# Creditreform Bank Rating
Nederlandse Waterschapsbank N.V.

Creditreform Rating

**Long-Term Issuer Rating:** AAA
Outlook: stable

Short-Term Rating: L1

Preferred Sen. Unsec. Debt: AAA
Non-Preferred Sen. Unsec. Debt: -
Tier 2 Capital: -
AT1 Capital: -

**15 December 2022**

## Rating Action:

## Creditreform Rating affirms the long-term issuer rating of Nederlandse Waterschapsbank N.V. at ‘AAA’ (Outlook: stable)

Creditreform Rating (CRA) has affirmed the Long-Term Issuer Rating of Nederlandse Waterschapsbank at 'AAA' the Short-term rating at ‘L1’. The rating outlook is stable.
At the same time, CRA also affirms the ratings of ‘Preferred Senior Unsecured’ debt at ‘AAA’.

Please find a complete list of rating actions regarding the bank at the end of this rating update.

## Key Rating Driver

CRA has affirmed the rating of Nederlandse Waterschapsbank N.V. and its bank capital and debt instruments as a result of its periodic monitoring process for the following reasons:

- High probability of support from the Dutch government in case of need
- Outstanding asset quality and regulatory capital figures
- Highly efficient operations but modest profitability due to public mandate
- Risks from high reliance on market funding balanced by strong capital market access due to GRE-status
- Concentrated credit portfolio with limited opportunities for diversification

## Company Overview

The Nederlandse Waterschapsbank N.V. (NWB) is the fifth largest bank in the Netherlands in terms of total assets (2021: €96bn). The bank has neither subsidiaries nor branches. NWB’s origin goes back to the year 1954. The head office is located in The Hague. Moreover, by virtue of its statutes, the bank is solely committed to lending to the Dutch public sector.

NWB’s articles of association allow exclusively Dutch public authorities to be shareholders of the bank. Currently, water authorities own 81% of the bank, with the remaining shares held by the Dutch state (17%) and provinces (2%).

NWB operates as a regulated bank of and for the Dutch public sector and serves primarily local authorities, such as water authorities as well as municipal and provincial authorities, as well as government-backed institutions. Its objective is to provide its public clients access with favorable funding terms. The bank acts principally in the areas of social housing, healthcare, education and activities related to water and the environment. Furthermore, NWB is ramping-up its activities in the area of public-private partnerships as well as government-backed export loans in the Netherlands.


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## Rating Considerations and Rationale

NWB's stand-alone credit rating captures the banks superb asset quality, its excellent capitalization and liquidity metrics, as well as mediocre levels of profitability. Due to the banks strong links with the the Dutch government, we assume a high probability of support in case of need. Thus, under our rating criteria, we classify NWB as government-related bank, which finally results in equalization of NWB's rating with that of the Dutch sovereign.

### Profitability

Overall, the fiscal year 2021 can be considered a strong year for NWB, as indicated by material leaps in operating and net profit.

Operating income grew by 41%, y-o-y growth on the back of a stronger interest result and lower losses on financial transactions.

Year-on-year, net interest income posted strong growth of 17%. Interest income (-0.4% y-o-y) showed signs of stabilization, benefitting from record amounts of lending and negative interest expense on TLTRO financing.

Net trading and securities income remained negative, however, the realized loss of €20mn was significantly lower than in 2020 (€-55mn). Last year's improvement was particularly driven by a better fair value result of restructured derivatives included in hedge accounting, which amounted to €-37mn (2020: €-50mn). Furthermore, the result from maturity extensions and early redemptions contributed another €9mn to the improved result from financial transactions.

Operating expenses amounted to €73mn in 2021 (+ 35% y-o-y), with other expenses (+68% y-o-y) explaining the bulk of the increase. Apart from higher consultancy and regulatory fees, NWB saw its bank tax payments rise to €32.3mn (2020: €20.3mn) due to a generic one-off rate, that was 50% higher than in 2020. The required payment of a resolution levy under the Bank Recovery and Resolution Directive (BRRD), which is also included in other expense, also rose by a moderate amount (€+0.4mn). Personnel costs (+8% y-o-y) were driven up by a higher headcount, as well as by index-linked negotiated wages and higher expenses for temporary staff.

