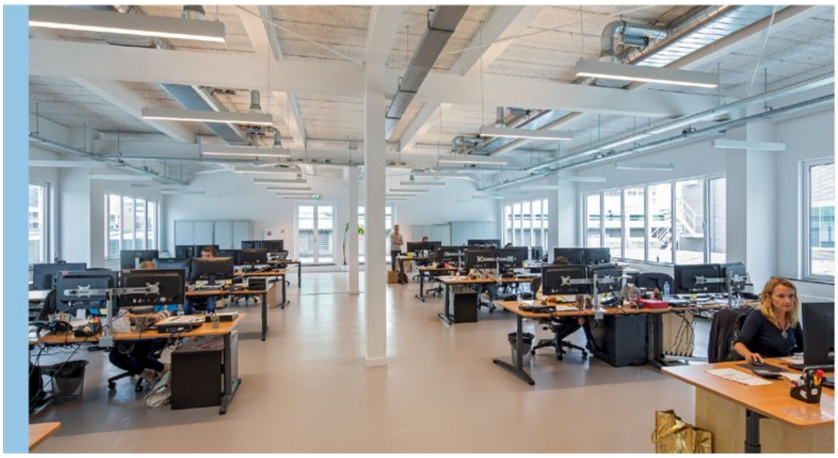
WTC Rotterdam

WTC Rotterdam
Rotterdam,
The Netherlands

The WTC Rotterdam building has been enhanced on a number of fronts. These include the completion of the renovation of additional high rise office floors , the preparations for a future fitness training space and the start of a project to upgrade the central entrance area. The latter capital expenditure consists of a change in lay-out for service desks, the upgrading of the lobby area, including a stylish coffee corner and the relocation of flexible working spaces from the third floor in the low-rise section to an accessible and inviting location adjacent to the main entrance of the building. The listed status of the building means we are obliged to coordinate any changes with Dutch National Cultural Heritage Agency (Rijksdienst voor Cultureel Erfgoed). The investments in this project will be made in phases. We started the refurbishment of the Main Hall in 2017 and this will continue in the years ahead.

WTC Rotterdam's renovated, modernised and more sustainable office spaces in the high-rise building are attracting a great deal of interest from (potential) tenants. The Fund also developed a concept to accommodate a cluster of insurance companies.

A substantial lease for 5,000 m2 with Hogeschool Rotterdam expired in the period under review. The Fund plans to transform most of the space left vacant into a hotel. We are currently conducting a feasibility study and tender procedure. Although this does temporarily affect the occupancy rate, future lettings will be supported by the addition of complementary facilities.



WTC Rotterdam
Rotterdam,
The Netherlands

WTC Rotterdam
Rotterdam,
The Netherlands

Nieuwe Vaart, Utrecht

Capital expenditures on the Nieuwe Vaart building in Utrecht have supported new lettings, and this asset is now full occupied. A focus on sustainable investments has led to a cluster of new tenants, all of which share a strong CSR policy. The Fund organised a festive re-opening of the building on 17 May 2017, together with all the tenants. The Colour Kitchen's restaurant facilities now provide a social space for networking meetings between colleagues and tenants, while flexible meeting rooms are available for rent, exclusively for tenants.

Opening of Nieuwe Vaart

Utrecht,
The Netherlands

Divestments

The Fund made no divestments during the year under review.

Redevelopments

Building 1931 and 1962

Amsterdam,
The Netherlands

Building 1931 and Building 1962

Despite the fact that redevelopment activities have faced a number of challenges, such as foundation issues and delays to completion, the Fund once again benefited from positive revaluations. Yields are declining continuously and market rent levels are increasing. Distinctive assets such as Building 1931 and Building 1962 are attracting numerous potential tenants, which is helping the Fund to repeatedly increase rent levels. The current rent levels are among the highest in Amsterdam and thus for the Netherlands. Building 1931 is fully let to Pon Holdings. Pon plans to rename this single tenant building to 'MOVE', which symbolises the future mobility experience Pon plans to unveil. It also marks the relocation of their holding office to Amsterdam from Almere.

The permanent improvement of the entire area, which has been branded The Olympic Amsterdam, requires close cooperation between numerous stakeholders. The Fund took the initiative to meet with parties including real estate owners, users and the Amsterdam city council. This led to discussions on topics such as the lay-out and design of public spaces, the re-opening and branding of the assets and the site and the organisational structure of the area management. This has resulted in the installation of a preliminary foundation (to take charge of area management) and a conceptual investment plan and budget.

At the time of writing, negotiations for the remaining office spaces of approximately 2,500 m^2 are pending.

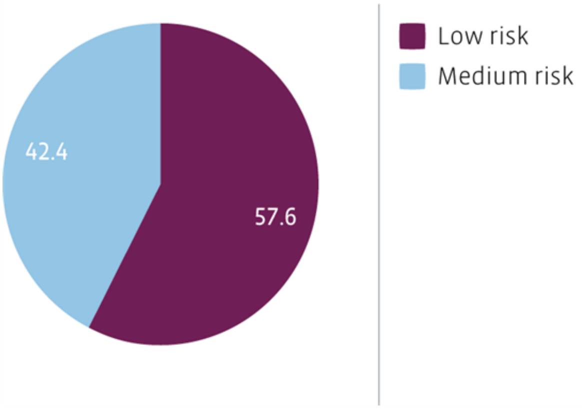
Risk-return profile

In terms of risk diversification, at least 90% of the investments must be low or medium risk. The actual risk allocation as at year-end 2017 is shown in the figure below. Every year, all properties are assessed separately. In 2017, the Fund was classified as 100% low to medium risk and as such was consistent with the framework of the Fund conditions.

Future investments related to WTC Rotterdam, Building 1931, Building 1962 and Hourglass in Amsterdam will further lower the risk profile of the Fund.

Portfolio composition by risk category based on market value

PERCENTAGE



Portfolio diversification

At year-end 2017, the Fund's portfolio consisted of 14 Dutch office properties, 2 Dutch office redevelopment projects and 1 Dutch office development project.

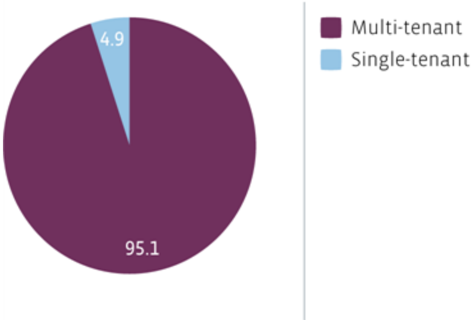
Type of property

Multiple lease agreements reduce the volatility of revaluations and help increase the control of asset management risks. Furthermore, the Fund focuses on locations that attract a widely diverse group of people and offer a mix of culture, education, sport and work facilities.

The share of multi-tenant assets in the portfolio increased to 95.1% in 2017 (94.4% in 2016).

Portfolio composition by single vs multi-tenant based on market value

PERCENTAGE



Core regions

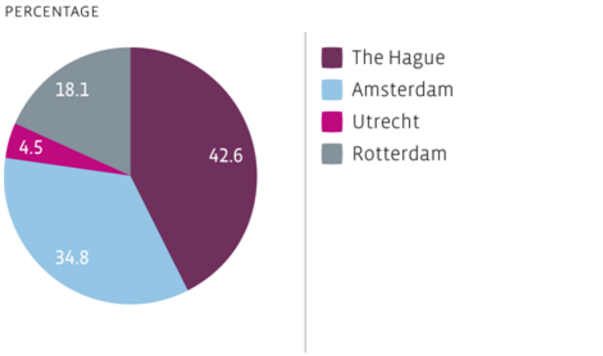
To identify the most attractive municipalities for office investments, the Fund takes into account indicators such as:

- Population growth
- Employment opportunities
- Development in stock
- Vacancy rates
- Volatility of value development

At year-end 2017, 100% of the Fund's assets were located in the four core regions; Amsterdam, Rotterdam, The Hague and Utrecht.

Both the project of Hourglass in Amsterdam, once completed, and the redevelopment of Building 1931 and Building 1962 in Amsterdam will improve diversification, reducing the share of the portfolio accounted for by The Hague in particular, and increasing the proportion of assets in the Dutch capital.

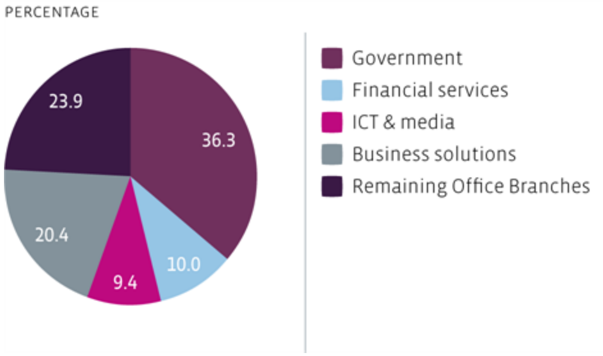
Portfolio composition by core region based on market value



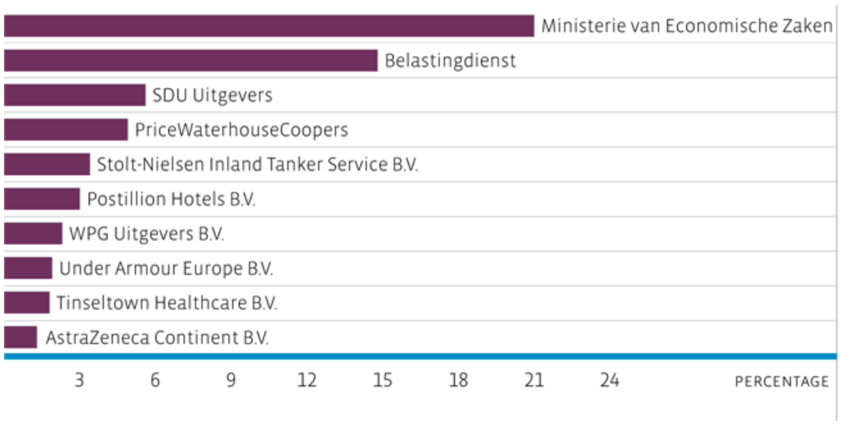
Tenant mix

Most of the Fund's tenants are considered to have a low debtor's risk. The top ten tenants account for a total of 60.1% (2016: 62.8%) of the passing rent. The Fund negotiated leases with a number of new and existing tenants in 2017, closing leases for 21,296m² of office space and annual rent of € 3.9 million. We maintain close relationships with all our tenants to ensure satisfied customers.

Portfolio composition by tenant sector as a percentage of rental income



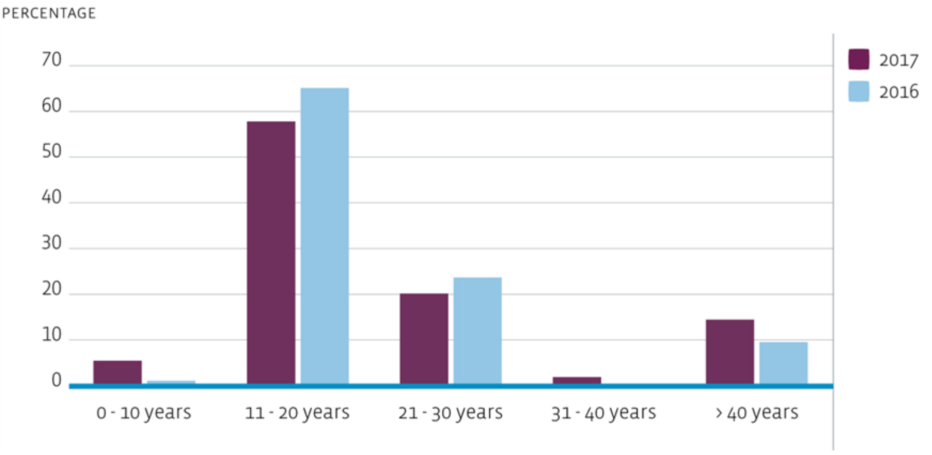
The Office Fund's top 10 tenants



Age

More important than age is the asset's distinctive character, its location and return prognosis. Some assets have a listed status based on their rich history and architecture. The age of these assets increases the average age of the portfolio. However, the new-build, mixed-use Hourglass building in Amsterdam will reduce the average age of the portfolio from 2019 onwards.

Portfolio composition by age based on market value

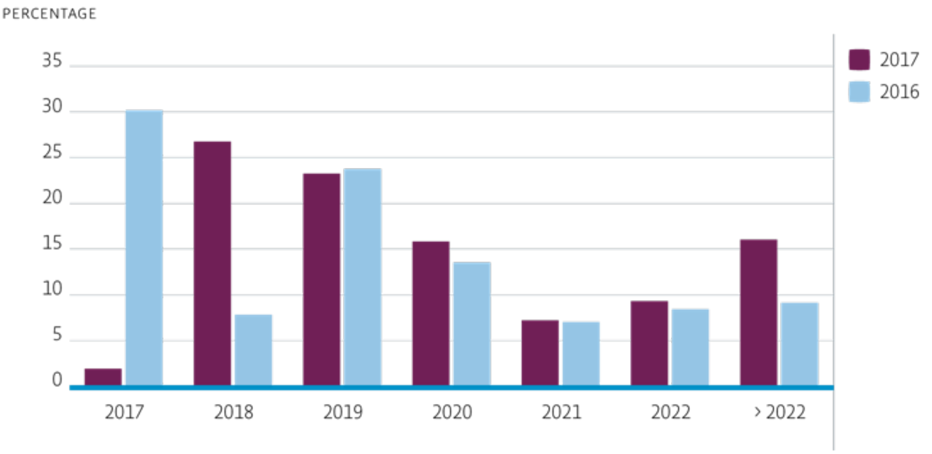


Expiry dates

The relatively high percentage of expiry dates in 2018 and 2019 is a result of the potential termination of leases with two large tenants. After the Ministry of Economic Affairs agreed a short-term extension of its lease for Centre Court in The Hague (31,277 m2) at the beginning of the year, the Central Government Real Estate Agency showed interest in a lease extension for a longer period. Negotiations with the Central Government Real Estate Agency on behalf of the Ministry of Economic Affairs in Centre Court (The Hague) have led to a lease extension in February 2018. This will shift the peak of 2018 to 2023. The average remaining lease term stood at 2.6 years at year end 2017 (excluding the lease extension for Centre Court). This is 0.2 less than the 2.8 years at year-end 2016.

Close relationships with tenants enable the Fund to propose lease extensions at the right time. However, lease endings are taken into account and the Fund anticipates this to attract new tenants.

Expiry dates as a percentage of rental income



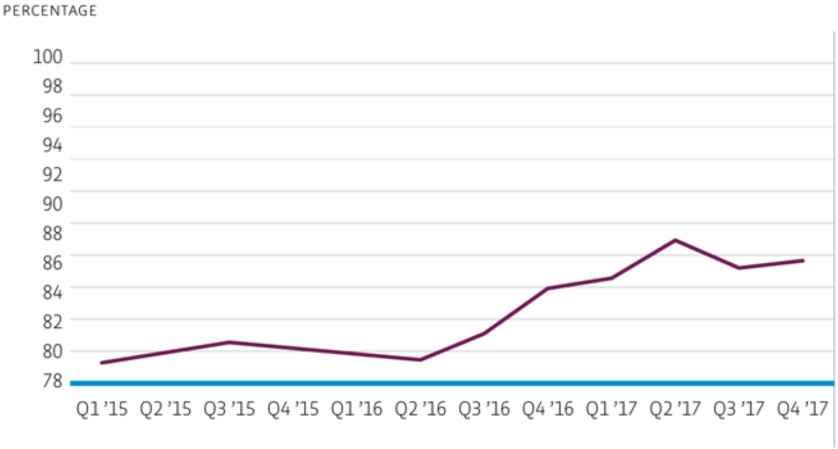
Financial occupancy

WTC Rotterdam and WTC The Hague have the largest negative impact on the Fund's occupancy rate. The upgrade of WTC The Hague has visibly improved the dynamics of the central entrance hall. This has had a positive impact on building's image and the experience of both visitors and tenants, and supported new leases. This has resulted in a steady stream of new lease transactions and resulted in an improvement in the financial occupancy rate for the building (2016: 75.5%, 2017: 82.7%).

At WTC Rotterdam, the renovation of several office floors has already resulted in new leases. However, the building's image is largely determined by a visitor's first impression when entering the building. The Fund's investment plan will therefore prioritise the improvement of this first impression. We are making careful preparations for the execution of the plan. The listed status of the building means we are obliged to coordinate any changes with the Dutch National Cultural Heritage Agency (Rijksdienst voor Cultureel Erfgoed). The investments in this project will be made in phases. We started the refurbishment of the Main Hall in 2017 and this will continue in the years ahead.

New lettings for Nieuwe Vaart in Utrecht, which ran parallel with various capital expenditure projects also contributed to an increase of the occupancy rate in 2017.

Financial occupancy rate



Financial performance in 2017

Total return

The Fund realised a total fund return of 13.1% (2016: 5.5%), consisting of a 2.9% income return (2016: 3.6%) and a 10.2% capital growth (2016: 1.9%). The total return in Euros grew to € 71.7 million in 2017, from € 30.5 million in 2016. The main cause of the difference in total return between the two years is the improvement in capital growth in 2017.

The Fund's NAV increased to € 631 million from € 526 million in 2016, an increase of € 105 million as a result of capital calls (€ 50 million), the addition of the net profit over 2017 to the equity (€ 72 million) and the payments of (interim) dividend to the shareholders (€ -16 million).

Income return

The Fund realised an income return of 2.9% in 2017, 0.7 %-points less than in 2016.

The gross rental income for 2017 was almost at the same level as in 2016 (-1.8%). The net property operating expenses were significantly higher in 2017 (27.9%). This leads to a higher OpEx-ratio in 2017, compared to 2016. The main drivers of the increase in the property operating expenses are the executed maintenance and the letting and lease renewal fees in 2017. Therefore, the income return in 2017 was 0.7% less than in 2016.

The secured rent until 2020 (three-year horizon) at year-end 2017 was 55% of the 2017 gross rental income (year-end 2016: 35%). In accordance with the market conditions, the like-for-like rent decreased -1.9% (2016: -2.0%).

The average financial occupancy rate has increased in 2017, to 86.3% in 2017 from 81.3% in 2016. The rise of the occupancy rate is mainly a result of new lettings for WTC The Hague, De Lairesse Amsterdam and Nieuwe Vaart Utrecht.

Capital growth

The Fund realised a capital growth of 10.2% in 2017, 8.3%-point more than in 2016.

The values of investment property tended to shift upwards in 2017, primarily a result of an improved office real estate investment market. However, for some assets a decrease in value was realised, due to the anticipation of possible lease endings.

Not only investment properties have increased in value, but especially the investement under construction contributed to an overall capital growth of the Fund's portfolio. Both Hourglass, as Building 1931 and Building 1962 have benefited from positive revaluations during 2017.

Property performance

The total property return for 2017 came in at 14.9% (2016: 7.0%), consisting of a 3.6% direct property return (2016: 4.5%) and a 11.0% indirect property return (2016: 2.4%). The Fund outperformed the total property return IPD Property Index (all properties) in 2017 with 2.1%-point. This outperformance was mainly a result of a higher indirect return through revaluations.