Owing to its stellar asset quality - like in the previous years - NWB did not book any impairment expenses. As a result, growth in pre-impairment operating profit (43% y-oy-y) translated into pre-tax profit growth by the same magnitude and net profit jumped from €81mn (2020) to €121mn last year.

It is also worth mentioning, that NWB resumed its dividend payments last year. Responding to ECB recommendations in connection with the Covid-19 pandemic, the bank had postponed dividend payments for the years 2019 and 2020. After the expiration of the ECB recommendation, catch-up dividends for a total of € 100mn were paid in October 2021.

Favorable earnings dynamics carried over into the first half of 2022 despite disruptions in world trade and strongly rising energy prices following the Russian invasion in Ukraine. During H1-22, NWB saw its net profit climb by a healthy 18% y-o-y. This result came on the back of a rise in operating income combined with a more favorable effective tax rate than the year before. Operating income was supported by both, higher interest rates and an improving result on financial transactions. At the same time, operating expenses were up strongly (+35% y-o-y). Among others, the bank faced a higher resolution levy, increasing headcount capacities for credit analysis and ESG-integration into operational processes.

Although we observed some improvements with regard to the banks profitability metrics in 2021, profitability remains the weak link within NWB's stand-alone credit profile, Thanks to higher net income and a relatively sharp balance sheet contraction, RoA and RoE were lifted to 0.13% and 6.4%, respectively (2020: 0.08%; 4.4%). While profitability of the banks operations remains modest even at these levels, it is important to note, that profit maximization is not the primary objective of the bank. Like its Dutch peer BNG Bank N.V., NWB operates under an RoE target regime. At its core, promotional banking requires the bank to pass on its funding advantage to customers, which is why shareholders demand only a moderate return on equity of 3.7%. By contrast, NWB continues to display industry leading efficiency despite the recent headcount increase. As of 2021, the cost income ratio stood at 27.4% (2020: 28.6%).

### Asset Situation and Asset Quality

NWB's balance sheet contracted by about 10% last year. Net loans to customers – the bank's key asset – dropped from €76.5 to €70.2bn entirely driven by value adjustments for fair value hedge accounting. Meanwhile, the banks core-lending operations remained relatively stable. Net new lending (total loans granted minus redemptions) amounted to € +0.3bn, as record demand for new long-term loans (€ +12.4bn) was largely offset by higher redemptions (€ 15.5bn) and lower demand for short-term loans (€ +3.4bn). Last year, NWB saw particularly strong credit demand (+35%) from social housing associations, which account for more than 2/3 of the bank's long-term loan portfolio. In addition, water authorities (13%) and municipalities (9%) each constitute a major share of the long-term loan exposure. In view of CRA, concentration risk is tempered by extensive government guarantees provided by a sovereign with a strong credit profile, that cover most of the loan book. As of year-end 2021, about 72% NWB loans were to or guaranteed by the Dutch government.

Other financial assets, namely derivative assets, bank loans and the securities portfolio also contributed to last year's balance sheet reduction.

The relatively steep decline of derivative assets from € 5.1bn to € 3.9bn that occured in 2021, was mainly resulting from lower fair values of interest rate swaps. Against this backdrop, we note that NWB uses derivatives exclusively within its hedging policy, i.e. the bank enters into swap transactions to hedge currency and interest risk. Loans to banks were also down for the year as receivables under collateral arrangements related to derivative contracts pulled back from € 9.6bn to € 6.4bn.

Finally, the carrying value of NWB's securities portfolio, which mainly consists of unlisted public sector debt, fell from € 5.8bn to € 4.8bn. Alongside value adjustments, sales and redemptions outpaced purchases throughout the year, thereby contributing to the decline.

With regard to asset risk, NWB continues to excel across all relevant metrics. The NPL-ratio fell from an already low 0.17% close to 0% in 2021 with a reserve coverage ratio of 89%. Generally, NWB has an impeccable track-record when it comes to loan losses. During its entire history, NWB has never recorded a loan loss, leaving the 2021 fraud case out. The bank's extraordinarily low RWA-ratio of 4.8% underpins the low risk character of NWB's lending operations, where most exposures carry risk weightings of only 0-20%.