The five-year average property performance (4.9%) is slightly lower (-0.1%) compared to the IPD Property Index (5.1%). The optimisation of the Fund in recent years included acquisitions, which added substantial vacancy to the portfolio. Decreased direct returns affected the performance of the Fund. Investments for acquisitions and redevelopments, which have not yet led to rental income, also caused lower direct returns to such an extent that outperformance was not feasible. Especially these investments, including Hourglass and the redevelopment of Building 1931 and Building 1962 in Amsterdam, position the Fund again for a return to outperform in the future.

The fund return (INREV) and property return (IPD) are different performance indicators. The fund return is calculated according to the INREV Guidelines as a percentage of the net asset value (INREV NAV) and the property return is calculated according to the IPD methodology as a percentage of the value of the investment properties. INREV e.g. includes cash, the fee costs and administrative costs in the calculation of the income return (INREV). Furthermore the amortisation of acquisition is threated differently by INREV and IPD.

Capital Management

Leverage

In accordance with the Information Memorandum, The Fund will be financed solely with equity and will have no leverage, but may borrow a maximum of 3% of the balance sheet total for liquidity management purposes.

During 2017, the Fund was solely financed with equity and did not use any loan capital for liquidity management purposes.

Treasury management

For treasury management The Funds acted accordingly its treasury policy in 2017, in order to manage liquidity and financial risks for the Fund. The main objectives of the treasury management activities were to secure shareholders' dividend pay-out and liquidity by redemptions, as well as managing the Fund's cash position.

At year-end 2017, the Fund had € 35.4 million in freely available cash and € 5.0 million in a 30-day deposit as at 31 December 2017. During 2017 the cash position increased with € 12.9 million, as compared to year-end 2016, mainly as a result of an increase in working capital in order to ensure sufficient liquid resources for the instalment payment and VAT payments for investment property under construction.

During 2017, The Fund paid € 16.3 million as dividend to the shareholders and two capital calls were executed at a total amount of € 50 million.

Interest rate and currency exposure

During 2017 The Fund was subject to the negative interest rate development for its bank balances. In order to minimalize the costs of the negative interest rate on the bank balances, during 2017 the Fund used 30-day bank deposits.

As the Fund had no external loans and borrowings during 2017, as well as The Fund did not had any foreign currency exposure during 2017, The Fund had no exposure to interest rate risks or currency exposure risks.

Dividend and dividend policy

The Board of Directors of Bouwinvest proposes to pay a dividend of € 59.81 per share for 2017 (2016: € 73.18 per share), which corresponds to a pay-out ratio of 100%. It is proposed that the dividend be paid in cash, within the constraints imposed by the company's fiscal investment institution (FII) status. Of this total dividend, 80.0% was paid out in 2017, with the final quarterly instalment paid out in March 2018. The remainder of the distribution over 2017 will be paid out in a final instalment on 26 April 2018, following approval by the Annual General Meeting to be held on 18 April 2018.

Tax

The Fund qualifies as a fiscal investment institution (FII) under Dutch law and is as such subject to corporate tax at the rate of zero percent. Being an FII, the Fund is obliged by law to annually distribute hunderd percent of its fiscal profits. To meet this distribution obligation The Fund proposed to pay out hunderd percent of its direct result which equals its fiscal profits.

The Fund met its obligations related to value added tax, transfer tax and other applicable taxes in their entirety in 2017.

Outlook

Improvement of occupiers market continues

Occupier activity in the office market increased for the third consecutive year in 2017, as the economy is growing, the forecasts are positive, new (re)developments are brought to the market and companies are increasingly aiming to move to locations that satisfy their personnel. Also, secondary sites, such as Zuidoost and Teleport in Amsterdam, which do meet the essential criteria of good accessibility (by both public transport and car) and provide a wide range of amenities (stores, bars, restaurants, etc.), continue their upward path.

The second major trend in the office market is related to the reduction of office stock. Outdated office stock is being converted to other uses and as a result the vacancy in many office markets is dropping. As the more attractive locations have now been converted, more attention is being given to larger-scale redevelopments, like Hoofddorp-Hyde Park. In this location, an entire office park will be converted to residential use, simultaneously creating a healthier demand for the remaining offices in Hoofddorp.

Yield compression is slowing down

Investor demand for offices reached a post GFC record volume of over € 6 billion in 2016 and 2017 is set to top that with close to € 5 billion in transactions by the end of Q3. As a result of this increase, yields continued to compress. This goes primarily for the prime office markets in the Netherlands, but is also spreading to secondary markets and smaller cities, as product in the prime markets is becoming scarce and expensive.

Innovation is essential

Innovation is a key factor in the office market, too. Investors need to adapt to the changing demands of office users and to the increasing possibilities technology is offering. Smart and healthy offices are the talk of the town and this is about offices that can adapt to individual needs and wants of employees (lighting, heating, routing, parking) by doing so create an efficient and pleasant office environment. A number of these improvements also increase the sustainability of the office buildings, a second path with a sharp focus on innovation, which also includes new materials and new ways of looking at mobility.

Additionally, the processes related to the construction, marketing, leasing, maintenance and sale are being improved through the use of new tools, many of them aimed at creating platforms connecting the different actors in these processes. This also leads to increased transparency between these actors, as they need to share data and information.

Positive outlook for the Fund

The Office Fund's assets are well positioned, as they fit well with the market trends and developments described above. In 2018, the Fund will complete the redevelopment of Building 1931 and Building 1962 in Amsterdam, delivering state-of-the-art office buildings that will be (largely) let upon completion. The construction of Hourglass in Amsterdam's Zuidas business district will continue throughout 2018, with delivery planned for end-2019. In The Hague, rental activities will focus largely on WTC The Hague. The series of lease transactions seen in 2017 will continue into 2018 and will result in a substantial increase in the occupancy rate for this building. With regards to WTC Rotterdam, the Fund will continue to focus on the ongoing improvements in the quality of the building. The Fund has so far focused on the parts of the investment plan that do not require approval from the Dutch Cultural Heritage Agency. From 2018 onwards, the focus will be on improving the quality of the listed sections of the building, including the main entrance. This will make it much more visible to both tenants and visitors just how WTC Rotterdam is responding to market trends. As it has in the case of WTC The Hague, the more dynamic entrance hall in Rotterdam will help attract new users, which will in turn increase the building's occupancy rate. This year, the Fund will also make a decision on the transformation of some of the offices in the low-rise section of the building into a hotel. This new function would be an excellent fit with the WTC concept. Finally, the Fund plans to improve and increase the range of services through the addition of a fitness area and (better) food and beverage facilities.

Adding value through active asset management

In addition to acquisitions, the Fund will devote a great deal of attention in 2018 to improving its assets, with a strong focus on the use of technology and improving the sustainability of its office buildings. For instance, the Fund will use an Environmental Management System to step up the collection of data for reporting purposes, to improve the performance of technical installations and to back up new business cases for investments. As part of its effort to improve services to tenants, the Fund is also planning to launch a portal, which will act as a central contact point for clients: a single location for information and for any questions (existing and potential) tenants may have. At the same time, this portal will also act as platform for interaction between tenants and to offer and reserve facilities and services, such as meeting rooms, parking spots or catered lunches. This tool will boost the digitisation of documents and processes and will improve efficiency, effectiveness and client focus via (automated) workflows. In 2018, the Fund is planning to launch new websites for a number of assets, including WTC The Hague and WTC Rotterdam, with a link to a new CRM system and other functionalities that will enable us to generate more and better online leads for new leasing transactions. As a final example of our active asset management approach, the Fund will be working on a number of projects related to mobility and the circular economy.

Amsterdam, 19 March 2018

Bouwinvest Real Estate Investment Management B.V.

Dick van Hal, *Chairman of the Board of Directors and Statutory Director*
Arno van Geet, *Managing Director Finance & Risk*
Allard van Spaandonk, *Managing Director Dutch Investments*
Stephen Tross, *Managing Director International Investments*

Responsible fund and asset management

Introduction

Bouwinvest aims to provide a solid return on real estate investments for institutional investors and their beneficiaries and to do this in a responsible manner. What this means is that we take a long-term view and environmental, social and governance (ESG) criteria play a significant role in our investment strategy. We have integrated social, environmental, and/or ethical considerations in our core business strategy and operations to create more value for our stakeholders and generate better risk-adjusted financial returns for our investors. Sustainable and socially responsible investments and business operations play a key role in booking growth in a controlled manner, future-proofing our organisation and real estate investments and are a key factor in the role we want to play in tackling the challenges we all face today and in the future. In other words, we see sustainability as an inherent part of our corporate mission and our license to operate.

The Fund addresses a wide range of environmental and social issues, risks and opportunities during the various investment stages (from acquisition to management through to disposal). By identifying and managing those issues that are expected to impact investment performance and generate long-term business value, we seek to protect returns over the long term and future-proof our portfolio.

> ‘It’s our ambition to stay in the leading group of sustainable Real Estate Funds.’

Fund & asset sustainability

- Global Real Estate Sustainability Benchmark (GRESB)
- Green asset certificates
- Energy labels (EPA)

Community & stakeholder engagement

- Tenant engagement and satisfaction
- Green leases
- Procurement
- Safety
- Community & stakeholder management

Environmental impact

- Energy
- Renewable energy
- Water
- Waste
- GHG emissions

We believe that green buildings can help combat climate change, as well as generate numerous other wider social, economic, environmental and health benefits. Acting responsibly is therefore an integral part of the Fund’s investment strategy and we are certain it lowers risks, increases returns and increases lettability.

Sustainablility ambition and strategy

Our ambition is to be in the leading group of sustainable real estate funds. We want to set the standard in our sector and create and sustain stakeholder value through effective integration of material ESG issues that lower risks and future-proof our real estate investments. The Fund has a responsible investment focus on environmental impact, stakeholder value and community engagement.

We aim for above-average sustainability performance at Fund and asset level.

Our long-term strategy to achieve this goal is based on three main pillars:

- Increased Fund and building sustainability performance
- Increased community and stakeholder engagement
- Reduced environmental impact

Summary of responsible Fund and asset management

ESG Strategy	Category	ESG targets 2017	Results 2017
Increased fund and building sustainability performance	Fund	GRESB 5 star rating	Achieved
		Improvement of overall GRESB score	Achieved: increased total GRESB score with 8 points to 86 points
	Asset	100% BREEAM good for every asset in 2019	On track: coverage 89%, two minor assets are not certified due to relative high costs
		100% green (A, B, C) portfolio in 2018	On track: green portfolio up with 0.1 bps to 73.1% in total.
Increased community and stakeholder engagement	People	Tenant satisfaction rate > 7	Not achieved: average tenant satisfaction rating 6.8
Reduced environmental impact	Environment	Yearly reduction of energy consumption (like-for-like) with 2%	Not achieved: like-for-like energy reduction of 1.1%
		Installed solar panels (WP)	Achieved: 223,565 WP on-site solar panels installed
		75% of acquisitions have on-site renewable energy	

The 2017 results will be explained in more in detail in the following sections.

Increased fund and asset sustainability performance

Sustainability performance at Fund level

Benchmarking based on GRESB enables the Office Fund to improve the sustainability of the Fund. It enables us to report the performance and targets within our assets on a regular basis. We evaluate the ESG performance of the fund annually using the GRESB tool. This enables us to add new targets or actions following the assessment.

In 2014, the Fund was awarded Green Star status in the annual GRESB assessment. The Fund has retained this status to this day. GRESB introduced a new star-rating since 2016, which is based on the GRESB score and its quintile position relative to the GRESB universe. The Fund was awarded a five-star status in 2016 (on a scale of 1-5, which puts the Fund in the 20% best-performing funds worldwide). The target for 2017 was to retain this status and to improve the overall score. The Fund achieved both targets; the overall score increased to 86 in 2017 from 78 the previous year and the Fund was once again awarded five-star status.

Sustainability performance at asset level

The Fund uses BREEAM to measure and assess the overall sustainability of its buildings. The BREEAM methodology covers a wide range of subjects; from energy to transport, from vegetation and materials to indoor climate quality. This makes it a very useful tool to implement sustainability at different levels within the Fund. The target for 2017 was to achieve a BREEAM 'Good' rating for every asset in the portfolio. In 2017, all the Fund's assets were awarded a BREEAM NL In-Use certificate, except for two small assets in central Amsterdam, following a negative cost-benefit analysis. The figure below shows all the certificates obtained per asset.

BREEAM label per asset

	ASSET
Investment property	
Nieuwe Vaart (#500, Utrecht)	GOOD
Nieuwe Vaart (#550, Utrecht)	GOOD
Nieuwe Vaart (#600, Utrecht)	GOOD
WTC The Hague (Offices)	EXCELLENT
WTC The Hague (Parking)	n/a
Centre Court (Offices, The Hague)	VERY GOOD
Centre Court (Parking, The Hague)	n/a
Valina (Amsterdam)	VERY GOOD
Lairessetraat (Amsterdam)	-
Valeriusplein (Amsterdam)	-
Olympic Stadion (Offices, Amsterdam)	GOOD
Olympic Stadium (Parking, Amsterdam)	n/a
WTC Rotterdam (Offices, high-rise)	GOOD
WTC Rotterdam (Offices, low-rise)	GOOD
WTC Rotterdam (Parking P1/ P2)	n/a
WTC Rotterdam (Parking Leeuwenstraat)	n/a
Maasparc (Rotterdam)	GOOD
Investment property under construction*	
Hourglass (Amsterdam)	EXCELLENT*
Building 1962 (Amsterdam)	GOOD*
Building 1931 (Amsterdam)	GOOD*

**BREEAM certificate to be received after construction*

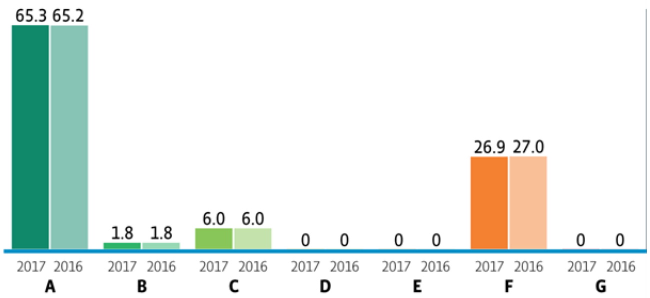
In close collaboration with our property managers, we have developed a BREEAM maintenance contract, which enables us to monitor and implement further sustainability improvements in the maintenance budgets of assets.

Another target related to the sustainability at asset level is to achieve a 100% green portfolio (EPC label A, B or C) in 2020. The distribution of energy labels in the portfolio is shown below. Investment properties under construction, in this case Building 1931 & Building 1962 and Hourglass are excluded from this overview. The Fund expects these to receive an energy label A upon their delivery in 2018 and 2019 respectively. Energy label F relates to WTC Rotterdam. Improving the energy efficiency of this asset is more difficult than for other assets due to the listed status of a part of the building. The Fund is currently drawing up a tailor-made improvement plan for this asset. We expect to obtain energy labels A (high-rise section) and C (listed low-rise section) in 2018, after which we will continue to make additional improvements.

Asset sustainability performance

BREEAM label (% of lettable floor space)

Investment property by labelled floor space (m²) in %



Increased community and stakeholder engagement

Cooperation and engagement with our tenants and other stakeholders is an essential part of our sustainability strategy. We firmly believe that we can achieve the most by working with all our clients and other stakeholders, sharing ideas and devising innovative solutions to the challenges we all face.

Tenant engagement and satisfaction

Bouwinvest and its property managers want to gain more insight into the needs of the Fund's tenants, so we can focus on the matters that generate returns. But to provide tenants with better services, we need a total client profile. Thanks to today's technology, we can now make direct contact with tenants and improve the cooperation between tenants, property managers and Bouwinvest itself. One of the first steps in our renewed cooperation with tenants is the development of a community app, a portal that tenants, the property manager and Bouwinvest can use to communicate with each other efficiently and effectively. We have already started the search for a new cooperative model.

The Office Fund conducts an annual tenant satisfaction survey, which provides insight into the satisfaction of tenants and highlights potential improvements. The overall score was 6.8 in 2017 (2016: 7.3) and the participation rate was 38% (2016: 36%). The lowest participation rates were once again found among tenants of smaller office units. The response would be 47% if this survey were to exclude tenants of units of less than 100 m2 (2016: 48%). The survey was sent to 204 tenants in total, and 74 of these completed the questionnaire in full (2016: 86).

The main reason for a lower average overall score is a significant lower score for Centre Court (The Hague), which is surprising because its anchor tenant, the Ministry of Economic Affairs, is about to sign a lease extension. A lower score for this asset affected the overall score, because the result is calculated pro rata according to the weighting of the annual rent per tenant.

Another way to measure tenant satisfaction is to use the Net Promoter Score (NPS). This approach starts with a response of each tenant to a single question: How likely is it that you would recommend the asset to a friend or business partner? The scoring for this answer is based on a 0 to 10 scale and came in at 7.5. This means that on average tenants gave higher scores based on a single question when compared to the overall score, which is based on nine different elements: building exterior, parking facilities, general facilities, sustainability, accessibility, light, building interior, security and internal climate.

Those who respond with a score of 9 to 10 are called Promoters, and are considered likely to exhibit value-creating behaviour, such as remaining a tenant for longer and making more positive referrals to other potential tenants. Those who respond with a score of 0 to 6 are labelled Detractors, and they are believed to be less likely to exhibit value-creating behaviour. Responses of 7 and 8 are labelled Passives, and their behaviour falls in the middle of Promoters and Detractors. The NPS is calculated by subtracting the percentage of customers who are Detractors from the percentage of customers who are Promoters. For purposes of calculating a NPS, Passives count towards the total number of respondents, thus decreasing the percentage of detractors and promoters and pushing the net score towards 0. The NPS was 2; lower than in 2016 (13). The main reason for this is that the score was calculated based on a pro rata weighting of the annual rent per tenant and some larger tenants gave lower scores.

It is worth noting that the importance of parking declined, while the importance of sustainability increased. The scores for both aspects increased. Answers to open questions were once again very interesting and gives us an excellent starting point for a personal approach to a number of tenants. As we do every year, we will work with our property managers to come up with an action plan to improve results.

Green leases

Stakeholder and tenant engagement is very important in any drive to improve the sustainability of the Fund's assets. We have signed 2 green lease agreements with tenants to boost sustainability. And together with our external property manager, we are drawing up a new standard for green lease agreements. This will include clauses related to collective sustainability and efficiency goals for both landlord and tenants, making any improvement of sustainability a joint effort.

Procurement

To promote and increase sustainable procurement, we have launched a project with IVBN (Association of Institutional Property Investors in the Netherlands) and a number of fellow fund managers to engage and assess the Fund's suppliers using a sustainability web tool. Current and future suppliers will be assessed on their sustainable commitments, policies and behaviour.

Bouwinvest has Service Level Agreements with its property managers, who are assessed each quarter on topics related to administrative management, technical management (including sustainability), commercial management and tenant satisfaction.

Safety

The Office Fund applies 'Bewuste Bouwers' sustainable building criteria to all new-build projects and redevelopments. These criteria ensure that the contractor deals with the concerns of local residents, and addresses safety and environmental issues during the construction phase.

At last year's annual kick-off of the Stichting Bewuste Bouwers, known as the 'Bewuste Bouwers Boost', Bewuste Bouwers announced the winners of the awards for the most sustainable projects over the past year. The winner of this award in 2017, with the highest score of 9.3, was Building 1962 in Amsterdam, for the redevelopment realised by Lokhorst Bouw en Ontwikkeling. The project scored well above the norm on all fronts and excelled in the fields of communication and awareness actions targeting the immediate vicinity of the project. The Bewuste Bouwers code of conduct was translated into concrete actions, including the push to increase the awareness of the entire project team of the impact they have on the environment, the immediate vicinity and on their fellow workers involved in the project.

Community and stakeholder management

The Fund took the initiative to organise a stakeholders' meeting with real estate owners, users and the municipality of Amsterdam to support a joint action to improve the area around the Olympic Stadium in Amsterdam, as a complement to the quality boost to the area from the current redevelopment of Building 1931 and Building 1962.

This meeting led to a declaration of intent, followed by the preliminary foundation of a Business Investment Zone (BIZ), with Bouwinvest one of its BIZ board members. A BIZ is a clearly defined area, such as a shopping street or business area, designated for investment by local entrepreneurs and/or real estate owners to improve the quality of the neighbourhood. The BIZ board draws up a concept investment plan together with a budget. The Amsterdam city council has organised a meeting for April 2018, where all the parties involved in the project will pledge their support.

Reduced environmental impact

Focus on material topics

The Office Fund's sustainability strategy is focused on reducing the environmental impact of the office assets in its portfolio. It does this by exerting a direct influence on the larger (public) areas of the buildings or complexes, and by investing in improvements that benefit existing and potential tenants. The Fund actively cooperates with existing tenants and potential tenants on initiatives to optimise comfort and energy efficiency. We also work closely with external property managers to provide comfortable, safe and convenient office and public spaces in assets.

Monitoring performance

Monitoring environmental performance data (energy and water consumption, greenhouse gas emissions and waste) is an important part of managing sustainability issues. The Fund tracks and aims to improve the environmental performance of its managed real estate assets: those properties for which the Fund is responsible for purchasing and managing energy consumption. The Fund reports on energy consumption (electricity, heating and gas: the energy components) for multi-tenant assets, which translates to greenhouse gas emissions.

The Fund has set clear targets for the reduction of its environmental impact in the period 2017-2018:

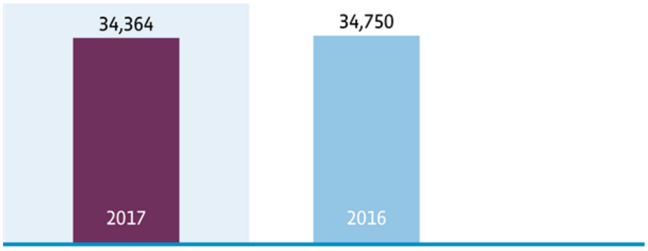
- Energy: average annual reduction 2%
- GHG emissions: average annual reduction 2%
- Water: average annual reduction 2%
- Waste: increase recycling percentage
- Renewable energy: increase percentage of renewable energy

Energy

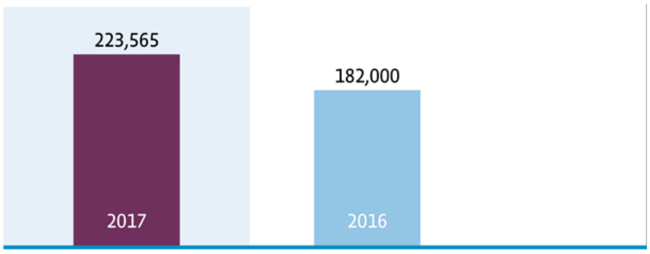
In 2017, the Fund managed to cut energy consumption by 1.1% (2016: 4.8%) on a like-for-like basis.

Environmental impact

Energy consumption (like-for-like, MWH)



On-site solar panels (Watt)



Water and waste

The Fund has been actively tracking water consumption in multi-tenant assets since 2012. Data is provided by the property manager and is based on invoices and manual visual readings. The Fund tracked waste management for its entire managed real estate portfolio in 2017. The focus is on those assets for which the Fund is responsible and can influence the waste handling on-site and generally involves multi-tenant office assets. No waste is sent directly to landfill.

Performance indicators

The Fund's ambition to increase the coverage and transparency of its environmental impact according to INREV sustainability guidelines is reflected in the summary of key ESG data. For more detailed information, please see the Responsible investing performance indicators at the end of this annual report.

Smart offices

Environmental and Energy Monitoring Systems enable building owners and managers to actively monitor building data. Gaining more insight into this data helps the Fund to continually improve the performance of its assets. In 2017, the Fund started a pilot with Simaxx in WTC Rotterdam. Monitoring the operation of installations helps to improve the indoor air quality and reduce energy use. This optimisation of operating processes within buildings will help us to reduce the total carbon footprint of the Fund. It is also helping us to make the shift from visual maintenance to data-driven and predictive maintenance to cut costs.

In 2017, we initiated a collaboration with Nuuka, a building process analytics software company. The Nuuka tool makes buildings smart, leading to improved efficiency, security, and environmental performance. We have started a pilot project with Nuuka in WTC The Hague and Nieuwe Vaart (Utrecht). The Nuuka system will help us to improve our insight into the environmental footprint of the assets in our portfolio. If these pilots are successful, we will apply both systems across the entire portfolio to improve our sustainable asset management.

Corporate governance

Bouwinvest Dutch Institutional Office Fund N.V. (the Office Fund) was established in 2010. Stichting Bedrijfstakpensioenfonds voor de Bouwnijverheid (bpfBOUW, the pension fund for the construction industry) is the Office Fund's anchor investor. In 2017, Bouwinvest welcomed one new investor to its Office Fund. The Fund has a transparent governance structure, which ensures effective and efficient management, combined with proper checks and balances. The Fund's governance structure consists of a General Meeting of Shareholders, a Shareholders' Committee and a Board of Directors.

Fund governance

The Office Fund is governed in a robust framework with systems and processes to manage risks appropriately. Safeguarding the interests of our investors, integrity and transparency play a key role in the Fund's governance principles:

- Independent compliance function
- Conflicts of interests policy
- 'Checks and balances' framework with four lines of defence
- Robust process management: ISAE 3402 type II certified
- AIFMD compliant
- Independent depositary appointed

Rules and principles governing day-to-day business

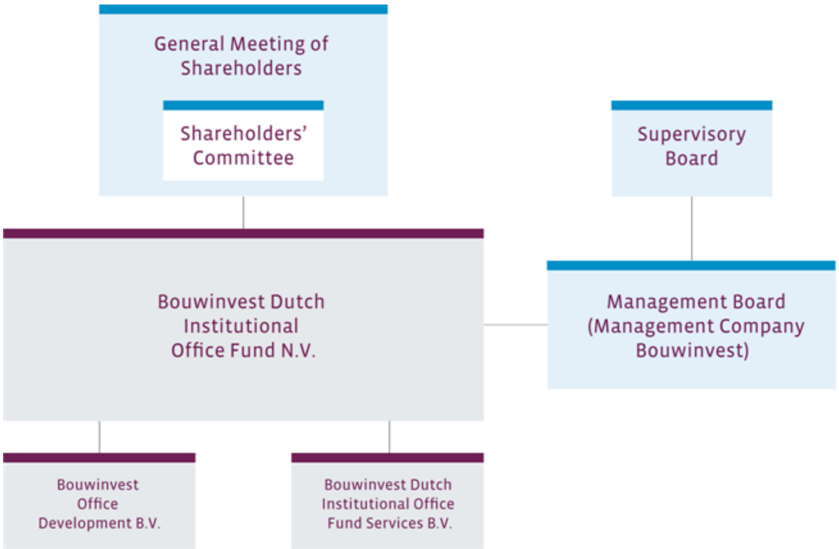
- Best-in-class system for valuation of assets
- '4-eyes-principle' on all real estate investments
- Transparency and integrity in daily business conduct
- Code of conduct
- Shareholder communications

Structure of the Fund

The Office Fund is structured as an investment company with variable capital, as defined in article 2:76a of the Dutch Civil Code, with its corporate seat in Amsterdam, the Netherlands. It is a fiscal investment institution (FII) within the meaning of Article 28 of the Dutch Corporate Income Tax Act 1969. Bouwinvest Real Estate Investment Management B.V. (Bouwinvest) is the Fund's Statutory Director and management company, subject to the terms of the management agreement. The management company has a licence within the meaning of Article 2:65 of the Dutch Financial Supervision Act and is subject to supervision of the Dutch Financial Markets Authority (AFM) and of the Dutch Central Bank (DNB).

The Fund owns two taxable subsidiaries, Bouwinvest Office Development B.V. and Bouwinvest Dutch Institutional Office Fund Services B.V. These subsidiaries perform activities that may go beyond mere 'investing'. By having these activities performed by these subsidiaries, the Fund remains compliant with the investment criteria of the FII regime. Bouwinvest Office Development B.V. performs development activities for the investment portfolio of the Fund, while Bouwinvest Dutch Institutional Office Fund Services B.V. renders services that are ancillary to the renting activities of the Fund.

Fund governance structure



Shareholders' Committee

The Office Fund established a Shareholders' Committee in March 2017. The Shareholders' Committee comprises a maximum of five shareholders: one representative of each of the four shareholders with the largest individual commitment and one member to represent the collective interests of all other shareholders. The members of the Shareholders' Committee shall be appointed by the Shareholders as of the annual general meeting for a period of one year.

Role of the Shareholders' Committee

The role of the Shareholders' Committee is to approve certain specified resolutions by the management company and to be consulted with regard to certain resolutions specified in the Terms and Conditions. The responsibility for proper performance of its duties is vested in the Shareholders' Committee collectively. In 2017, the Shareholders' Committee met once to discuss the Fund Plan and had a conference call about amendments to the Fund documentation.

General Meeting of Shareholders

Shareholders of the Office Fund must be qualified institutional investors within the meaning of section 1:1 of the Dutch Financial Markets Supervision Act (FMSA). General Meetings of Shareholders are held at least once a year to discuss the annual report, adopt the financial statements and discharge the Statutory Director of the Fund for its management. Shareholder approval is required for resolutions that have a substantial impact on the Office Fund and its risk profile (see governance matrix).

Governance matrix

	General Meeting of Shareholders		Shareholders' Committee	
	Simple Majority vote (> 50%)	Double Majority vote	Approval rights	Consultation rights
Amendment of the strategy of the Fund		X		X
Liquidation, conversion, merger, demerger of the Fund		X		X
Dismissal and replacement of the Management Company		X		X
Amendment of the Management Fee of the Fund		X		X
Conflict of Interest on the basis of the Dutch Civil Code		X		X
Investments within the Hurdle Rate Bandwidth as specified in the Fund Plan			X	
Related Party Transaction			X	
Amendment or termination of the Fund Documents	X			X
Adoption of the Fund plan	X			X
Deviation from the valuation methodology of the Fund as set out in the Valuation Manual	X			X
Investments outside the Hurdle Rate Bandwidth as specified in the Fund Plan	X			X
Change of Control (of the Management Company)				X
Appointment, suspension and dismissal of managing directors of the Fund (with due observance to the rights mentioned under 3. here above).	X			X
Amendment to the Articles of Association of the Fund	X			
Adoption of the Accounts of the Fund	X			
Information rights on the basis of the Dutch Civil Code	X			
Authorising the management board to purchase own Shares	X			
Reducing the capital of the Fund	X			
Extending the five month term with regard to approval of the Accounts	X			
Providing the management board with the authority to amend the Articles of Association of the Fund	X			
Appointing a representative in the event of a Conflict of Interest	X			
Requesting to investigate the Accounts and the withdrawal thereof	X			
Approval of an Applicant Shareholder to become a Shareholder of the Fund	X			

The rights of the General Meetings of Shareholders and the Shareholders' Committee are specified in more detail in the Information Memorandum of the Fund and the Fund Documents.

Anchor investor
As at this annual report's publication date, bpfBOUW holds the majority of the shares of the Office Fund.

Management company

Bouwinvest is charged with the management and administration of the Fund. It is authorised to conduct any and all business activities related to the entire real estate investment process to achieve the Fund's investment objectives. Bouwinvest believes responsible business practices are a vital element in achieving the targeted return on investment. Bouwinvest is structured as a private limited company. bpfBOUW holds 100% of the shares in Bouwinvest.

Board of Directors
Bouwinvest has a Board of Directors, consisting of one Statutory Director, also Chairman of the Board, and three managing directors: the Managing Director Finance & Risk, the Managing Director Dutch Investments and the Managing Director International Investments. The Statutory Director is appointed by the General Meeting of

Shareholders of Bouwinvest following nomination by Bouwinvest's Supervisory Board. The Board of Directors is governed by a set of regulations that also outline its tasks and responsibilities.

Supervisory Board

Bouwinvest has an independent Supervisory Board with a minimum of three and a maximum of five members. The Supervisory Board currently has four members. The maximum term of office is four years, with the possibility of reappointment for an additional four years. The role of the Supervisory Board is to supervise the policies of the Board of Directors and the general affairs of the company and its related business. The Supervisory Board is responsible for the quality of its own performance. The members of the Supervisory Board are appointed by the General Meeting of Shareholders of Bouwinvest. In carrying out its duties, the Supervisory Board is guided by the interests of the management company and its related business.

Policies, rules and regulations

Corporate Governance Code

Although the Dutch Corporate Governance Code does not directly apply to Bouwinvest as it is an unlisted company, the Board of Directors endorses the best practices of the Code as far as applicable to Bouwinvest.

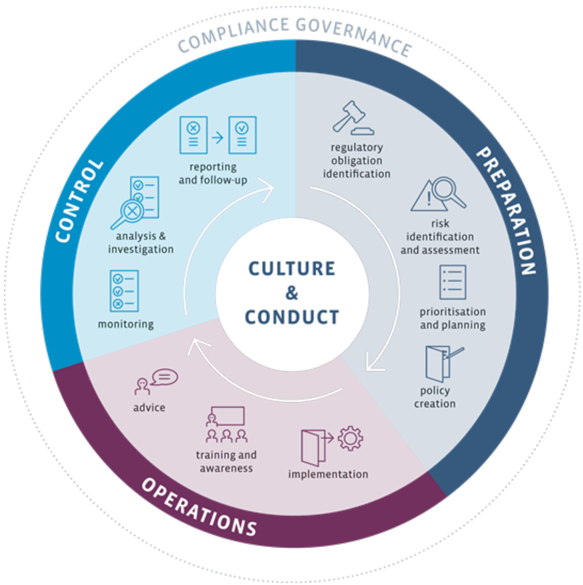
Code of Conduct

Bouwinvest has drawn up a Code of Conduct that applies to all its employees and which includes additional rules that specifically apply to the Board of Directors and Supervisory Board with respect to conflicts of interest and investments. The Code of Conduct deals with issues such as ethical behaviour, conflicts of interest, compliance with laws and (internal and external) regulations, CSR, health and safety, as well as our business partners. Bouwinvest has also instituted a whistleblower policy to deal with the reporting and investigation of unethical behaviour. All employees receive code of conduct training.

Compliance

Bouwinvest has a dedicated Compliance function that identifies, assesses, advises on, monitors and reports on the company's compliance risks. For the planning, execution and reporting of all compliance activities, the compliance function employs the Bouwinvest Compliance Cycle. This cycle contains ten groups of activities that are key for the compliance function. The compliance risks include the risk of legal or regulatory sanctions, financial loss, or loss of reputation that the management company may suffer as a result of any failure to comply with applicable financial regulations, codes of conduct and standards of good practice. The compliance officer reports to the Statutory Director on a monthly basis, as well as to the chairman of the Supervisory Board on issues related to the Board of Directors.

Compliance cycle



Conflicts of Interest policy

Bouwinvest has a Conflicts of Interest policy. The purpose of this policy is to ensure that no material conflicts of interest occur that are damaging for investors in the fund, the fund or Bouwinvest. The policy also describes how

Bouwinvest should act with respect to the allocation of different investment opportunities over the respective funds and clients. The policy is intended to supplement but not replace any applicable Dutch laws governing conflicts of interest.

In 2017, there were no conflicts of interest as referred to in the Bouwinvest Conflicts of Interest Policy, either between the members of the Board of Directors, the management company, the Fund and/or other funds managed by the management company.

Funds managed by Bouwinvest

Bouwinvest manages the following funds:

- Bouwinvest Dutch Institutional Residential Fund N.V.
- Bouwinvest Dutch Institutional Retail Fund N.V.
- Bouwinvest Dutch Institutional Office Fund N.V.

Bouwinvest has a separate mandate from bpfBOUW for the management of international real estate investments, Bouwinvest Dutch Institutional Hotel Fund N.V. and Bouwinvest Dutch Institutional Healthcare Fund N.V.

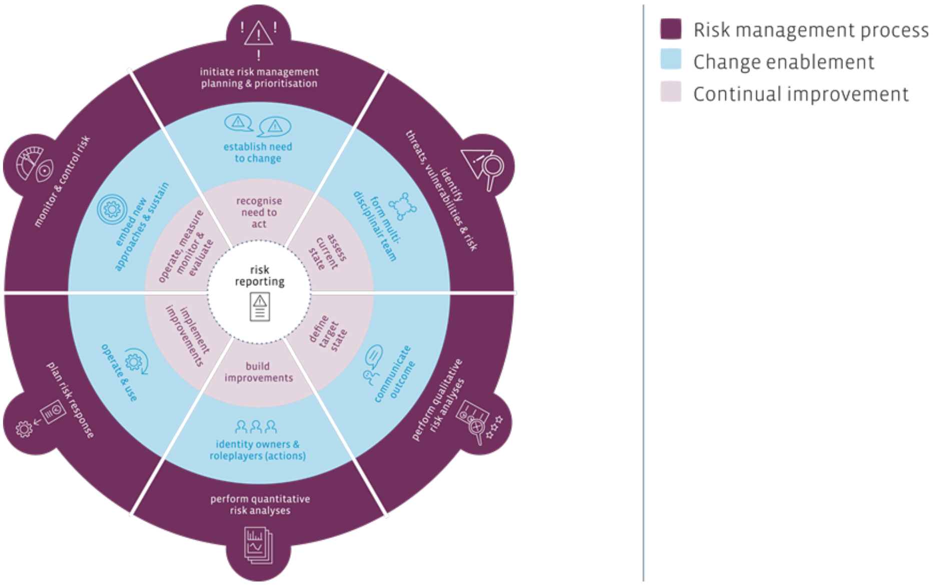
External auditor

The Fund's external auditor is Deloitte Accountants B.V. Deloitte audits the financial statements of the Fund. Deloitte also audits the financial statements of Bouwinvest and of the other funds managed by Bouwinvest.