### Refinancing, Capital Quality and Liquidity

Like most promotional bank's, NWB is largely wholesale funded with debt representing about 70% of total financial liabilities. Despite its high reliance on market funding, CRA does not perceive material refinancing risk for NWB in the near term. Given its GRE-status, NWB features a well-established capital market access. The bank has access to money markets via Commercial Paper programmes in EUR and USD, as well as an active MTN-programme. Also, the bank benefits from a diversified investor base and funding mix in terms of currency. Thus, CRA believes that NWB's capital market access remains uncompromised as long as the Netherlands maintain its institutional and economic strenghts, as well as healthy public finances.

Last year, NWB issued € 8.3bn in international capital markets of which € 3.55bn were ESG bonds, making it the largest issuer of ESG bonds in the Netherlands. Meanwhile, the total outstanding volume of bank debt fell was reduced. While bond loans, which make up the bulk (91%) of the bank's total debt position, were held broadly stable € 59.5bn (2020: € 59.8bn), NWB continued to cut back on its use of short-term debt securities, replacing it with cheap TLTRO III funding. In 2021, NWB borrowed another € 1bn TLTRO funds, bringing its total volume drawn under TLTRO facilities to € 11bn. Hence, total deposits from banks, which stood at € 12.5bn last year, were almost totally attributable to the bank's TLTRO participation.

Derivative liabilities dropped by 36% y-o-y to € 10.7bn, with interest rate swaps explaining most of the decline, followed by currency swaps. Also, the bank's "funds entrusted" which comprises liabilities due to parties other than banks, including "Namensschuldverschreibungen" and "Schuldscheine" decreased by € 1bn.

What is more, NWB slightly strengthened its equity (+4%) via profit retention to about € 1.9bn, which together with the 2021 balance sheet contraction, led to an improvement in the equity to total capital ratio close to 2%.

By contrast, NWB's regulatory capital ratios deteriorated in 2021, driven by significant RWA-expansion (+21% y-o-y). RWAs were lifted by stricter capital requirements for derivatives, which entered into effect 2021, but also by an increase in lending to renewable energy projects, drinking water companies and regional network providers. It is important to mention however, that the bank's capital ratios remain at excellent levels. With reported CET1 and Tier1 ratios at 38% and 44.9% respectively, NWB easily exceeds its regulatory CET1-requirement (12.5%). Concerning the capital structure, we note that NWB has no outstanding Tier 2 instruments and it has not issued any AT1 capital since 2016.

In general, NWB's regulatory capital ratios are among the strongest within in the European banking sector, while its equity ratio is very low. This divergence can be attributed to the large variance between total assets and RWAs stemming from the business model as public sector lender.

NWB also exhibits a very healthy leverage ratio which stood at 14.3% at the end of last year (2020: 13.2%). During the pandemic, the ECB allowed banks to temporarily exclude their cash and central bank deposits from the denominator of the leverage ratio. Taking this temporary effect into account, NWB's leverage ratio was even higher at 53.2%. In general, NWB's leverage ratio benefits substantially from CRR II, which allows public development credit institutions to exclude exposures related to the financing of public sector investments from their leverage exposure.

Alongside its excellent capital cushion, NWB's ratings reflect the lender's sound liquidity profile. The bank's medium to long term funding position is robust (2021: NSFR 132.6%), moreover it holds ample amounts of HQLA, as indicated by an LCR of 184.5%.

In the first six months of 2022, NWB's LCR skyrocketed to 463%. This enormous increase was closely linked to the rising interest rate environment, which allowed NWB to hold less cash collateral with counterparties from its derivatives portfolio. At the same time, CET1- and Total Capital slightly detoriated to 36 and 42.3% respectively, entirely driven by a sustained increase in RWAs.

## Environmental, Social and Governance (ESG) Score Card

**Creditreform Bank Rating**
**Environmental, Social and Governance (ESG) Bank Score**
NWB Bank (Rooseveltplantsoen 3, 2517 KR The Hague)

Creditreform Rating

NWB Bank has one significant and two moderate ESG rating drivers

• Corporate Governance is identified as a highly significant rating driver. The relevance for the credit rating results from the impact of the Corporate Governance factor on all other ESG factors and the overall well-being of the bank. This sub-factor is rated positive due to the bank's sound track record and its role as a promoting bank, which fosters the sustainable development of the Netherlands.

• Corporate Behaviour and Green Financing / Promoting are identified as moderate rating driver. While Green Financing / Promoting is rated strongly-positive as almost 1/3 of the banks long term funding comes from sustainable bonds, Corporate behavior is rated positive due to the banks business activities in accordance with the ideas and beliefs of the society.

| ESG Bank Score |
|---|
| 3,8 / 5 |

| Score Guidance | |
|---|---|
| > 4,25 | Outstanding |
| >3,5 - 4,25 | Above-average |
| >2,5 - 3,5 | Average |
| >1,75 - 2,5 | Substandard |
| < = 1,75 | Poor |

| Factor | Sub-Factor | Consideration | Relevance Scale 2022 | Eval. |
|---|---|---|---|---|
| Environmental | 1.1 Green Financing / Promoting | The sub-factor "Green Financing/Promoting" has a moderate relevance for the credit rating, and is rated very positive in terms of the CRA ESG criteria. | 3 | (+ +) |
| | 1.2 Exposure to Environ-mental Factors | The sub-factor "Exposure to Environmental Factors" has a low relevance for the credit rating, and is rated negative in terms of the CRA ESG criteria. | 2 | ( - ) |
| | 1.3 Resource Efficiency | The sub-factor "Resource Efficiency" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria. | 1 | (+) |
| Social | 2.1 Human Capital | The sub-factor "Human Capital" has low relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria. | 2 | ( ) |
| | 2.2 Social Responsibility | The sub-factor "Social Responsibility" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria. | 1 | (+) |
| Governance | 3.1 Corporate Governance | The sub-factor "Corporate Governance" is highly relevant for the credit rating, and is rated positive in terms of the CRA ESG criteria. | 4 | (+) |
| | 3.2 Corporate Behaviour | The sub-factor "Corporate Behaviour" has a moderate relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria. | 3 | (+) |
| | 3.3 Corporate Transparency | The sub-factor "Corporate Transparency" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria. | 1 | (+) |

| ESG Relevance Scale | |
|---|---|
| 5 | Highest Relevance |
| 4 | High Relevance |
| 3 | Moderate Relevance |
| 2 | Low Relevance |
| 1 | No significant Relevance |

| ESG Evaluation Guidance | |
|---|---|
| (+ +) | Strong positive |
| (+) | Positive |
| ( ) | Neutral |
| ( - ) | Negative |
| ( - - ) | Strong negativ |

The ESG Score is based on the Methodology "Environmental, Social and Governance Score of Banken (Version 1.0)" of Creditreform Rating AG, which is available on our homepage https://creditreform-rating.de/en/about-us/regulatory-requirements.html. In addition, we refer to CRA's position paper "Consodering the Impact of ESG Factors".

## Outlook

The outlook of NWB's Long-Term Issuer Rating and its bank capital and debt instruments is 'stable'. Following robust growth in 2022, current economic forecasts predict a significant slowdown in Dutch GDP growth for 2023. Against this backdrop, we believe that the Dutch government will likely resort to higher deficit spending, including higher levels of public investment. In the same vein, measures set out in Coalition Agreement to tackle climate change as well as the shortage of social housing, should support demand for NWB loans in the medium term. So far, NWB's operations have remained unscathed by the ongoing war in Ukraine, and we do not expect a significantly negative impact in the near term. In addition, we assume a stable political and economic environment in NWB's markets of operations.

### Scenario Analysis

Best-case scenario: AAA

Worst-case scenario: AA+

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

In a scenario analysis, the bank's rating did not change in the "best case" scenario (as NWB already achieved the best possible rating) and an "AA+" rating in the "worst case" scenario. The ratings of bank capital and senior unsecured debt would behave similarly based on our rating mechanism. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general. In addition, the bank's long-term issuer rating as well as the rating of its preferred senior unsecured debt are particular sensitive to changes in the rating of the Netherlands.

An upgrade of NWB's long-term issuer credit rating and its bank capital and debt instruments is not possible, as NWB already achieved the highest possible rating.

By contrast, a downgrade of the NWB's long-term issuer credit rating and its bank capital and debt instruments is likely if we see a lower probability of support by the Dutch government. Moreover, a lasting decline of NWB's profitability and / or a reduction of the banks' capital ratios could result in a downgrade.