Risk management

Risk management and compliance

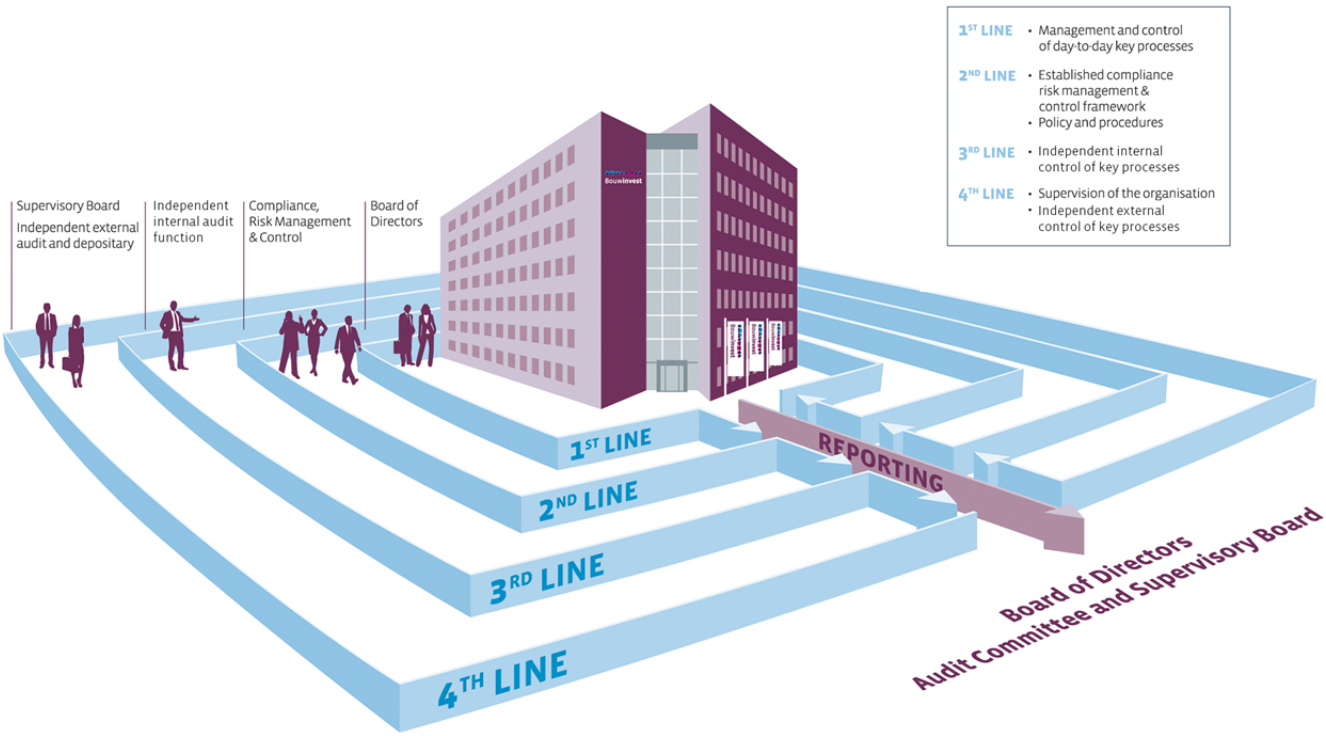
Risk management and compliance are independent functions within Bouwinvest. Their role is to identify, assess, advise on, monitor and report on financial, operational and compliance risks faced by the Fund. In 2017, Bouwinvest continued to refine and enhance its risk and compliance capabilities. It also introduced new policies and renewed quarterly risk reporting formats for the Fund.



Risk management framework

Bouwinvest has implemented a risk management framework based upon the principles of The Committee of Sponsoring Organizations of the Treadway Commission (COSO). It is an Enterprise Risk Management Framework (ERMF), covering all activities of the Fund at all levels. To ensure that its risk management framework is operational and effective, Bouwinvest has established an Accountability and Monitoring policy, consisting of the 'Four lines of defence'. This policy puts risk management into practice by using Management (1st line), Risk-compliance-control (2nd line), Internal audit (3rd line) and External audit - Supervisory Board (4th line) as defence functions.

Bouwinvest's lines of defence



Major risk factors and corrective measures

Within the domain of the Office Fund, we distinguish the following risk clusters:

- Market risks
- Strategic risks
- Management risks

Market risks

Market risks focus on the Fund's exposure to adverse market developments. Such developments can affect both the Fund's direct and indirect return. The Fund's quarterly reports use the following Key Risk Indicators (KRIs) to reflect the Fund's current risk situation and future risk outlook:

- Occupancy
- Operational expenditure
- Remaining lease term
- Counterparty risk
- Valuation movement

Occupancy

The occupancy KRI reflects the current and expected occupancy situation for the Fund. Occupancy depends on market demand, availability of competitive propositions and fund portfolio positioning in the market. Occupancy is an important driver for the expected direct return of the Fund. Due to the significant impact this can have on the direct return, it can also have a considerable impact on the Fund's indirect return.

Operational expenditure

The Fund's direct return, its ability to pay out dividends to its shareholders, also depends on its expected expenditure. As in the case of the occupancy KRI, the direct return performance can also have a significant impact on the indirect performance. The operational expenditure KRI reflects cost performance compared to planned cost. On top of that, the Fund's quarterly reports include an asset manager outlook for cost performance.

Remaining lease term
In the commercial real estate world, like that of the Office Fund, leases are contracted with a fixed term. The average weighted remaining lease term serves as a KRI to reflect the uncertainty of future direct returns. The outlook for this KRI indicates whether the asset manager expects this uncertainty to increase or decrease.

Counterparty risk
Counterparty risk is the risk that parties the Fund has agreements with will default. This risk is largely determined by the ability of its tenants to fulfil their contractual obligations. For the Office Fund, this risk is mitigated by active credit management and critical tenant selection.

Valuation movement
The valuation movement KRI indicates the Fund return driven by revaluations and it reflects the outlook for this indicator. All properties owned by the Fund are revaluated by external appraisers either on a quarterly (standing properties) or on an annual (non-standing properties) basis. This revaluation is the most important driver for the Fund's indirect return.

Strategic risks
Strategic risks focus on the Fund's ability to achieve its strategic goals. These goals focus primarily on sustainable long-term fund performance. The Fund's quarterly reports use the following Key Risk Indicators (KRIs) to reflect the Fund’s current risk situation and future risk outlook:

- Asset risk mix
- Regional Mix
- Multi-tenant mix
- Sustainability
- Acquisition and disposal

Asset risk mix
Different assets in the Fund’s portfolio provide propositions with different levels of risk . Each property is scored in a risk return assessment model and assigned a risk category accordingly. In order to optimise Fund return, while taking into account the Fund’s risk appetite, Fund goals are set for each of the three risk categories. The KRI for asset risk mix shows whether or not the Fund is able to match its portfolio to the risk appetite it is aiming for.

Regional mix
Regional and geographic developments can have a significant impact on future market conditions. Bouwinvest conducts continuous research into the dynamics of regional population growth and economic development. The Fund focuses its investment activities based on this research, while trying to spread its investments geographically to avoid volatility that may be due to regional concentration. The regional mix KRI focuses on the Fund’s ability to attain the regional distribution it is aiming for.

Multi-tenant mix
Based on analysis and investment beliefs, the Office Fund has specific strategic goals regarding the type of assets it aims to own. More specifically, the Fund focuses its asset management on leasing out properties to multiple smaller tenants rather than to large single tenants. The multi-tenant mix KRI focuses on the ability of the Fund to attain the tenant mix it is aiming for.

Sustainability
To ensure that the Fund is future proof and able to provide long-term stable returns, the Fund has set sustainability goals. This KRI will show whether or not the Fund is currently able to meet its sustainability goals.

Acquisition and disposal
To meet investor demand, the Fund is aiming for a portfolio of a certain size. The acquisition and disposal KRIs show the Fund’s (expected) ability to meet its portfolio size targets.

Management risks

This refers to the risk that Bouwinvest's management of the Office Fund, including its management and control of the risks it faces, may in some way be inadequate or ineffective. This would affect the Fund's direct and indirect returns. This risk is subdivided into the following risk elements:

- Fund-specific legal or regulatory risk
- Fund manager continuity and reputation

Fund-specific legal or regulatory risk

The aim of this KRI is to enable Fund management to notify investors of any large regulatory or legal circumstances that may affect or are already affecting the Fund's performance. To minimise any legal or regulatory irregularities, Bouwinvest has an experienced legal staff.

Fund manager continuity and reputation

Bouwinvest is responsible for the fund management organisation. If Bouwinvest sees any threats to its functioning as a fund manager, for instance in terms of damaged reputation or threatened continuity, this KRI will be used to inform investors. Going forward, Bouwinvest as a manager will continue to aim for the highest possible standards of integrity.

To control operational and integrity risks, there is a management agreement in place that determines Bouwinvest's responsibilities as the Office Fund's management company. Bouwinvest's ISAE 3402 certification provides investors with reassurance on the risk management, including risk definition and control measures, of all key processes of the company's day-to-day operations.

Alternative Investment Fund Managers Directive (AIFMD)

Since 2014, Bouwinvest has an AFM licence as required by the AIFMD. This licence allows Bouwinvest's real estate funds to manage funds that are open for institutional investors other than bpfBOUW. The AIFMD specifies certain transparency and integrity-related requirements for Alternative Investment Funds. In 2017, Bouwinvest continued to optimise its reporting processes and streamlined its cooperation with depositary Intertrust Depositary Services B.V.

Monitoring and reporting

Monitoring risks is embedded in the daily activities of the responsible line manager and is an integral part of the planning and control cycle. Bouwinvest monitors all the defined risks via key risk indicators, supported by the performance reporting and business incidents reporting processes. Each quarter, the Board of Directors is provided with a risk report, including the risk indicators indicated above and actions necessary to limit or mitigate risk, if there is a deviation between the outcome and the pre-determined norm. The Fund continued to enhance its system for reporting and monitoring risk in 2017. These improvements enable management to act in a timely manner to counteract or mitigate risk.

Financial statements

Consolidated statement of comprehensive income

All amounts in € thousands, unless otherwise stated

	Note		2017		2016
Gross rental income	6	34,102		34,740	
Service charge income	6	5,941		5,998	
Other income		3,141		1,793	
Revenues			**43,184**		**42,531**
Service charge expenses		(7,491)		(7,371)	
Property operating expenses	7	(17,037)		(13,325)	
			(24,528)		**(20,696)**
Net rental income			**18,656**		**21,835**
Costs of abnormal waste for property under construction	13		(1,150)		-
Positive fair value adjustment investment property	12	10,469		12,683	
Negative fair value adjustment investment property	12	(7,136)		(8,766)	
Fair value adjustments on investment property under construction	13	54,125		7,714	
Net valuation gain (loss) on investment property			**57,458**		**11,631**
Administrative expenses	8		(2,952)		(2,883)
Result before finance result			**72,012**		**30,583**
Finance result	9	(106)		(68)	
Net finance result			**(106)**		**(68)**
Result before tax			71,906		30,515
Income taxes	10		(160)		(9)
Result for the year			**71,746**		**30,506**
Items that will not be reclassified subsequently to comprehensive income			-		-
Items that may be reclassified subsequently to comprehensive income			-		-
Total comprehensive income for the year, net of tax			**71,746**		**30,506**
Net result attributable to shareholders			71,746		30,506
Total comprehensive income attributable to shareholders			**71,746**		**30,506**
Distributable result	19		15,437		18,884
Pay-out ratio	19		100%		100%

Consolidated statement of financial position

Before appropriation of result, all amounts in € thousands

As at 31 December	Note	2017	2016
Assets			
Non-current assets			
Investment property	12	468,661	458,762
Investment property under construction	13	127,432	44,645
		596,093	**503,407**
Deferred tax assets	14	83	-
Current assets			
Trade and other current receivables	15	8,345	5,327
Cash and cash equivalents	16	40,424	27,523
		48,769	**32,850**
Total assets		**644,945**	**536,257**
Equity and liabilities			
Equity attributable to the owners of the Fund			
Issued capital		275,035	252,373
Share premium		279,196	251,858
Revaluation reserve		74,104	17,273
Retained earnings		(68,635)	(26,022)
Net result for the year		71,746	30,506
Total equity	17	**631,446**	**525,988**
Current liabilities			
Trade and other payables	18	13,499	10,269
Total liabilities		**13,499**	**10,269**
Total equity and liabilities		**644,945**	**536,257**

Consolidated statement of changes in equity

For 2017, before appropriation of profit, all amounts in € thousands

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2017	**252,373**	**251,858**	**17,273**	**(26,022)**	**30,506**	**525,988**
Comprehensive income						
Net result	-	-	-	-	71,746	71,746
Total comprehensive income	**-**	**-**	**-**	**-**	**71,746**	**71,746**
Other movements						
Issued shares	22,662	27,338	-	-	-	50,000
Appropriation of result	-	-	-	30,506	(30,506)	-
Dividends paid	-	-	-	(16,288)	-	(16,288)
Movement revaluation reserve	-	-	56,831	(56,831)	-	-
Total other movements	**22,662**	**27,338**	**56,831**	**(42,613)**	**(30,506)**	**33,712**
Balance at 31 December 2017	**275,035**	**279,196**	**74,104**	**(68,635)**	**71,746**	**631,446**

* See explanation dividend restrictions in Note 17.

For 2016, before appropriation of profit, all amounts in € thousands

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2016	**272,175**	**277,334**	**5,214**	**(4,034)**	**4,034**	**554,723**
Comprehensive income						
Net result	-	-	-	-	30,506	30,506
Total comprehensive income	**-**	**-**	**-**	**-**	**30,506**	**30,506**
Other movements						
Issued shares	4,700	5,300	-	-	-	10,000
Redemption of shares	(24,502)	(25,498)	-	-	-	(50,000)
Appropriation of result	-	-	-	4,034	(4,034)	-
Dividends paid	-	(5,278)	-	(13,963)	-	(19,241)
Movement revaluation reserve	-	-	12,059	(12,059)	-	-
Total other movements	**(19,802)**	**(25,476)**	**12,059**	**(21,988)**	**(4,034)**	**(59,241)**
Balance at 31 December 2016	**252,373**	**251,858**	**17,273**	**(26,022)**	**30,506**	**525,988**

* See explanation dividend restrictions in Note 17.

Consolidated statement of cash flows

All amounts in € thousands

	Note	2017	2016
Operating activities			
Net result		71,746	30,506
Adjustments for:			
Valuation movements		(57,458)	(11,631)
Net finance result		106	68
Movements in working capital		(1,297)	(5,756)
Cash flow generated from operating activities		**13,097**	**13,187**
Interest paid		(106)	(68)
Interest received		-	-
Cash flow from operating activities		**12,991**	**13,119**
Investment activities			
Proceeds from sale of investment property		-	-
Payments of investment property	12	(5,080)	(10,723)
Payments of investment property under construction	13	(28,722)	(2,400)
Cash flow from investment activities		**(33,802)**	**(13,123)**
Finance activities			
Proceeds from the issue of share capital		50,000	10,000
Redemption of shares		-	(50,000)
Dividends paid		(16,288)	(19,241)
Cash flow from finance activities		**33,712**	**(59,241)**
Net increase/(decrease) in cash and cash equivalents		12,901	(59,245)
Cash and cash equivalents at beginning of year		27,523	86,768
Cash and cash equivalents at end of year	16	**40,424**	**27,523**

Notes to the consolidated financial statements

All amounts in € thousands, unless otherwise stated

1 General information

The Office Fund (Chamber of Commerce number 34366457) is a public limited liability company incorporated under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands. The Fund was formed for the purpose of providing shareholders with a rate of return by acquiring, managing, adding value to and disposing of a diversified real estate portfolio through investments in office real estate in the Netherlands.

The Fund owns two taxable subsidiaries, Bouwinvest Office Development B.V. (Chamber of Commerce number 66245133) and Bouwinvest Dutch Institutional Office Fund Services B.V. (Chamber of Commerce number 67492738). These subsidiaries perform activities that might go beyond mere 'investing'. By having these activities performed by these subsidiaries the Fund remains compliant with the investment criteria of the FII-regime. Bouwinvest Office Development B.V. (Office Development) performs development activities for the investment portfolio of the Fund while Bouwinvest Dutch Institutional Office Fund Services B.V. (Office Fund Services) renders services that are ancillary to renting activities of the Fund.

The Fund's active portfolio management is supported by the supply of (re)developed properties by Office Development and third parties.

The Statutory Director will present the annual report to the Annual General Meeting of shareholders on 18 April 2018, and will request the approval of the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

The Fund's functional and presentation currency is the euro. All amounts are in thousands of euros, unless otherwise stated. The financial year 2017 was a normal calendar year from 1 January to 31 December 2017.

2.1 Basis of preparation

Statement of compliance

The consolidated financial statements of the Office Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Company financial statements of the Fund are included in the consolidated financial statements and are prepared in accordance with the legal requirements of Part 9, Book 2, of the Dutch Civil Code. These financial statements have been prepared in accordance with the provision of Article 2:362 subsection 8 and 9, of the Civil Code, under which the Company financial statements may be prepared in accordance with accounting policies as adopted in the consolidated financial statements.

Statement of comprehensive income

The Fund presents its statement of comprehensive income by nature of expenses.

Application of new and revised International Financial Reporting Standards (IFRS)

In 2017, the Fund did not adopt any new or amended standards and does not plan the early adoption of any of the standards issued but not yet effective.

Below is a list of the amendments to IFRSs and the new Interpretations that are mandatorily effective for accounting periods that begin on or after 1 January 2017.

- Amendments to IAS 7: Disclosure Initiative
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The application of these amendments has had no material impact on the disclosures in the Fund's financial statements.

New and amended standards and interpretations, effective for financial years beginning on or after 1 January 2018 Standards issued but not yet effective

Standards issued but not yet effective up to the date of the issuance of the Fund's financial statements are listed below:

- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15, effective 1 January 2018
- IFRS 9 Financial Instruments, effective 1 January 2018
- IFRS 16 Leases
- Amendments to IAS 40: Transfers of Investmenty Property
- Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- Annual Improvements to IFRS Standards 2014-2017 Cycle
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The Fund has studied the improvements and is currently assessing their impact.

New and amended standards and interpretations not yet adopted by the European Union

The standards, amended standards and interpretations that have not yet been adopted by the European Union are not yet being applied by the Fund.

- Annual Improvements to IFRS Standards 2015-2017 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRS 17 Insurance Contracts
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Prepayments Features with Negative Compensation
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 Plan Amendments, Curtailment or Settlement

The Fund has studied the improvements and is currently assessing their impact.

Preparation of the financial statements

The consolidated financial statements have been prepared on the historical cost basis except for investment property and investment property under construction, which are measured at fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company: has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The following entities are included in the consolidated financial statements:

- Bouwinvest Office Development B.V. (100%), established 15 June 2016
- Bouwinvest Dutch Institutional Office Fund Services B.V. (100%), established 15 December 2016

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3 Investment property

Investment property under construction or being developed for future use as investment property is presented under 'Investment property under construction'.

Land held under operating leases is classified and accounted for by the Fund as investment property when it meets the rest of the definition of investment property and is accounted for as a finance lease.

Investment property is measured initially at its cost, including related transaction costs such as advisory costs, notary costs, transfer taxes and borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is stated at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

In line with the Practice Statements, as incorporated in the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards ('the Red Book'), valuations are performed as of the financial position date by professional valuation experts who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as an investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. including vacancy and rental incentives. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

If a valuation obtained for a property held under a lease is net of all payments expected to be made, any related lease liability recognised separately in the statement of financial position is added back to arrive at the carrying value of the investment property for accounting purposes.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Gains and losses arising from changes in fair values are included in the statement of comprehensive income in the year in which they arise. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposal of investment properties are recognised in the statement of comprehensive income in the year of disposal.

In the fair value assessment of the investment property the potential effect on future cash flow in respect to granted lease incentives are taken into consideration.