## CRA's rating actions at a glance

Nederlandse Waterschapsbank N.V.:

- Long-Term Issuer Rating affirmed at 'AAA', stable outlook
- Short-term rating affirmed at 'L1'
- Preferred senior unsecured debt affirmed at 'AAA'

## Ratings Detail

### Bank ratings

The bank ratings are dependent on a host of quantitative and qualitative factors. An improvement in either sub-category may result in a higher rating score.

LT Issuer / Outlook / Short-Term **AAA / stable / L1**

### Bank Capital and Debt Instruments Ratings

The ratings for bank capital and debt instruments are inter alia dependent on subordination and relative size of the instrument class, based on the long-term issuer rating of the bank.

| | |
|---|---|
| Preferred senior unsecured debt (PSU): | **AAA** |
| Non-preferred senior unsecured debt (NPS): | **-** |
| Tier 2 (T2): | **-** |
| Additional Tier 1 (AT1): | **-** |

### Rating History

Please consult our website www.creditreform-rating.de for additional information regarding the dates of publication.

Figure 1: Rating History

| Bank Issuer Rating | Rating Date | Result |
|---|---|---|
| Initialrating | 27.04.2018 | AAA / stable / L1 |
| Monitoring | 04.07.2018 | AAA / stable / L1 |
| Rating Update | 17.09.2019 | AAA / stable / L1 |
| Monitoring | 29.05.2020 | AAA / watch unknown / L1 |
| Rating Update | 06.11.2020 | AAA / stable / L1 |
| Rating Update | 27.08.2021 | AAA / stable / L1 |
| Rating Update | 15.12.2022 | AAA / stable / L1 |
| **Bank Capital and Debt Instruments** | **Rating Date** | **Result** |
| Senior Unsecured / T2 / AT1 (Initial) | 27.04.2018 | AAA / A+/ A- |
| Senior Unsecured / T2 / AT1 | 04.07.2018 | AAA / n.r. / n.r. |
| PSU | 17.09.2019 | AAA |
| PSU | 29.05.2020 | AAA (watch unknown) |

| | | |
|---|---|---|
| PSU | 06.11.2020 | AAA |
| PSU | 27.08.2021 | AAA |
| PSU | 15.12.2022 | AAA |

## Appendix

Figure 2: Group income statement[1] | Source: eValueRate / CRA

| Income Statement (EUR m) | 2021 | % | 2020 | % | 2019 | % | 2018 |
|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | |
| Net Interest Income | 286 | +17,2 | 244 | +14,6 | 213 | -9,0 | 234 |
| Net Fee & Commission Income | - | - | - | - | - | - | - |
| Net Insurance Income | - | - | - | - | - | - | - |
| Net Trading & Fair Value Income | -20 | -63,6 | -55 | +41,0 | -39 | -18,8 | -48 |
| Equity Accounted Results | - | - | - | - | - | - | - |
| Dividends from Equity Instruments | - | - | - | - | - | - | - |
| Other Income | - | - | - | - | - | - | - |
| **Operating Income** | **266** | **+40,7** | **189** | **+8,6** | **174** | **-6,5** | **186** |
| **Expense** | | | | | | | |
| Depreciation and Amortisation | 3 | +0,0 | 3 | +50,0 | 2 | +0,0 | 2 |
| Personnel Expense | 13 | +8,3 | 12 | +0,0 | 12 | +20,0 | 10 |
| Tech & Communications Expense | - | - | 5 | +25,0 | 4 | +33,3 | 3 |
| Marketing and Promotion Expense | - | - | - | - | - | - | - |
| Other Provisions | - | - | - | - | - | - | - |
| Other Expense | 57 | +67,6 | 34 | +9,7 | 31 | -8,8 | 34 |
| **Operating Expense** | **73** | **+35,2** | **54** | **+10,2** | **49** | **+0,0** | **49** |
| **Operating Profit & Impairment** | | | | | | | |
| **Operating Profit** | **193** | **+43,0** | **135** | **+8,0** | **125** | **-8,8** | **137** |
| Cost of Risk / Impairment | - | - | - | - | - | - | - |
| **Net Income** | | | | | | | |
| Non-Recurring Income | - | - | - | - | 11 | - | - |
| Non-Recurring Expense | - | - | - | - | - | - | - |
| **Pre-tax Profit** | **193** | **+43,0** | **135** | **-0,7** | **136** | **-0,7** | **137** |
| Income Tax Expense | 72 | +33,3 | 54 | +31,7 | 41 | +10,8 | 37 |
| Discontinued Operations | - | - | - | - | - | - | - |
| **Net Profit** | **121** | **+49,4** | **81** | **-14,7** | **95** | **-5,0** | **100** |
| Attributable to minority interest (non-controlling interest) | - | - | - | - | - | - | - |
| Attributable to owners of the parent | - | - | - | - | - | - | - |