2.4 Investment property under construction

Investment property under construction for future use as investment property is stated at fair value.

Fair value measurement on investment property under construction is only applied if the fair value is considered to be reliably measurable. If the Fund determines that the fair value of an investment property under construction is not reliably determinable when construction is incomplete, it shall measure that investment under construction at cost until either its fair value becomes reliably determinable or construction is completed.

It may sometimes be difficult to determine the fair value of the investment property under construction reliably. In order to evaluate whether the fair value of an investment under construction can be determined reliably, management considers, among others, the following factors:

- The provisions of the construction contract
- The stage of completion
- Whether the project/property is standard (typical for the market) or non-standard
- The level of reliability of cash inflows after completion
- The development risk specific to the property
- Past experience with similar construction projects
- Pre-let percentage
- Status of construction permits

After the first instalment for the project under construction, an external valuation expert values the project each quarter. Gains and losses arising from changes in fair values are included in the statement of comprehensive income in the year in which they arise.

Investment property is not developed within the Office Fund but via external parties or within Bouwinvest Office Development B.V.. When entering into the contract, the rental risk is transferred to the Fund; the remaining risks remain with the developer. The paid instalments are therefore recognised as investment property under construction.

2.5 Financial instruments

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets, as appropriate. The Fund determines the classification of its financial assets at initial recognition. When financial assets are initially recognised, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Fund transfers substantially all risks and rewards of ownership. The Fund's financial assets consist of loans and receivables.

Financial assets recognised in the statement of financial position as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Fund assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

With respect to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Fund will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

Deferred taxes are recognised in respect of temporary differences between the carrying amount and tax base of assets and liabilities. Deferred tax assets or liabilities are calculated based on temporary differences and on tax losses carried forward, using the applicable tax rate in effect at the financial year-end date. The deferred tax assets are recorded for the amount expected to be recoverable over a foreseeable period and to the extent that future taxable profits will be available.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through the statement of comprehensive income, loans, held-to-maturity financial liabilities, and available-for-sale financial liabilities, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition. When financial liabilities are initially recognised, they are measured at fair value, plus, in the case of investments not at fair value through the statement of comprehensive income, directly attributable transaction costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Financial liabilities included in trade and other payables are initially recognised at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

2.6 Prepayments

Prepayments are stated at cost less any accumulated impairment losses.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.8 Issued capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.9 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Tenant deposits
The Office Fund obtains deposits from tenants as a guarantee for the return of the property at the end of the lease term in a specified good condition or for the lease payments for a period ranging from 1 to 12 months. Such deposits are treated as financial assets in accordance with IAS 39 and they are initially recognised at fair value. The deposit is subsequently measured at amortised cost.

Tenant deposits are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the deposit for at least 12 months after the date of the statement of financial position.

2.10 Dividend distribution
An FII is obliged to distribute its distributable profit annually within eight (8) months after the end of the relevant fiscal year (doorstootverplichting). The distributable profit generally only includes current income (dividends, interest and rental income). The (realised and unrealised) gains on securities and the realised gains on all other investments (including real estate), which are added to a so-called reinvestment reserve (herbeleggingsreserve), are not included in the distributable profit.

2.11 Rental income
Rental income from investment property leased out under operating leases is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Rent incentives granted by the Fund to its tenants are recognised as an integral part of the total rental income. The rent incentives are included in investment property.

Incentives to enter into rental agreements are spread evenly over the rental term, even if the payments are not made on such a basis. The rental term is the non-cancellable period of the rental agreement, together with any further term for which the tenant has the option to continue the rental agreement, when, at the inception of the rental agreement it is reasonably certain that the tenant will exercise this option.

Premiums received to terminate rental agreement are recognised in the statement of comprehensive income when they arise.

2.12 Service charges, property operating expenses and administrative expenses
In the case of service contracts with third parties, service charges are recovered from tenants. Service charges in respect of vacant property are expensed. These mainly relate to gas, water, electricity, cleaning and security.

Property operating expenses comprise those costs that are directly attributable to the operation of properties, net of costs charged to tenants. These mainly relate to tax, insurance, leasehold, maintenance and professional fees. These are expensed as incurred. Administrative expenses are expenses that are not directly attributable to the operation of properties (including charged management costs not directly related to properties, office overheads, advice, valuation and audit fees, listing costs and marketing and promotion costs).

Service charges for which the Fund acts as a principal are presented in the statement of comprehensive income. Therefore, for those property investments for which the Fund is in full control of the service charges, the service charges invoiced to tenants and the corresponding expenses are shown separately on an accrual basis.

2.13 Other income
Income attributable to the year that cannot be classified under any of the other income categories.

2.14 Finance income and expenses
Finance income consists of interest income and is recognised in the statement of comprehensive income. Interest income is recognised in the statement of comprehensive income as it accrues.

2.15 Cash flow statement
Cash flows are stated according to the indirect method.

The acquisitions of investment properties are disclosed as cash flows from investment activities, as this reflects the Fund’s business activities most appropriately.

Cash and cash equivalents comprise cash on hand, demand deposits, short-term deposits in banks with original maturities of three months or less and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Earnings per share
The Fund presents basic and diluted earnings per share (EPS) for its ordinary share capital. The earnings per ordinary share are calculated by dividing the profit or loss attributable to the Fund's shareholders by the weighted average number of issued ordinary shares during the reporting period. In calculating the diluted earnings per share, the profit or loss attributable to the Fund's shareholders and the weighted average number of issued ordinary shares during the reporting period are adjusted for all potential dilutive effects on the ordinary shares.

2.17 Income taxes
Based on its status as an FII, the Fund is subject to Dutch corporate income tax at a rate of 0%. See Note 10.

3 Financial risk management

3.1 Financial risk factors
The risk management function within the Fund is carried out with respect to financial risks. Financial risks are risks arising from financial instruments to which the Fund is exposed during or at the end of the reporting period. Financial risk comprises market risk (including interest rate risk and other price risk), credit risk and liquidity risk.

Risk management is carried out by the risk manager under policies approved by the Statutory Director of the Fund. The treasury manager identifies and evaluates financial risks in close cooperation with the Fund's business units and the risk manager. The Statutory Director of the Fund provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of excess liquidity.

Market risk
The market risk of financial instruments relates to foreign exchange risk, price risk and interest rate risk. For more information, we refer you to the Risk Management section.

(I) Foreign exchange risk

The Fund has no exposure to foreign exchange risk as it operates in a euro country only.

(II) Price risk

The Fund has no significant exposure to price risk as it does not hold any equity securities or commodities. The Fund is not exposed to price risk other than in respect of financial instruments, such as property price risk, including property rental risk.

(III) Interest rate risk

As the Fund has no external loans and borrowings, it has no exposure to related interest rate risks. The interest rate risk related to bank balances is mitigated by bank deposits.

(IV) Hedging risk

The Fund has no hedging instruments in use.

Credit risk
Credit risk is defined as the unforeseen losses on assets if counterparties should fail to meet their obligations. The creditworthiness of tenants is closely monitored by checking their credit rating and keeping a close watch on the accounts receivable. Rents are in general also payable in advance and part of the rent payable is secured by means of bank guarantees or guarantee deposits. There are no significant credit risk concentrations.

It is our policy to enter into financial transactions only with financial institutions with a credit rating of at least A (Standard & Poor's). The financial risk is monitored for each individual transaction. Given the high credit rating of financial institutions, the Fund does not expect any defaults.

The carrying amounts of the financial assets represent the maximum credit risk. The combined carrying amount on the reporting date was made up as follows:

(I) The Fund's maximum exposure to credit risk by class of financial asset was as follows:

	2017	2016
Trade and other receivables, net of provision for impairment (Note 15)		
Rent receivables from lessees	1,321	267
Other financial assets	7,024	5,060
Cash and cash equivalents (Note 16)	40,424	27,523

Deposits refundable to tenants may be withheld by the Fund in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract.

(II) Analysis by credit quality of financial assets was as follows:

	2017	2016
Trade and other current receivables		
Neither past due nor impaired	7,024	5,117
Total neither past due nor impaired	**7,024**	**5,117**
Past due but not impaired		
Less than 30 days overdue	387	394
30 to 90 days overdue	-	-
Total past due but not impaired	**387**	**394**
Individually determined to be impaired (gross)		
30 days to 90 days overdue	564	325
More than 90 days overdue	650	1
Total individually determined to be impaired (gross)	**1,214**	**326**
Less: impairment provision	(280)	(510)
Total trade and other current receivables, net of provision for impairment	**8,345**	**5,327**

There is a significant concentration of credit risk with respect to cash and cash equivalents, as the Fund holds cash accounts with one financial institution. This financial institution has a credit rating of A (Standard & Poor's) and therefore the credit risk is mitigated.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the treasury manager aims to maintain flexibility in funding by keeping committed credit lines available.

The Fund's liquidity position is monitored on a daily basis by management and is reviewed quarterly by the Statutory Director of the Fund. A summary table with maturity of financial assets and liabilities (see below) is used by key management personnel to manage liquidity risks and is derived from managerial reports at Fund level. The amounts disclosed in these tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position, as the impact of discounting is not significant.

The maturity analysis of financial instruments at 31 December 2017 was as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Total
Assets				
Trade and other receivables	387	7,958	-	8,345
Liabilities				
Tenant deposits	-	-	1,233	1,233
Trade payables	4,717	-	-	4,717
Other financial liabilities	5,664	1,650	235	7,549

The maturity analysis of financial instruments at 31 December 2016 was as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Total
Assets				
Trade and other receivables	451	4,876	-	5,327
Liabilities				
Tenant deposits	-	-	817	817
Trade payables	1,515	-	-	1,515
Other financial liabilities	6,241	1,687	9	7,937

3.2 Fair value estimation

The carrying amounts of the financial assets and liabilities and their fair values were as follows:

		2017		2016	
As at 31 December	Note	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables (level 2)	15	8,345	8,345	5,327	5,327
Cash and cash equivalents (level 1)	16	40,424	40,424	27,523	27,523
Financial liabilities measured at amortised cost and other payables (level 2)	18	(13,499)	(13,499)	(10,269)	(10,269)
		35,270	**35,270**	**22,581**	**22,581**

In addition, for financial purposes fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The carrying amount less impairment provision of trade receivables and trade payables approximates their fair value. All other Statement of financial position items are short-term and therefore not adjusted to their fair value.

3.3 Capital risk management

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Funding is secured by its shareholders through capital calls for which estimations are made each year. No external funding will be obtained.

The Fund distributes the operating profit annually to its shareholders as required by tax law. Reference is made to Note 10[on page 59] . In order to maintain or adjust its capital structure, the Fund may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, buy back shares from shareholders or sell assets to reduce debt.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and adjusted for current market conditions and other factors.

4.1 Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom be exactly the same as the related actual results. The estimates, assumptions and management judgements that carry a significant risk of material adjustments to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Principal assumptions underlying management's estimation of fair value property portfolio

The valuation of the investment property portfolio is determined in accordance with the Fund's valuation principles. All investments are measured at fair value and based on active market prices, adjusted, if necessary, for any difference in nature, location or condition of the specific asset.

Current economic developments and uncertainties influence the valuation of our investment properties. The methods and significant assumptions applied in determining the fair value of our investment properties are mainly due to (i) active market prices, (ii) the influence of so-called rent-free periods and vacancy rates, (iii) the discount rates and (iv) assumed trends in rents.

These market values are based on valuations by independent external valuation experts. The valuation is based on an open market value, supported by market evidence in which assets can be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of the valuation, in accordance with the guidelines of the IPD Nederland (IPD Property Index) applicable in the Netherlands.

The valuations are based on a discounted cash flow (DCF) analysis of each property combined – where necessary – with valuations based on market evidence. The DCF analyses are adjusted to existing lease agreements, in order to cover the full period of existing lease agreements. The DCF analyses are based on calculations of the future rental revenue in accordance with the terms in existing lease agreement, and estimations of the rental values when the agreement expires. The starting point for the estimation of the discount rate is the nominal interest rate for 10-year Dutch government bonds. This rate should be increased in accordance with the risks involved in property investments. The whole investment property portfolio is appraised on a quarterly basis by external appraisers. The valuations are executed by external independent valuation experts.

5 Core regions

A spread by core regions is applied in the analysis of the valuation of the investment property portfolio. Amsterdam, Rotterdam, The Hague and Utrecht are considered prime office regions in 2017. Secondary core regions are: Amersfoort, Arnhem, Breda, Eindhoven, Groningen, 's-Hertogenbosch and Zwolle. The Fund is currently active in four of these 11 regions, namely Amsterdam, Rotterdam, Utrecht and The Hague.

The valuation of the completed investment properties per core region for the year ended 31 December, is as follows:

Property valuation as at 31 December	2017	2016
Region		
Amsterdam	79,920	75,878
Rotterdam	108,287	111,679
Utrecht	26,701	23,148
The Hague	253,753	248,057
Total	**468,661**	**458,762**

6 Gross rental income and service charge income

	2017	2016
Theoretical rent	43,174	45,381
Incentives	(3,279)	(2,324)
Vacancies	(5,793)	(8,317)
Total gross rental income	**34,102**	**34,740**

The future contractual rent from leases in existence on 31 December 2017, until the end of the contract (accounted for on the basis of the minimum rent) can be analysed as follows:

	2017	2016
First year	30,531	30,725
Second to fifth year	45,277	51,890
More than five years	10,823	8,980

Service charge income represents € 5.9 million (2016: € 6.0 million) income receivable from tenants for the services utilities, caretakers, etc. when the Fund acts as a principal.

7 Property operating expenses

	2017	2016
Taxes	1,663	1,591
Insurance	205	80
Maintenance	6,971	3,530
Valuation fees	113	55
Property management fees	1,046	904
Letting and lease renewal fees	2,731	3,288
Other operating expenses	4,596	3,602
Addition to provision for bad debts	(288)	275
Total property operating expenses	**17,037**	**13,325**

In 2017, € 0.2 million (2016: € 0.2 million) of the maintenance expenses related to unlet properties.

8 Administrative expenses

	2017	2016
Management fee Bouwinvest	2,757	2,685
Audit fees	26	24
Other administrative expenses	114	150
Legal fees	25	11
Other Fund expenses	30	13
Total administrative expenses	**2,952**	**2,883**

Where administrative expenses relate directly to the operation of the property portfolio, they are charged to operating expenses. Where administrative expenses relate directly to the development of the property portfolio, they are capitalised.

9 Finance expenses

	2017	2016
Finance expenses	106	68
Total finance expenses	**106**	**68**

The Fund had no external loans and borrowings during 2017. The Fund was subject to the negative interest rate development for its bank balances.

10 Income taxes

The Fund is structured as a fiscal investment institution (fiscale beleggingsinstelling, or 'FII') within the meaning of Article 28 of the Dutch Corporate Income Tax Act 1969 (Wet op de vennootschapsbelasting 1969). An FII is subject to Dutch corporate income tax at a rate of 0%, provided that certain requirements are met regarding the Fund's distribution of profits, its activities, leverage and shareholders.

Autumn 2017 the Dutch government announced to close the Dutch FII-regime for direct investments in real estate. This measure should become effective as per 1 January 2020. An alternative fund structure however, the so called closed fund for joint account (besloten FGR), seems a good alternative for investors. For taxation purposes the profits of such fund are atributed to the investors instead of being taxed at fund level.

Given the potential tax costs (transfer tax) and the complexities of a restructuring plus the disadvantages of such alternative structure (in particular concerning liquidity) Bouwinvest supports all efforts that are being made to convince the government not to change the law in this respect.

An FII is obliged to distribute its distributable profit annually within eight (8) months after the end of the relevant fiscal year (doorstootverplichting). The distributable profit generally only includes current income (dividends, interest and rental income). The (realised and unrealised) gains on securities and the realised gains on all other investments (including real estate), which are added to a so-called reinvestment reserve (herbeleggingsreserve), are not included in the distributable profit.

An FII is obliged to be engaged exclusively in portfolio investment activities, i.e. it may not (partly) conduct an active trade or business. Whether an activity is characterised as a portfolio investment activity or as a business activity for Dutch tax purposes depends on all the relevant facts and circumstances. Additional rules apply for real estate development activities related to the FII's own real estate portfolio. In this respect, an FII may engage in development activities for its own real estate portfolio, provided that the property development is carried out within a taxable subsidiary that carries out the development activities on behalf of the FII. Improvements to existing properties do not qualify as development activities provided that the capital expenditure is less than 30% of the value of the property as determined by the Dutch Valuation of Immovable Property Act (Wet waardering onroerende zaken) prior to the improvements.

An FII may finance its investments with debt up to a maximum of 60% of the fiscal book value of the real estate property, plus 20% of the fiscal book value of all other investments.

To qualify as an FII, at least 75% of the Fund must be owned by:

- Individuals
- Entities that are not liable for profit tax and the profits of which are not taxed at the level of the beneficiaries
- Entities that are exempt from profit tax and the profits of which are not taxed at the level of the beneficiaries
- Listed/regulated FIIs

It is also prohibited for entities resident in the Netherlands to collectively own an interest of 25% or more in the Fund through one or more mutual funds or corporate entities not resident in the Netherlands with a capital divided into shares; and no single individual may own an interest of 5% or more.

Office Development is the taxable subsidiary that carries out development activities for the Office Fund. The negative result before tax of Office Development was € 0.3 million. A deferred tax asset of € 0.1 million is recognised for the loss in 2017.

In December 2016 the Fund established a taxable subsidiary, Bouwinvest Dutch Institutional Office Fund Services B.V., which renders services that are ancillary to renting activities of the Fund. The result before tax is € 1.0 million and therefore the income tax amount to € 0.2 million.

The Office Fund met the requirements of an FII in 2017. The effective tax rate was 0% (2016: 0%).

11 Employee benefits expense

The Office Fund has no employees.

12 Investment property

		2017		2016
At the beginning of the year		453,797		473,688
Transfer from investment property under construction		-		-
Investments		5,080		10,723
Transfers to investment property under construction		-		(34,531)
Disposals		-		-
Net gain (loss) from fair value adjustments on investment properties (like for like)	3,333		3,917	
Net gain (loss) from fair value adjustments on investment properties	-		-	
In profit or loss		**3,333**		**3,917**
In other comprehensive income		-		-
Transfers out of level 3		-		-
Total investment property (level 3)		**462,210**		**453,797**
Lease incentives		6,451		4,965
At the end of the year		**468,661**		**458,762**

The Fund's investment properties are valued by external valuation experts on a quarterly basis. The external valuation expert is changed every three years. On 31 December 2017, these properties were revalued by independent professionally qualified valuation experts who hold a recognised relevant professional qualification and had recent experience in the locations and categories of the investment properties valued. The carrying values of investment property as at 31 December 2017, and 1 January 2017, are in line with the valuations reported by the external valuation experts.

The lease incentives granted are included in the total fair value of investment properties. For the year 2017 the amount of lease incentives is € 6.5 million (2016: € 5.0 million).

Investments	2017	2016
Amsterdam	1,179	1,390
Rotterdam	2,603	3,223
Utrecht	1,050	1,583
The Hague	248	4,527
Total investments	**5,080**	**10,723**

The significant assumptions with regard to the valuations are set out below.