Figure 3: Group key earnings figures| Source: eValueRate / CRA

| Income Ratios (%) | 2021 | % | 2020 | % | 2019 | % | 2018 |
|---|---|---|---|---|---|---|---|
| Cost Income Ratio (CIR) | 27,44 | -1,13 | 28,57 | +0,41 | 28,16 | +1,82 | 26,34 |
| Cost Income Ratio ex. Trading (CIRex) | 25,52 | +3,39 | 22,13 | -0,87 | 23,00 | +2,06 | 20,94 |
| Return on Assets (ROA) | 0,13 | +0,05 | 0,08 | -0,02 | 0,10 | -0,02 | 0,12 |
| Return on Equity (ROE) | 6,36 | +1,93 | 4,43 | -0,86 | 5,29 | -0,50 | 5,79 |
| Return on Assets before Taxes (ROAbT) | 0,20 | +0,07 | 0,13 | -0,02 | 0,14 | -0,02 | 0,16 |
| Return on Equity before Taxes (ROEbT) | 10,15 | +2,76 | 7,39 | -0,18 | 7,57 | -0,37 | 7,94 |
| Return on Risk-Weighted Assets (RORWA) | 2,61 | +0,49 | 2,11 | -0,79 | 2,90 | -0,91 | 3,81 |
| Return on Risk-Weighted Assets before Taxes (RORWAbT) | 4,16 | +0,64 | 3,52 | -0,63 | 4,15 | -1,06 | 5,22 |
| Net Financial Margin (NFM) | 0,28 | +0,10 | 0,18 | -0,00 | 0,18 | -0,04 | 0,22 |
| Pre-Impairment Operating Profit / Assets | 0,20 | +0,07 | 0,13 | -0,00 | 0,13 | -0,03 | 0,16 |
| Cost of Funds (COF) | 1,25 | +0,08 | 1,17 | -0,20 | 1,37 | -0,26 | 1,63 |
| Customer Interest Spread (CIS) | - | - | - | - | - | - | - |
| Basic EPS | - | - | - | - | - | - | - |
| Dividend Payout Ratio | 41,20 | -14,70 | 55,90 | -2,30 | 58,20 | +38,10 | 20,10 |
| Dividends declared per ordinary Share | 847,60 | +84,70 | 762,90 | -169,50 | 932,40 | +593,40 | 339,00 |
| Change in %-Points | | | | | | | |

[1] Data by our data provider eValueRate, which is standardized for analytical reasons. Thus, the used data and the resulting figures do not have necessary to match the presentation of the bank, which refers to this and all subsequent tables and figures.

Figure 4: Development of assets| Source: eValueRate / CRA

| Assets (EUR m) | 2021 | % | 2020 | % | 2019 | % | 2018 |
|---|---|---|---|---|---|---|---|
| Cash and Balances with Central Banks | 10.628 | +7,8 | 9.857 | +18,9 | 8.290 | -19,0 | 10.237 |
| Net Loans to Banks | 6.421 | -33,0 | 9.577 | +18,6 | 8.075 | +75,9 | 4.590 |
| Net Loans to Customers | 70.250 | -8,2 | 76.562 | +9,4 | 69.963 | +13,9 | 61.405 |
| thereof: Gross Loans to Customers | 70.251 | -8,2 | 76.563 | - | - | - | - |
| thereof: Reserve on Loans to Customers | 1 | +38,7 | 1 | - | - | - | - |
| Total Securities | 4.760 | -17,6 | 5.779 | +22,7 | 4.711 | +43,1 | 3.291 |
| thereof: Total Debt Instruments | - | - | - | - | - | - | - |
| thereof: Total Equity Instruments | - | - | - | - | - | - | - |
| Total Derivative Assets | 3.926 | -22,5 | 5.064 | -1,2 | 5.125 | +23,1 | 4.163 |
| Other Financial Assets | - | - | - | - | - | - | - |
| **Financial Assets** | **95.985** | **-10,2** | **106.839** | **+11,1** | **96.164** | **+14,9** | **83.686** |
| Equity Accounted Investments | - | - | - | - | - | - | - |
| Other Investments | - | - | - | - | - | - | - |
| Insurance Assets | - | - | - | - | - | - | - |
| Non-current Assets & Discontinued Ops | - | - | - | - | - | - | - |
| Tangible and Intangible Assets | 10 | -9,1 | 11 | +10,0 | 10 | +25,0 | 8 |
| Tax Assets | - | - | - | - | 12 | +50,0 | 8 |
| Total Other Assets | 24 | -25,0 | 32 | +68,4 | 19 | +46,2 | 13 |
| **Total Assets** | **96.019** | **-10,2** | **106.882** | **+11,1** | **96.205** | **+14,9** | **83.715** |

Figure 5: Development of asset quality| Source: eValueRate / CRA

| Asset Ratios (%) | 2021 | % | 2020 | % | 2019 | % | 2018 |
|---|---|---|---|---|---|---|---|
| Net Loans/ Assets | 73,16 | +1,53 | 71,63 | -1,09 | 72,72 | -0,63 | 73,35 |
| Risk-weighted Assets/ Assets | 4,83 | +1,25 | 3,59 | +0,18 | 3,41 | +0,27 | 3,14 |
| NPLs*/ Net Loans to Customers | 0,00 | -0,17 | 0,17 | - | - | - | - |
| NPLs*/ Risk-weighted Assets | 0,03 | -3,42 | 3,45 | - | - | - | - |
| Potential Problem Loans**/ Net Loans to Customers | 0,00 | +0,00 | 0,00 | +0,00 | 0,00 | -0,01 | 0,01 |
| Reserves/ NPLs* | 88,89 | +88,32 | 0,57 | - | - | - | - |
| Reserves/ Net Loans | 0,00 | +0,00 | 0,00 | - | - | - | - |
| Cost of Risk/ Net Loans | - | - | - | - | - | - | - |
| Cost of Risk/ Risk-weighted Assets | - | - | - | - | - | - | - |
| Cost of Risk/ Total Assets | 0,00 | +0,00 | 0,00 | | 0,00 | | 0,00 |
| Change in %-Points | | | | | | | |

* NPLs are represented by Stage 3 Loans where available.
** Potential Problem Loans are Stage 2 Loans where available

Figure 6: Development of refinancing and capital adequacy| Source: eValueRate / CRA

| Liabilities (EUR m) | 2021 | % | 2020 | % | 2019 | % | 2018 |
|---|---|---|---|---|---|---|---|
| Total Deposits from Banks | 12.513 | +8,9 | 11.493 | > +100 | 1.646 | +8,1 | 1.523 |
| Total Deposits from Customers | - | - | - | - | - | - | - |
| Total Debt | 65.424 | -7,7 | 70.870 | -3,7 | 73.615 | +10,5 | 66.626 |
| thereof: Senior Debt | - | - | - | - | - | - | - |
| thereof: Subordinated Debt | 326 | +0,0 | 326 | +0,0 | 326 | +0,0 | 326 |
| Derivative Liabilities | 10.741 | -36,0 | 16.794 | +36,6 | 12.298 | +69,6 | 7.252 |
| Securities Sold, not yet Purchased | - | - | - | - | - | - | - |
| Other Financial Liabilities | 5.335 | -7,6 | 5.776 | -15,1 | 6.802 | +4,2 | 6.528 |
| **Total Financial Liabilities** | **94.013** | **-10,4** | **104.933** | **+11,2** | **94.361** | **+15,2** | **81.929** |
| Insurance Liabilities | - | - | - | - | - | - | - |
| Non-current Liabilities & Discontinued Ops | - | - | - | - | - | - | - |
| Tax Liabilities | 31 | > +100 | 11 | - | - | - | - |
| Provisions | 15 | -11,8 | 17 | -29,2 | 24 | -11,1 | 27 |
| Total Other Liabilities | 58 | -38,3 | 94 | > +100 | 24 | -27,3 | 33 |
| **Total Liabilities** | **94.117** | **-10,4** | **105.055** | **+11,3** | **94.409** | **+15,1** | **81.989** |
| **Total Equity** | **1.902** | **+4,1** | **1.827** | **+1,7** | **1.796** | **+4,1** | **1.726** |
| **Total Liabilities and Equity** | **96.019** | **-10,2** | **106.882** | **+11,1** | **96.205** | **+14,9** | **83.715** |