2017	Amsterdam	Rotterdam	Utrecht	The Hague	Total
Current average rent (€/m²)	205	164	152	188	180
Current average rent (€/PP)	1,969	3,653	1,227	1,606	2,081
Estimated rental value (€/m²)	230	167	163	181	181
Estimated rental value (€/PP)	1,950	3,796	1,400	1,554	2,083
Gross initial yield	5.8%	5.4%	6.5%	7.4%	6.6%
Net initial yield	4.5%	1.6%	2.7%	5.6%	4.3%
Current vacancy rate (LFA m²)	3.7%	38.3%	2.6%	8.5%	16.4%
Current vacancy rate (PP)	71.9%	57.9%	7.2%	16.8%	39.8%
Current vacancy rate (financial)	4.1%	28.2%	5.6%	10.0%	13.7%
Long-term growth rental rate	2.2%	1.5%	2.2%	2.0%	1.9%
Average 10-year inflation rate (IPD Nederland)					0.5%

2016	Amsterdam	Rotterdam	Utrecht	The Hague	Total
Current average rent (€/m²)	205	163	153	193	183
Current average rent (€/PP)	2,005	3,441	1,060	1,485	1,974
Estimated rental value (€/m²)	234	164	161	181	181
Estimated rental value (€/PP)	1,990	3,922	1,400	1,444	2,049
Gross initial yield	6.0%	6.0%	6.0%	7.3%	6.7%
Net initial yield	5.6%	3.8%	1.0%	5.2%	4.7%
Current vacancy rate (LFA m²)	4.4%	27.5%	21.5%	14.8%	17.8%
Current vacancy rate (PP)	74.8%	55.6%	13.5%	28.4%	45.8%
Current vacancy rate (financial)	3.2%	24.1%	44.1%	14.3%	16.6%
Long-term growth rental rate	2.2%	1.8%	2.2%	2.0%	2.0%
Average 10-year inflation rate (IPD Nederland)					1.0%

The net valuation gain (loss) for the year included a positive fair value adjustment of € 10,469 (2016: € 12,683) relating to investment properties that are measured at fair value at the end of the reporting period.

The valuation of the investment properties takes into account a rent-free period/rent incentives ranging from 1 to 3 months after occupation.

As at 31 December 2017, the Fund had unprovisioned contractual obligations for future repairs and maintenance of € 0.9 million (2016: € 3.0 million).

Direct operating expenses recognised in profit or loss include € 0.2 million (2016: € 0.2 million) relating to vacant investment property. Investment property includes buildings held under finance leases. The carrying amount is € nil (2016: € nil).

Sensitivity analysis

The appraisal of the portfolio implies a net initial yield of 4.3% (2016: 4.7%). If the yields used for the appraisals of investment properties on 31 December 2017 had been 100 basis points higher (2016: 100 basis points higher) than was the case at that time, the value of the investments would have been 24.2% lower, ceteris paribus (2016: 23.0% lower). In this situation, the Fund's shareholders' equity would have been € 121 million lower (2016: € 112 million lower).

The table below presents the sensitivity of the valuation to changes in the most significant assumptions.

		2017		2016
Change rental rates	– 5%	5%	– 5%	5%
Value of the investment property change	(23,429)	23,429	(22,938)	22,938

		2017		2016
Change net initial yield	– 25 bps	+ 25 bps	– 25 bps	+ 25 bps
Value of the investment property change	29,020	(25,822)	25,834	(23,219)

13 Investment property under construction

	2017	2016
At the beginning of the year	**44,645**	-
Transfer from investment property	-	34,531
Investments	28,662	2,400
Net gain (loss) from fair value adjustments on investment property under construction	54,125	7,714
In profit or loss	**54,125**	**7,714**
In other comprehensive income	-	-
Transfer to investment property	-	-
Transfers out of level 3	-	-
At the end of the year	**127,432**	**44,645**

	2017	2016
Investment property under construction at fair value	127,432	44,645
Investment property under construction at amortised cost	-	-
As at 31 December	**127,432**	**44,645**

Investment property is not (re)developed within the Office Fund but via external parties or within Bouwinvest Office Development B.V. As at 31 December 2017 the investment property under construction relates to Hourglass, Building 1931 and Buidling 1962 (Amsterdam).

The net valuation gain (loss) for the year included a positive fair value adjustment of € 52,975 (2016: € 7,714) relating to investment property under construction that is measured at fair value at the end of the reporting period.

The investment property under construction is valued by external valuation experts.

Investments	2017	2016
Amsterdam	28,662	2,400
Total investments	**28,662**	**2,400**

The significant assumptions with regard to the valuations are set out below.

	2017	2016
Gross initial yield	5.6%	5.3%
Net initial yield	3.9%	4.8%
Long-term vacancy rate	0.0%	0.0%
Inflation rate	0.5%	1.0%
Estimated average percentage of completion	N/A	N/A
Current average rent (€/m²)	359	317
Construction costs (€ per m²)	4,005	2,167

14 Deferred tax assets

	2017	2016
Deferred tax assets	83	-
Balance as at 31 December	**83**	**-**

The deferred tax assets as per 31 December 2017 relate to the loss in Bouwinvest Office Development B.V. The compensable loss at year-end amounted to € 0.3 million.

15 Trade and other current receivables

	2017	2016
Trade receivables	1,321	267
Reclaimable VAT	1,534	1,404
Group companies Bouwinvest	691	465
Other receivables	4,799	3,191
Balance as at 31 December	**8,345**	**5,327**

16 Cash and cash equivalents

	2017	2016
Bank deposits	5,000	5,000
Bank balances	35,424	22,523
Balance as at 31 December	**40,424**	**27,523**

The bank balances of € 35.4 million are freely available to the Fund as at 31 December 2017. In order to minimalise the costs of the negative interest rate on the bank balances, during 2017 the Fund used 30-day bank deposits. The bank deposits of € 5.0 million have a 30 days' notice period.

17 Equity attributable to shareholders of Bouwinvest Dutch Institutional Office Fund N.V.

For 2017, before appropriation of result

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2017	**252,373**	**251,858**	**17,273**	**(26,022)**	**30,506**	**525,988**
Comprehensive income						
Net result	-	-	-	-	71,746	71,746
Total comprehensive income	**-**	**-**	**-**	**-**	**71,746**	**71,746**
Other movements						
Issued shares	22,662	27,338	-	-	-	50,000
Appropriation of result	-	-	-	30,506	(30,506)	-
Dividends paid	-	-	-	(16,288)	-	(16,288)
Movement revaluation reserve	-	-	56,831	(56,831)	-	-
Total other movements	**22,662**	**27,338**	**56,831**	**(42,613)**	**(30,506)**	**33,712**
Balance at 31 December 2017	**275,035**	**279,196**	**74,104**	**(68,635)**	**71,746**	**631,446**

* See explanation dividend restrictions in this Note.

For 2016, before appropriation of result

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2016	**272,175**	**277,334**	**5,214**	**(4,034)**	**4,034**	**554,723**
Comprehensive income						
Net result	-	-	-	-	30,506	30,506
Total comprehensive income	**-**	**-**	**-**	**-**	**30,506**	**30,506**
Other movements						
Issued shares	4,700	5,300	-	-	-	10,000
Redemption of shares	(24,502)	(25,498)	-	-	-	(50,000)
Appropriation of result	-	-	-	4,034	(4,034)	-
Dividends paid	-	(5,278)	-	(13,963)	-	(19,241)
Movement revaluation reserve	-	-	12,059	(12,059)	-	-
Total other movements	**(19,802)**	**(25,476)**	**12,059**	**(21,988)**	**(4,034)**	**(59,241)**
Balance at 31 December 2016	**252,373**	**251,858**	**17,273**	**(26,022)**	**30,506**	**525,988**

* See explanation dividend restrictions in this Note.

Dividend restrictions

The Office Fund is subject to legal restrictions regarding the amount of dividends it can pay to its shareholders. Dutch Law stipulates that dividends can only be paid up to an amount equal to the excess of the Fund's own funds over the sum of the paid-up capital, statutory reserves and reserves required by law.

The revaluation reserve, being a legal reserve, cannot be freely distributed. Dividends are all payments from the free reserves. The free reserves consist of the share premium and retained earnings. Dividend will consist partly of profits and other payments.

In order to further align the processing of the distributable dividends with Dutch Law and taking into account the FII status of the Fund, the distributable dividends are made from retained earnings insofar the retained earnings – being the total amount of retained earnings and result for the year – are not negative. The remaining amount of legally required distributable dividends is subsequently made from share premium. Any residual negative retained earnings is supplemented from the share premium.

	Number of shares in fully paid up equivalents	Paid-up share capital	Share premium	Total share capital and share premium
Opening balance at 1 January 2017	**252,373**	**252,373**	**251,858**	**504,231**
Issued shared	22,662	22,662	27,338	50,000
Dividends paid	-	-	-	-
Balance at 31 December 2017	**275,035**	**275,035**	**279,196**	**554,231**

	Number of shares in fully paid up equivalents	Paid-up share capital	Share premium	Total share capital and share premium
Opening balance at 1 January 2016	**272,175**	**272,175**	**277,334**	**549,509**
Issued shared	4,700	4,700	5,300	10,000
Redemption of shares	(24,502)	(24,502)	(25,498)	(50,000)
Dividends paid	-	-	(5,278)	(5,278)
Balance at 31 December 2016	**252,373**	**252,373**	**251,858**	**504,231**

Issued capital

The authorised capital comprises 1 million shares each with a nominal value of € 1,000. As at 31 December 2017, in total 275,035 shares had been issued and fully paid up.

Share premium

The share premium reserve consists of capital paid on shares in excess of the nominal value. At the establishment of the Fund, the shareholder bpfBOUW contributed an investment property portfolio under legal title of share premium.

Revaluation reserve

The revaluation reserve relates to the revaluation of the property investments. The (unrealised) positive or negative difference between the cumulative increase or decrease in the fair value of the investment property owned at the end of the year has been included in the revaluation reserve. The revaluation reserve as at year-end 2017 was determined at the individual property level.

18 Trade and other payables

	2017	2016
Trade payables	4,717	1,515
Rent invoiced in advance	5,664	6,241
Tenant deposits	1,233	817
Taxes	235	9
Other payables	1,650	1,687
Balance as at 31 December	**13,499**	**10,269**

The other payables relate to invoices yet to be received for maintenance of and investments in the portfolio.

19 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

	2017	2016
Net result attributable to shareholders	71,746	30,506
Weighted average number of ordinary shares	258,105	258,054
Basic earnings per share (€ per share)	**277.97**	**118.22**

The Fund has no potentially dilutive ordinary shares. Therefore, the diluted earnings per share are the same as the basic earnings per share.

20 Dividends per share

In 2017, € 16.3 million (2016: € 19.2 million) was paid as dividend. The payment of a dividend over 2017 of € 59.81 per share as at year-end 2017 (2016: € 73.18), amounting to a total dividend of € 15.4 million (2016: € 18.9 million), is to be proposed at the Annual General Meeting of shareholders on 18 April 2018. These financial statements do not reflect this dividend payable.

The dividend proposal for 2017 has not been accounted for in the financial statements. The dividend for 2017 will be paid in cash.

21 Contingent liabilities and assets

As at 31 December 2017, the Fund had unprovisioned contractual obligations for future repairs and maintenance of € 0.9 million (2016: € 3.0 million). The total future commitments as at 31 December 2017 amounted to € 113 million (2016: € 159 million). The commitments relate to the acquisition of Hourglass (Amsterdam) and the redevelopment of Building 1931 and Building 1962 (Amsterdam).

	2018	2019	>2020
Investment commitments	45	68	-
	45	**68**	**-**

The Fund has a contractual agreement with Bouwinvest for an indefinite period in which it has to pay a management fee, based on the net asset value. The notice period is two years.

22 Related parties

The Office Fund's subsidiairies and members of the Supervisory Board and Board of Bouwinvest and the other entities under management by Bouwinvest, qualify as related parties of the Office Fund. The Fund paid Bouwinvest a € 2.8 million fee in 2017 (2016: € 2.7 million). bpfBOUW and the subsidiaries and investments held by bpfBOUW are also deemed related parties.

BpfBOUW and the subsidiaries and investments held by bpfBOUW are also deemed related parties.

Members of the Supervisory Board and Board of Directors of Bouwinvest do not have any material interest in the Fund's voting shares and do not have options on shares. The Fund has not granted any loans to the members of the Bouwinvest Supervisory Board and Board of Directors.

The members of the Bouwinvest Supervisory Board and Board of Directors held no personal interest in the Fund's investments in 2017.

Bouwinvest Office Development B.V. (re)develops part of the investment property for the Fund. In 2017, € 10.2 million (2016: € 2.4 million) was paid to Bouwinvest Office Development B.V. with regard to the projects Building 1931 and Building 1962 (Amsterdam).

23 Management fee

Bouwinvest is the manager and the Statutory Director of the Fund. The management fee paid for the year 2017 amounted to € 2.8 million (2016: € 2.7 million).

In consideration of the management activities with respect to the Fund, Bouwinvest receives an annual management fee equal to 0.50% (exclusive of VAT) of the Fund's net asset value in accordance with the valuation methods of the Fund. The management fee is payable quarterly in advance.

The remuneration of the members of the Supervisory Board is included in the management fee paid to Bouwinvest.

During the reporting period, the manager, Bouwinvest, is responsible for five funds of which the Residential Fund, Office Fund and Retail Fund are under supervision of the Dutch Financial Markets Authority (AFM). Bouwinvest also has a separate mandate from bpfBOUW for the management of international real estate investments and manages Bouwinvest Development B.V. The remuneration cannot be explicitly allocated per fund and is therefore not available. The remuneration, in line with the AIMFD Article 107, is disclosed in the annual report 2017 of Bouwinvest Real Estate Investment Management B.V., which is filed and public.

24 Audit fees

The table below shows the fees charged over the year 2017 by Deloitte Accountants B.V. and the Deloitte Network in respect of activities for the Office Fund.

	2017	2016
Audit of the financial statements	26	24
Other audit engagements	-	-
Tax advisory services	-	-
Other non-audit services	-	-
Total fees	**26**	**24**

25 Subsequent events

In January 2018, shares were issued for € 15 million.

Company balance sheet

Before appropriation of result, all amounts in € thousands

As at 31 December	Note	2017	2016
Assets			
Non-current assets			
Investment property		468,661	458,762
Investment property under construction		127,432	44,645
Financial assets	3	6,516	1,039
		602,609	**504,446**
Current assets			
Trade and other current receivables		11,306	5,270
Cash and cash equivalents		38,388	26,521
		49,694	**31,791**
Total assets		**652,303**	**536,237**
Equity and liabilities			
Equity attributable to the owners of the Fund			
Issued capital		275,035	252,373
Share premium		279,196	251,858
Revaluation reserve		74,104	17,273
Retained earnings		(68,635)	(26,022)
Net result for the year		71,746	30,506
Total equity	4	**631,446**	**525,988**
Current liabilities			
Trade and other payables		20,857	10,249
Total liabilities		**20,857**	**10,249**
Total equity and liabilities		**652,303**	**536,237**

Company profit and loss account

All amounts in € thousands, unless otherwise stated

	2017	2016
Result of participation interests after taxes	477	37
Other income and expenses after taxes	71,269	30,469
Result for the year	**71,746**	**30,506**

Notes to the company financial statements

All amounts in € thousands, unless otherwise stated

1 Summary of significant accounting policies

1.1 General

The Company financial statements of Bouwinvest Dutch Institutional Office Fund N.V. (the Office Fund) are included in the consolidated financial statements and are prepared in accordance with the legal requirements of Part 9, Book 2 of the Dutch Civil Code. These financial statements have been prepared in accordance with provision of Article 2:362 subsection 8 and 9, of the Dutch Civil Code, under which the Company financial statements may be prepared in accordance with accounting policies as adopted in the consolidated financial statements.

If no other policies are mentioned, the applicable policies are those of the consolidated financial statements. The consolidated financial statements should be consulted for an appropriate interpretation of the Company financial statements.

The notes in the consolidated financial statements also apply to the Company accounts. If Company amounts are not directly traceable to the consolidated notes, additional notes are included in the Company notes.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The exemption laid down in Article 402 Book 2 of the Dutch Civil Code has been applied to the Company profit and loss account of the Fund.

1.2 Financial assets

Subsidiaries

Subsidiaries include all entities over which the Fund has the power – directly or indirectly – to control financial and operational policies. Subsidiaries are valued under the net equity method, but not lower than zero.

The equity value is measured by valuation of assets, provisions and liabilities and determination of results based on the accounting policies of the consolidated financial statements.

Recognition of losses

If the share in losses attributable to the Fund exceeds the carrying amount of the net investment (investment and other unsecured receivables), further losses will not be recognised, unless the Fund has provided securities to the associate, committed to liabilities or paid on behalf of the associate. In that case, a provision will be set aside for the excess.

2 Financial risk management

Reference is made to Note 3 of the consolidated financial statements.

3 Financial assets

	2017	2016
As per 1 January	1,039	-
Acquisitions and capital contributions	5,000	1,002
Net result for the year	477	37
As per 31 December	**6,516**	**1,039**

The Fund acquired the shares (100%) of the following subsidiaries:

- Bouwinvest Office Development B.V., Amsterdam
- Bouwinvest Dutch Institutional Office Fund Services B.V., Amsterdam

Bouwinvest Office Development B.V. redevelops investment properties for Bouwinvest Dutch Institutional Office Fund N.V. Bouwinvest Dutch Institutional Office Fund Services B.V. renders services that are ancillary to renting activities of the Fund.

4 Equity attributable to shareholders of Bouwinvest Dutch Institutional Office Fund N.V.

For 2017, before appropriation of result

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2017	**252,373**	**251,858**	**17,273**	**(26,022)**	**30,506**	**525,988**
Comprehensive income						
Net result	-	-	-	-	71,746	71,746
Total comprehensive income	**-**	**-**	**-**	**-**	**71,746**	**71,746**
Other movements						
Issued shares	22,662	27,338	-	-	-	50,000
Appropriation of result	-	-	-	30,506	(30,506)	-
Dividends paid	-	-	-	(16,288)	-	(16,288)
Movement revaluation reserve	-	-	56,831	(56,831)	-	-
Total other movements	**22,662**	**27,338**	**56,831**	**(42,613)**	**(30,506)**	**33,712**
Balance at 31 December 2017	**275,035**	**279,196**	**74,104**	**(68,635)**	**71,746**	**631,446**

* See explanation dividend restrictions in Note 17 of the consolidated financial statements.

For 2016, before appropriation of result

	Issued capital	Share premium	Revaluation reserve*	Retained earnings	Net result for the year	Total equity
Balance at 1 January 2016	**272,175**	**277,334**	**5,214**	**(4,034)**	**4,034**	**554,723**
Comprehensive income						
Net result	-	-	-	-	30,506	30,506
Total comprehensive income	**-**	**-**	**-**	**-**	**30,506**	**30,506**
Other movements						
Issued shares	4,700	5,300	-	-	-	10,000
Redemption of shares	(24,502)	(25,498)	-	-	-	(50,000)
Appropriation of result	-	-	-	4,034	(4,034)	-
Dividends paid	-	(5,278)	-	(13,963)	-	(19,241)
Movement revaluation reserve	-	-	12,059	(12,059)	-	-
Total other movements	**(19,802)**	**(25,476)**	**12,059**	**(21,988)**	**(4,034)**	**(59,241)**
Balance at 31 December 2016	**252,373**	**251,858**	**17,273**	**(26,022)**	**30,506**	**525,988**

* See explanation dividend restrictions in Note 17 of the consolidated financial statements.

Issued capital
The authorised capital comprises 1 million shares each with a nominal value of € 1,000. As at 31 December 2017, in total 275,035 shares had been issued and fully paid up.

Share premium
The share premium reserve consists of capital paid on shares in excess of the nominal value. At the establishment of the Fund, the shareholder bpfBOUW contributed an investment property portfolio under legal title of share premium.

Revaluation reserve
The revaluation reserve relates to the revaluation of the property investments. The (unrealised) positive or negative difference between the cumulative increase or decrease in the fair value of the investment property owned at the end of the year has been included in the revaluation reserve. The revaluation reserve as at year-end 2017 was determined at the individual property level.

Appropriation of profit 2016
The Annual General Meeting of shareholders on 12 April 2017 adopted and approved the 2016 financial statements of the Office Fund. A dividend of € 73.18 (in cash) per share has been paid. Of the profit for 2016 amounting to € 30.5 million, € 30.5 million was incorporated in the retained earnings.

Proposal for profit appropriation 2017
The management of the Fund proposes to the General Meeting of shareholders that a dividend of € 59.81 (in cash) per share be paid. Of the profit for 2017 amounting to € 71.7 million, € 71.7 million will be incorporated in the retained earnings.

5 Employee benefits expense

The Office Fund has no employees.

6 Remuneration

Reference is made to Note 23 of the consolidated financial statements.

Signing of the Financial Statements
Amsterdam, 19 March 2018

Bouwinvest Real Estate Investment Management B.V.
Dick van Hal, *Chairman of the Board of Directors and Statutory Director*
Arno van Geet, *Managing Director Finance & Risk*
Allard van Spaandonk, *Managing Director Dutch Investments*
Stephen Tross, *Managing Director International Investments*

Other information

Articles of Association related to the appropriation of profit

Appropriation of profit is provided for in Article 20 of the Articles of Association. This specific article is quoted below.

20.1
The distributable profit shall be at the disposal of the General Meeting for distribution of dividend or to be added to the reserves. If the General Meeting has made a decision about profit distribution not later than immediately prior to or after the adoption of the financial statements, the distributable profit will be added to the reserves.

20.2
Distribution of profits shall take place after the adoption of the financial statements which show that the distribution is permitted.

20.3
The General Meeting may resolve to distribute one or more interim dividends and/or other interim distributions. The Board of Directors may also resolve to distribute one or more interim dividends.

20.4
Dividends shall be payable immediately after they have been declared, unless the General Meeting provides otherwise.

20.5
Distribution to shareholders may be made only to the extent of distributable equity and if an interim dividend is paid, that requirement is met according to an interim financial statement as referred to in Article 2:105 Section 4 of the Dutch Civil Code. The Fund shall deposit the interim financial statements at the offices of the Chamber of Commerce (Commercial Register) within eight days after the date of the decision to make an interim distribution.

20.6
In calculating the appropriation of profits, the shares held by the Fund in its own share capital shall not be taken into account.

Independent auditor's report

To the shareholders of Bouwinvest Dutch Institutional Office Fund N.V.

Report on the audit of the financial statements 2017 included in the annual report

Our Opinion

We have audited the accompanying financial statements 2017 of Bouwinvest Dutch Institutional Office Fund N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:
- The accompanying consolidated financial statements give a true and fair view of the financial position of Bouwinvest Dutch Institutional Office Fund N.V. as at 31 December 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Bouwinvest Dutch Institutional Office Fund N.V. as at 31 December 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:
1. The consolidated statement of financial position as at 31 December 2017.
2. The following statements for 2017: the consolidated statements of comprehensive income, changes in equity and cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:
1. The company balance sheet as at 31 December 2017.
2. The company profit and loss account for 2017.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of Bouwinvest Dutch Institutional Office Fund N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 6,2 million. The materiality is based on 1% of total equity. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Materiality overview	
Materiality level	€ 6,2 million
Basis for group materiality level	1% of total equity
Threshold for reporting misstatements	€ 310 thousand

We agreed with the Board of Directors that misstatements in excess of € 310 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Bouwinvest Dutch Institutional Office Fund N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Bouwinvest Dutch Institutional Office Fund N.V.

Our group audit mainly focused on significant group entities.

We have performed all audit procedures ourselves for all group entities.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

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

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

Key audit matter	How the key audit matter was addressed in the audit
Valuation of investment property	
Investment property and investment property under construction are important accounts balances in the statement of financial position and are valued at fair value. The valuations of these investment properties are based on external valuations. The valuation of investment property contains an inherent estimation uncertainty (see also notes 4.1, 12 and 13 of the notes to the financial statements).	We have obtained an understanding of the key controls, including the involvement of the external valuation experts by management, surrounding the valuation process. Using the underlying external appraisal reports we have verified the value of the investment property. We have likewise reconciled the rental data applied with the financial accounting records. On the basis of IAS 40, we have reviewed the Fair Value concept as applied by the appraisers. Likewise, we have critically reviewed the relevant factors influencing the appraisal value of an object and discussed these with the external appraisers and the responsible client personnel. We have additionally engaged internal property experts to review a selection of the property. We have performed an additional test on the reliability of the estimation by comparing the valuation with the revenues effectively realized upon sale.

Report on the other information included in the annual report

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

- Report of the Board of Directors
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code
- Other additional information, among others: Responsible fund and asset management, Corporate governance and Risk management.

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

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

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

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

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

Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

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

Amsterdam, March 19, 2018

Deloitte Accountants B.V.

Signed on the original: J. Holland

INREV valuation principles and INREV adjustments

INREV valuation principles

In order to give investors information on the transition from the Net Asset Value (NAV) according to IFRS to the adjusted NAV based on INREV valuation principles, the Fund reports the adjustments according to the INREV valuation principles. The fundamental assumption underlying the adjusted INREV NAV of the Fund is that it should give a more accurate reflection of the economic value of the Fund and of a participation in the Fund as it would be realised by a participant in a theoretical sale, as of the balance sheet date, assuming an arm's length transaction, a willing buyer/seller and an adequate time to market.

Note		Total	Per share	Actual impact on 2017 figures	Actual impact on 2016 figures
	NAV per the IFRS financial statements	X	X	Yes	Yes
	Reclassification of certain IFRS liabilities as components of equity	X	X	N/A	N/A
1	Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests in a vehicle	X	X	N/A	N/A
2	Effect of dividends recorded as a liability which have not been distributed	X	X	N/A	N/A
	NAV after reclassification of equity-like interests and dividends not yet distributed	X	X	N/A	N/A
	Fair value of assets and liabilities	X	X	N/A	N/A
3	Revaluation to fair value of investment properties	X	X	N/A	N/A
4	Revaluation to fair value of self-constructed or developed investment property	X	X	N/A	N/A
5	Revaluation to fair value of investment property held for sale	X	X	N/A	N/A
6	Revaluation to fair value of property that is leased to tenants under a finance lease	X	X	N/A	N/A
7	Revaluation to fair value of real estate held as inventory	X	X	N/A	N/A
8	Revaluation to fair value of other investments in real assets	X	X	N/A	N/A
9	Revaluation to fair value of indirect investments not consolidated	X	X	N/A	N/A
10	Revaluation to fair value of financial assets and financial liabilities	X	X	N/A	N/A
11	Revaluation to fair value of construction contracts for third parties	X	X	N/A	N/A
12	Set-up costs	X	X	N/A	N/A
13	Acquisition expenses	X	X	Yes	Yes
14	Contractual fees	X	X	N/A	N/A
	Effects of the expected manner of settlement of sales/vehicle unwinding	X	X	N/A	N/A
15	Revaluation to fair value of savings of purchaser's costs such as transfer taxes	X	X	N/A	N/A
16	Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments	X	X	N/A	N/A
17	Effect of subsidiaries having a negative equity (non-recourse)	X	X	N/A	N/A
	Other adjustments	X	X	N/A	N/A
18	Goodwill	X	X	N/A	N/A
19	Non-controlling interest effects of INREV adjustments	X	X	N/A	N/A
	INREV NAV	X	X	Yes	Yes

INREV adjustments

All amounts in € thousands, unless otherwise stated

Note		Total 2017	Per share 2017	Total 2016	Per share 2016
	NAV as per the financial statements	631,446	2,295.87	525,988	2,084.17
	Reclassification of certain IFRS liabilities as components of equity	-	-	-	-
1	Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests in a vehicle	-	-	-	-
2	Effect of dividends recorded as a liability which have not been distributed	-	-	-	-
	NAV after reclassification of equity-like interests and dividends not yet distributed	631,446	2,295.87	525,988	2,084.17
	Fair value of assets and liabilities	-	-	-	-
3	Revaluation to fair value of investment properties	-	-	-	-
4	Revaluation to fair value of self-constructed or developed investment property	-	-	-	-
5	Revaluation to fair value of investment property held for sale	-	-	-	-
6	Revaluation to fair value of property that is leased to tenants under a finance lease	-	-	-	-
7	Revaluation to fair value of real estate held as inventory	-	-	-	-
8	Revaluation to fair value of other investments in real assets	-	-	-	-
9	Revaluation to fair value of indirect investments not consolidated	-	-	-	-
10	Revaluation to fair value of financial assets and financial liabilities	-	-	-	-
11	Revaluation to fair value of construction contracts for third parties	-	-	-	-
12	Set-up costs	-	-	-	-
13	Acquisition expenses	2,937	10.68	4,406	17.46
14	Contractual fees	-	-	-	-
	Effects of the expected manner of settlement of sales/vehicle unwinding	-	-	-	-
15	Revaluation to fair value of savings of purchaser's costs such as transfer taxes	-	-	-	-
16	Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments	-	-	-	-
17	Effect of subsidiaries having a negative equity (non-recourse)	-	-	-	-
	Other adjustments	-	-	-	-
18	Goodwill	-	-	-	-
19	Non-controlling interest effects of INREV adjustments	-	-	-	-
	INREV NAV	634,383	2,306.55	530,394	2,101.63
	Number of shares issued	275,035		252,373	
	Number of shares issued taking dilution effect into account	275,035		252,373	
	Weighted average INREV NAV	567,692		538,456	
	Weigthed average INREV GAV	577,946		549,937	
	Total Expense Ratio (NAV)	0.54%		0.55%	
	Total Expense Ratio (GAV)	0.53%		0.53%	
	Real Estate Expense Ratio (GAV)	3.20%		2.66%	

Notes to the INREV adjustments

All amounts in € thousands, unless otherwise stated

1 Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders' long term interest in a vehicle

Investors' capital can take various forms aside from equity – examples include shareholder loans and hybrid capital instruments such as convertible bonds. Some vehicles are structured via a combination of equity participations and shareholder loans.

Shareholder loans and hybrid capital instruments are generally seen as part of the investors' overall interest in the vehicle.

Since investors in the Fund only invest via shares, no adjustment is included.

2 Effect of dividends recorded as a liability which have not been distributed

Under certain circumstances dividends are recorded as a liability but have not yet been legally distributed. For the determination of INREV NAV, these accrued dividends should be reversed to the NAV.

As per 31 December 2017, no dividends are recorded as a liability, no adjustment is included.

3 Revaluation to fair value of investment property

After initial recognition, investment property is valued at fair value under the fair value option of IAS 40. Therefore no adjustment had to be made as per 31 December 2017.

4 Revaluation to fair value of self-constructed or developed investment property

Development property is investment property under construction and valued at fair value under the fair value option of IAS 40. Therefore no adjustment had to be made as per 31 December 2017.

5 Revaluation to fair value of investment property held for sale

Assets in this category are measured under IFRS at the lower of cost or net realisable value in the financial statements. The adjustment represents the impact on NAV of the revaluation of the property intended for sale, measured at cost, to fair value.

As per 31 December 2017, no properties intended for sale had been presented that are not included in the fair value of investment property.

6 Revaluation to fair value of property that is leased to tenants under a finance lease

Property that is leased to tenants under a finance lease is initially measured on a net investment basis and subsequently re-measured based on an amortisation pattern reflecting a constant rate of return. The adjustment represents the impact on NAV of the revaluation of the finance lease receivable to fair value.

As per 31 December 2017, no adjustment had been made since no property is held that is leased to tenants under a finance lease.

7 Revaluation to fair value of real estate held as inventory

Properties intended for sale and accounted for under IAS 2 (Inventory) are measured at the lower of cost or net realisable value in the financial statements. This adjustment represents the impact on the NAV of the revaluation of such properties to net realisable value (fair value less disposal costs). This adjustment should be included under the caption 'revaluation to fair value of real estate held as inventory'.

As per 31 December 2017, no adjustment had been made since no property is accounted for under IAS 2 (Inventory).

8 Revaluation to fair value of other investments in real assets

Under IAS16 other investments in real assets are normally accounted for at cost. The adjustment represents the impact on NAV of the revaluation of other investments in real assets to fair value in accordance with the fair value assumptions under IFRS 13.

As per 31 December 2017, no adjustment had been made since the Fund has no investments in real assets.

9 Revaluation to fair value of indirect investments not consolidated

Indirect investments in real estate, such as investments in associations and joint ventures, have different accounting treatments and carrying values under IFRS. Such investments can be valued at cost, fair value or NAV. The adjustment represents the impact on NAV of the revaluation of indirect investments to fair value if not yet accounted for at fair value.

As per 31 December 2017, no adjustment had been made since the Fund has no indirect investments in real estate.

10 Revaluation to fair value of financial assets and liabilities (including revaluation to fair value of debt obligations)

Financial assets and liabilities such as debt obligations are generally measured at amortised cost, taking into account any impairment when applicable. The adjustment represents the impact on NAV of the revaluation of financial assets and financial liabilities to fair value as determined in accordance with IFRS.

As per 31 December 2017, no adjustment had been made since the financial assets and liabilities accounted for in the Statement of financial position are not materially different with the fair value of the financial assets and liabilities in accordance with the fair value principles of IFRS 13.

11 Revaluation to fair value of construction contracts for third parties

Under IAS11, construction contracts for third parties are normally accounted for based on the stage of completion. The adjustment represents the impact on NAV of the revaluation of construction contracts for third parties to fair value in accordance with the fair value principles of IFRS 13.

As per 31 December 2017, no adjustment had been made since the Fund has no construction contracts of third parties.

Adjustments to reflect the spreading of one-off costs

As described in further detail below, set-up costs and acquisition expenses should be capitalised and amortised. The rationale for these adjustments is to spread these costs over a defined period of time to smooth the effect of the write-off of costs on the vehicle's performance. Furthermore, it is a simple mechanism to spread costs between different investor groups entering or leaving the vehicle's equity at different times.

In practice, there are many other ways in which vehicles address such issues for pricing, valuation, or other purposes. Since the INREV NAV is primarily intended to facilitate comparability between different vehicles, the INREV approach is a simple but fixed methodology. Please note that these capitalised costs are subject to an impairment test each time the NAV is calculated and therefore should always be recoverable over time.

As the adjustments with respect to set-up costs are separately disclosed in the calculation of a vehicle's INREV NAV, investors can choose how these are taken into account when valuing their holding.

12 Set-up costs

Set-up costs (i.e. establishment expenses) are charged immediately to income after the initial closing date. This adjustment represents the impact on NAV of the capitalisation and amortisation of set-up costs over the first five years of the terms of the Fund. When capitalising and amortising set-up costs, a possible impairment test should be taken into account every time the adjusted NAV is calculated when market circumstances change and it is not to be expected that the capitalised set-up costs can be recovered.

As per 31 December 2017, the set-up costs of the Fund have been amortised, so no adjustment had been made per 31 December 2017.

13 Acquisition expenses

Under the Fair Value model, acquisition expenses of investments under the fair value assumptions according to IFRS may be partly charged to income or equity as fair value changes at the first subsequent measurement date after acquisition. This is when the fair value at the moment of measurement is less than the total amount of the purchase value of the assets and the acquisition expenses.

This adjustment represents the impact on NAV of the capitalisation and amortisation of acquisition expenses over the period from acquisition of the specific asset to five years after initial closing.

When an asset is sold during the amortisation period, the balance of capitalised acquisition expenses is charged to the income statement in the period of sale.

When capitalising and amortising acquisition costs, a possible impairment test should be taken into account every time the adjusted NAV is calculated (when market circumstances change) and it is not expected that the capitalised acquisition costs can be recovered with the sale of units of the Fund.

Most of the acquisitions are realised via a turn-key agreement with a development company. Since these acquisitions can be purchased free of transfer-tax normally the acquisition price is higher than if transfer-taxes should be paid separately. The valuation methodology is the net valuation after deduction of acquisition cost for a potential buyer. At initial recognition and during the instalments a part in the revaluation result will include the effect of the difference of the purchase price and the net valuation after deduction of acquisition cost for a potential buyer. This difference is taken into account in the INREV NAV as a separate item in the INREV adjustment in respect to Acquisition expenses.

Capitalised acquisition costs as per 31 December 2016	4,406
Acquisition costs 2017	-
Amortisation acquisition costs in 2017	(1,469)
Adjustment NAV (excluding tax)	**2,937**

14 Contractual fees

A liability represents a present obligation. A fee payable at the end of the lifetime of the Fund or at any other moment during the lifetime of the Fund may not meet the criteria for recognition of a provision or liability in accordance with IFRS at the moment the accounts are prepared.

As per the balance sheet date, all contractual fees and contingent liabilities are recognised in accordance with IFRS. The Fund did not enter into any other contractual fees or contingent liabilities that are not presented in the accounts as per the balance sheet date.

15 Revaluation to fair value of savings of purchaser's costs such as transfer taxes

This adjustment represents the positive impact on NAV of the possible reduction of transfer taxes and purchaser's costs for the seller based on the expected sale via the sale of shares. Transfer taxes and purchaser's costs which would be incurred in an asset sale are generally deducted when determining the fair value of the properties. The effect of a possible sale of shares in a property vehicle might be taken into account when determining the deduction of transfer taxes and purchaser's costs (if this lowers the actual transfer tax and/or purchaser's costs to be paid upon sale by the seller).

The Fund has no investment property structured in special vehicles. As per 31 December 2017, no adjustment had been made due to the fact that it is impossible to sell investment property via a share deal. Therefore, there is no possibility of an additional reduction of the transfer tax or purchaser's costs that might lead to a higher sales price.

16 Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments

Under IFRS, deferred tax (assets and liabilities) is measured at the nominal statutory tax rate. How the Fund expects to settle deferred tax is not taken into consideration. This adjustment represents the impact on NAV of the deferred tax for assets and liabilities or financial instruments based on the expected settlement. This should be taken into consideration when tax structures have been applied to reduce tax on capital gains or allowances.

Where goodwill is included in the Statement of financial position as a result of a deferred tax liability that is eliminated as a result of the above-mentioned adjustment, the goodwill related to this deferred tax will be excluded from NAV.

The Fund has the status of a fiscal investment institution (0% corporate tax rate). Therefore, no adjustment has been made, as the Fund is exempt from corporate tax payments.

17 Effect of subsidiaries having a negative equity (non-recourse)

The adjustment represents the positive impact on the NAV of the partial or full reversal of the negative equity of the specific subsidiary. If the vehicle has granted shareholder loans to the subsidiary, these should be taken into account.