Figure 7: Development of capital ratios | Source: eValueRate / CRA

| Capital Ratios and Liquidity (%) | 2021 | % | 2020 | % | 2019 | % | 2018 |
|---|---|---|---|---|---|---|---|
| Total Equity/ Total Assets | 1,98 | +0,27 | 1,71 | -0,16 | 1,87 | -0,19 | 2,06 |
| Leverage Ratio | 14,30 | +1,10 | 13,20 | -2,20 | 15,40 | +12,80 | 2,60 |
| Common Equity Tier 1 Ratio (CET1)* | 37,97 | -7,14 | 45,11 | -6,49 | 51,60 | - | - |
| Tier 1 Ratio (CET1 + AT1)* | 44,87 | -8,60 | 53,47 | -7,93 | 61,40 | - | - |
| Total Capital Ratio (CET1 + AT1 + T2)* | 44,87 | -8,60 | 53,47 | -7,93 | 61,40 | - | - |
| SREP/ CET1 Minimum Capital Requirements | 8,50 | -1,75 | 10,25 | -2,50 | 12,75 | +3,50 | 9,25 |
| MREL / TLAC Ratio | - | - | - | - | - | - | - |
| Net Loans/ Deposits (LTD) | - | - | - | - | - | - | - |
| Net Stable Funding Ratio (NSFR) | 132,63 | +1,22 | 131,41 | +13,41 | 118,00 | -11,00 | 129,00 |
| Liquidity Coverage Ratio (LCR) | 184,50 | +34,36 | 150,14 | -53,86 | 204,00 | -18,00 | 222,00 |
| Change in %-Points | | | | | | | |

* Fully-loaded where available

### Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third party for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating. The following scheme clarifies the level of participation of the rated entity (rating object):

| Unsolicited Credit Rating | |
|---|---|
| With Rated Entity or Related Third Party Participation | No |
| With Access to Internal Documents | No |
| With Access to Management | No |

The rating is based on publicly available information and internal evaluation methods for the rated bank. The quantitative analysis is based mainly on the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by eValueRate / CRA.

The information and documents processed met the requirements of the rating system of Creditreform Rating AG as published on the website www.creditreform-rating.de. The rating was carried out on the basis of the rating methodology for bank ratings (v3.1), the methodology for the rating of bank capital and unsecured debt instruments (v2.1), the methodology for the rating of Government-Related Banks (v2.0) as well as the rating methodology for Environmental, Social and Governance Score for Banks (v1.0) in conjunction with Creditreform's basic document Rating Criteria and Definitions (v1.3).

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document Rating Criteria and Definitions (v1.3) are published on our homepage:

https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html

On 15 December 2022, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to Nederlandse Waterschapsbank N.V., and the preliminary rating report was made available to the bank. There was no change in the rating score.

The rating is valid until withdrawal and is subject to monitoring from the rating date (see cover page). The rating will be comprehensively reviewed at least once every year. Within this period, the rating can be updated.

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. Rating Endorsement Status:

The rating of Nederlandse Waterschapsbank N.V. was not endorsed by Creditreform Rating AG from a third country as defined in Article 4 (3) of the CRA-Regulation**.**

### Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks.

In case of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

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The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our policy "Rating Committee," all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, CRA has used following substantially material sources:

1. Aggregated data base by eValueRate
2. Annual Report and interim reports
3. Investors relations information and other publications
4. Website of the rated bank
5. Public and internal market analyses
6. Internet research

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.

Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

The "Basic data" information card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In case where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating and indicates how the different methodologies or these other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings as well as best-case scenario credit ratings are explained in mentioned methodologies and / or in the credit rating report.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the rating report or in the "Basic data" card as a "Rating action"; first release is indicated as "initial rating", other updates are indicated as an "update", "upgrade or downgrade", "not rated", "confirmed", "selective default" or "default".

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