As per 31 December 2017, no adjustment had been made since the Fund has no subsidiaries.

18 Goodwill

At acquisition of an entity which is determined to be a business combination, goodwill may arise as a result of a purchase price allocation exercise. Often a major component of such goodwill in property vehicles reflects the difference between the full recognition of deferred tax, purchaser's costs or similar items in the IFRS accounts (which does not generally take account of the likely or intended method of subsequent exit), and the economic value attributed to such items in the actual purchase price. Except where such components of goodwill have already been written off in the NAV as determined under IFRS, they should be written off in the INREV NAV.

As per 31 December 2017, no adjustment had been made since the Fund has no goodwill recognised in the Statement of financial position.

19 Non-controlling interest effects of INREV adjustments

This adjustment represents the impact on the NAV of the recognition of non-controlling interests on all of the above adjustments.

As per 31 December 2017, no adjustment had been made since the Fund holds no minority interests.

Independent auditor's report

To the shareholders of Bouwinvest Dutch Institutional Office Fund N.V.

Report on the INREV adjustments

Our Opinion

We have audited the accompanying INREV adjustments 2017 of Bouwinvest Dutch Institutional Office Fund N.V., based in Amsterdam.

In our opinion the INREV adjustments are prepared, in all material respects, in accordance with the accounting policies selected and disclosed by the fund, i.e. INREV valuation principles, as set out on page 79 up to and including page 85.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.

Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the INREV adjustments" section of our report.

We are independent of Bouwinvest Dutch Institutional Office Fund N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Description of responsibilities for the INREV adjustments

Responsibilities of management for the INREV adjustments

Management is responsible for the preparation of the INREV adjustments in accordance with the accounting policies selected and disclosed by the fund (INREV valuation principles) as set out on page 79 up to and including page 85.

Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the INREV adjustments that are free from material misstatement, whether due to fraud or error.

Our responsibilities for the audit of the INREV adjustments

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

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

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

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

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

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluating the overall presentation, structure and content of the INREV adjustments, including the disclosures.
- Evaluating whether the INREV adjustments represent the underlying transactions and events free from material misstatement.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

Amsterdam, March 19, 2018

Deloitte Accountants B.V.

Signed on the original: J. Holland

Shareholders' information & Client Management

Legal and capital structure

Bouwinvest Dutch Institutional Office Fund N.V. is a public limited liability company incorporated under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands. The Fund is structured as an investment company with variable capital, as defined in article 2:76a of the Dutch Civil Code. It is a fiscal investment institution (FII) within the meaning of Article 28 of the Dutch Corporate Income Tax Act 1969.

Bouwinvest Real Estate Investment Management B.V. (Bouwinvest) is the Fund's Statutory Director and management company, subject to the terms of the management agreement. In February 2014, the management company obtained a licence within the meaning of Article 2:65 of the Dutch Financial Supervision Act and is now subject to the supervision of the Dutch Financial Markets Authority (AFM) and the Dutch Central Bank (DNB).

Shareholders

Name shareholder	Number of shares at year-end 2017
Shareholder A	265,054
Shareholder B	4,730
Shareholder C	4,397
Shareholder D	854
Total	**275,035**

Dividend

As a result of the Fund's fiscal investment institution (FII) status, Bouwinvest will distribute all of the Net Realised Result to the shareholders through four quarterly interim dividend payments and one final dividend payment.

The Board of Directors proposes to pay a dividend of € 59.81 per share for 2017 (2016: € 73.18), which corresponds to a pay-out ratio of 100%. It is proposed that the dividend will be paid in cash, within the constraints imposed by the company's fiscal investment institution (FII) status. Of this total dividend, 80.0 % was paid out in the course of 2017. The fourth instalment was paid on 6 March 2018. The rest of the distribution over 2017 will be paid in one final instalment following the Annual General Meeting of shareholders on 18 April 2018.

Shareholders' calendar

6 March 2018	Payment interim dividend fourth quarter 2017
18 April 2018	Annual General Meeting of Shareholders
26 April 2018	Payment of final dividend 2017
15 May 2018	Payment interim dividend first quarter 2018
14 August 2018	Payment interim dividend second quarter 2018
13 November 2018	Payment interim dividend third quarter 2018
5 December 2018	General Meeting of Shareholders
26 February 2019	Payment interim dividend fourth quarter 2018

Investor relations

Client management

Bouwinvest aims for the highest level of transparency in its communications on the financial situation, strategy, plans and other information relevant to its existing and potential investors and other stakeholders. All the information Bouwinvest publishes via various channels is also available on the Bouwinvest Investor Portal.

In addition to the regular information outlined above, Bouwinvest organised a number of investor relations activities in 2017, including road shows, property tours, a seminar and one-on-one meetings with (potential) investors, plus we attended several high-profile real estate conferences to present the management organisation, its strategy and its vision on real estate to (potential) investors.

For further information on Bouwinvest's client management activities, please visit the corporate website at Bouwinvest.nl. You can also contact the Client Management department at ir@bouwinvest.nl or Karen Huizer, Director Client Management: +31 (0)20 677 1598.

Enclosure

Management company profile

Bouwinvest Real Estate Investment Management B.V. (Bouwinvest) is one of the largest Dutch institutional real estate investment managers. Bouwinvest strives to achieve risk-adjusted returns on behalf of its pension fund clients. Bouwinvest manages €9.4 billion in assets within five Dutch property sector funds and international real estate investments in Europe, North America and the Asia-Pacific region.

With 65 years experience and a heritage rooted in the pension and construction industries, Bouwinvest understands the needs of long-term institutional investors and the dynamics of real estate investment markets. In the Netherlands we invest directly, while internationally Bouwinvest partners with real estate operators who have a proven track record and share our investment philosophy.

The combination of a strong domestic focus and a well-diversified global portfolio gives Bouwinvest a broad perspective on the real estate investment markets and allows us to identify the best investment opportunities.

Composition of the Board of Directors

Chairman of the Board of Directors and Statutory Director

D.J. (Dick) van Hal (1958, Dutch)

Dick van Hal has been Chairman of the Board of Directors since his appointment on 1 March 2008. From 1999 until that time, he held several senior positions at Syntrus Achmea Vastgoed, including Managing Director and CEO. Dick started his career with Centraal Beheer Beleggingen and Staal Bankiers. He studied Investment Analysis (VBA) at the University of Amsterdam. Dick is Chairman of IVBN (Dutch Association of Institutional Investors in Real Estate).

Managing Director Finance & Risk

A. (Arno) van Geet (1973, Dutch)

Arno van Geet joined Bouwinvest as Managing Director Finance & Risk on 1 October 2014. Prior to joining Bouwinvest, he spent his entire career in the financial sector, including various management roles at Interpolis and Westland Utrecht Hypotheekbank, most recently as Chief Financial Officer at Allianz Nederland. Arno is responsible for financial and risk management, accounting, reporting, corporate control, internal audit, business process management, IT and research. Arno studied Law and Economics at the University of Utrecht.

Managing Director Dutch Investments

A. (Allard) van Spaandonk (1961, Dutch)

Allard van Spaandonk joined Bouwinvest on 1 November 2008, as Director Asset Management. Since 1 January 2013, Allard has been Managing Director Dutch Investments, responsible for investments in Dutch real estate. He was previously the director of the retail and residential portfolios at Syntrus Achmea Vastgoed, as well as head of residential mortgages at Achmea Vastgoed. Allard started his real estate career at ABP Hypotheken in 1986. Allard is a member of the Management Board of the NEPROM (Dutch association of project development companies).

Managing Director International Investments

S.A. (Stephen) Tross (1967, Dutch)

Stephen Tross was appointed as Managing Director International Investments on 1 September 2010. He joined Bouwinvest in 2009 as COO International Investments. Stephen previously worked in the real estate audit practices at KPMG Accountants NV and PwC in the Netherlands, New York and London. He studied Business Economics at the Hogeschool Utrecht and accountancy at NIvRA-Nyenrode. Stephen is a professional member of the British Institution of Chartered Surveyors and a member of the ANREV Management Board.

Director Dutch Office & Hotel Investments

S.F. (Bas) Jochims (1977, Dutch)

Bas Jochims has been Director Dutch Office & Hotel Investments since 2008. He is responsible for the performance of the assets of the Bouwinvest Dutch Institutional Office Fund. He joined Bouwinvest in 2005 as Asset Manager. He has seventeen years' experience in real estate asset management. Bas gained his office real estate experience with Dynamis ABC Offices, where he worked as an Account Manager and was responsible for the total property management in the greater Amsterdam and The Hague areas.

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Glossary

Assets under management
Assets under management is defined as the net asset value of the funds, as per the chosen valuation principles of the funds, that Bouwinvest manages as investment manager.

Capital growth
Capital growth as a percentage is equal to the net result (INREV) minus the distributable result, divided by the INREV NAV at the beginning of the period, plus any capital calls (time-weighted) and less any distributed dividends/ capital distributions (time-weighted).

Direct property return
Direct property return as a percentage is equal to the net rental income of investment properties divided by the value of the investment properties including purchaser's transaction costs, on a monthly basis (IPD methodology).

Distributable result
Distributable result is the total rental income and other income net of all expenses, costs, fees (including management fee), financing costs and taxes borne by the Fund available for distribution to the shareholders.

Estimated rental value
The estimated rent at which space within a property could reasonably be expected to be let given current market conditions.

Financial occupancy rate
This is the average occupancy rate of the portfolio over the year calculated on the basis of rental revenue according to contracts as at the reporting date, as a percentage of the theoretical rent.

Gross Asset Value (GAV)
The total property portfolio plus the value of any further assets at market value as per the chosen valuation principles.

Gross initial yield (passing)
Passing rent divided by the gross capital value of the investment property including purchaser's transaction costs as per end of period.

Gross initial yield (market)
Theoretical rent (market) divided by the gross capital value of the investment property including purchaser's transaction costs as per end of period.

Gross rental income
The gross rental income is the total contractual rental income over the reporting period from let properties reported under IFRS, including the net effects of straight-lining for lease incentives, including rent free periods.

Income return
Income return as a percentage is equal to the distributable result, divided by the INREV NAV at the beginning of the period, plus any capital calls (time-weighted) and less any distributed dividends/capital distributions (time-weighted).

Indirect property return
Indirect property return as a percentage is equal the increase/decrease in the value of a property or group of properties net of capital expenditure divided by the value of the investment properties including purchaser's transaction costs, on a monthly basis (IPD methodology).

INREV NAV
INREV NAV is based on the fair value of the underlying assets and liabilities, as at the balance sheet date, and adjusted for the spreading of costs that will benefit different generations of investors.

Investment property
Property that is fully operational on the reporting date

Investment property under construction
Property that is being constructed or developed for future use as investment property.

Lease incentive
Any consideration or expense borne by the property company, in order to secure a lease.

Like-for-like gross rental income
Like-for-like gross rental income compares the increase/decrease of the gross rental income of the portfolio that has been consistently in operation, during two full preceding periods that are described.

Net asset value (NAV)
The net asset value is equal to the shareholders' equity of the Fund.

Net initial yield
Net rental income divided by the gross capital value of the investment property including purchaser's transaction costs as per end of period.

Net rental income
Net rental income is gross rental income for the period less ground rents payable, service charge expenses and other non-recoverable property operating expenses such as insurance, real estate taxes, marketing and other vacant property costs.

Passing rent
The annualised cash rental income being received as at a certain date, excluding the net effects of straight-lining for lease incentives. For the avoidance of doubt, where no rent is currently being paid due to operation of a rent-free period, the passing rent will be shown as zero.

Payout ratio of distributable earnings
This is the distributed dividend in the reporting period divided by the distributable result in the reporting period.

Real Estate Expense Ratio (REER)
Annual vehicle-level and property-specific costs over a 12 month period as a proportion of average vehicle assets (average GAV and average NAV).

Theoretical rent
Passing rent over the reporting period plus estimated rental value of vacant units.

Total Expense Ratio (TER)
The total expense ratio reflects the total fund expenses of the current reporting period as a percentage of the weighted average Net Asset Value (NAV) over the period. The TER is backwardlooking and includes the management fee, administrative expenses and valuation fees.

Total fund return (INREV)
Total fund return (INREV) as a percentage is equal to the net result (INREV) divided by the INREV NAV at the beginning of the period, plus any capital calls (time-weighted) and less any distributed dividends/capital distributions (time-weighted).

Transactions
Transactions are contractual obligations for the purchase of investment properties, where such property is not generating income for the benefit of the Fund as of the reporting date.

WALT (average remaining lease time)
Weighted average duration of lease contracts based on rent to the shorter of the first tenant break or lease expiry.

Responsible investing performance indicators

Fund and asset sustainability performance

Impact area	Indicator	Measure	Units of measure	2017	2016	% change
Benchmark, certificates and labels	GRESB	Star rating	stars	5	5	0%
	GRESB	Overall score (GRI-CRESS: CRE8)	#	86	78	10%
	EPC	Labelled floor space (GRI-CRESS: CRE8)	%	100%	100%	0%
		Green labelled floor space (A, B or C label)	%	73.1%	73.0%	0%
		Average energy index	#	1.13	1.12	1%
		Number of DUO Labels	#	N/A	N/A	N/A
	BREEAM	Green Building Certificates floor space (BREEAM or GPR) (GRI-CRESS: CRE8)	%	89%	85%	4%

Stakeholder engagement performance

Impact area	Indicator	Measure	Units of measure	2017	2016	% change
Tenant engagement	Leases	Number of new leases	#	162	164	-1%
		Number of green leases	#	2 of 696	2 of 717	0%
	Tentant satisfaction	Response rate (GRI: PR5)	%	38%	36%	6%
		Average total score (GRI: PR5)	#	6.8	7.3	-7%

Environmental impact performance

Impact area	Indicator	Measure	Units of measure	2017 (Abs)	2016 (abs)	% change (LfL)
Energy	Electricity	Total landlord-obtained electricity (GRI: EN4)	MWh	17,767	17,888	0.5%
	Gas	Total gas consumption (GRI: EN3)		3,783	4,935	-12.0%
	District heating and cooling	Total district heating and cooling (GRI: EN4)		12,930	12,881	0.4%
	Total	Total energy consumption from all sources (GRI: EN4)		34,480	35,704	-1.1%
	Energy intensity	Building energy intensity (GRI-CRESS: CRE1)	kWh/m^2/ year	188	173	-1.1%
		Energy and associated GHG disclosure coverage		6 of 9	7 of 9	
GHG emissions	Direct	Scope 1 (GRI: EN15)	tonnes CO2e	732	955	-12.0%
	Indirect	Scope 2 (GRI: EN16)		11021	11079	0.4%
	Total	Total GHG emissions (GRI: EN16) Scope 1 and 2		11753	12033	-0.4%
		Total GHG emissions after compensation		2,408	2,624	-3.7%
	GHG emissions intensity	GHG intensity from building energy (GRI-CRESS: CRE3)	kg CO_2e/m^2/ year	64	58	-0.4%
Water	Total	Total water consumption (GRI:EN8)	m^3	75,842	71,305	7.9%
	Water intensity	Building water intensity (GRI-CRESS: CRE2)	m^3/m^2/year	0.44	0.44	-2.2%
Waste	Total	Total waste collected (GRI: EN22)	tonnes	629	508	23.7%
		Recycling rate	%	34%	35%	-2.9%

Reporting of performance indicators

The Fund's ambition to increase the coverage and therefore the transparency of its environmental impact according to INREV Sustainability Reporting Guidelines is reflected in the summary of key performance indicators in the table above.

Bouwinvest reports environmental data of those assets where there is management control possible (operational control approach). Data is provided for those assets where we have authority to introduce and implement operating policies and are responsible for purchasing energy and water and handling waste. Our management control differs greatly by asset type (e.g. residential and office); these differences affect the level of influence we have over the sustainability performance of our assets.

Like for like data and changes represents assets which have been fully owned and operational for the full 24 month period in our investment portfolio. It provides insight in the performance of an indicator over time at a constant portfolio scope. The reduction in GHG emissions can be explained by the compensation of carbon emissions through purchase of carbon certificates. This follows the commitment of Bouwinvest to reduce the impact its operations has on climate change.

For the managed portfolio (scope 1 and 2), Bouwinvest reports on total energy consumption including all direct energy sources (gas, fuel oil) and indirect energy sources (electricity, district heating and district cooling). To calculate Greenhouse Gas (GHG) emissions, country and energy source-specific emission factors have been applied. Emission factors change over time. For this annual report most recently available factors for 2017 are used (source:www.co2emissiefactoren.nl).

Energy, Emission and Water intensities are reported only on properties where energy respectively water data is available, using "shared services" as the numerator and lettable floor area (LFA) as the denominator. "Shared services" refer to landlord-obtained consumption for common parts and any services provided to tenant areas that have not been sub-metered.

Properties overview

Municipality	Street name/property name	Floor space (in m²)	No. of parking units	Year of construction/ renovation	Land ownership	Core region	Theoretical gross annual rent as per 31 December 2017	Financial occupancy rate (average)
AMSTERDAM	De Lairesse	3,522	57	1998	Freehold	Amsterdam	1,024	86.9%
AMSTERDAM	Valeriusplein	918	-	1917	Leasehold	Amsterdam	287	100.0%
AMSTERDAM	Olympisch Stadion (Parking)	125	850	2001	Freehold	Amsterdam	1,626	99.7%
AMSTERDAM	Olympisch Stadion (Offices)	13,481	-	1999	Freehold	Amsterdam	2,575	96.3%
AMSTERDAM	Building 1931*	6,358		1931	Leasehold	Amsterdam	N/A	N/A
AMSTERDAM	Building 1962*	12,095		1962	Leasehold	Amsterdam	N/A	N/A
AMSTERDAM	Hourglass	21,767	142	2017	Leasehold	Amsterdam	N/A	N/A
AMSTERDAM	Valina	3,716	14	2015	Leasehold	Amsterdam	768	100.0%
ROTTERDAM	Maasparc	6,357	30	2000	Freehold	Rotterdam	1,135	100.0%
ROTTERDAM	WTC Rotterdam (Offices)	51,329	-	1987	Freehold	Rotterdam	8,364	59.5%
ROTTERDAM	WTC Rotterdam (Parking P1 / P2)	-	240	1987	Freehold	Rotterdam	551	75.3%
ROTTERDAM	WTC Rotterdam (Parking WTC-Beursplein)	-	340	1987	Freehold	Rotterdam	1,633	100.0%
THE HAGUE	Centre Court (Offices)	39,755	-	2002	Freehold	The Hague	8,036	100.0%
THE HAGUE	Centre Court (Parking)	-	670	2002	Freehold	The Hague	1,129	93.9%
THE HAGUE	WTC The Hague / Prinsenhof (Offices)	63,330	-	2004	Freehold	The Hague	11,445	82.7%
THE HAGUE	WTC The Hague / Prinsenhof (Parking)	584	935	2004	Freehold	The Hague	1,409	94.7%
UTRECHT	Nieuwe Vaart	11,600	111	1992	Freehold	Utrecht	1,902	92.4%
Total		**234,937**	**3,389**				**41,884**	**86.3%**

* Investment property under construction (redevelopment projects)

Bouwinvest
Dutch Institutional
Office Fund N.V.

Bouwinvest Real Estate Investors