Creditreform Bank Rating
Nederlandse Waterschapsbank N.V.

Creditreform Rating

Rating Object	Rating Information
Nederlandse Waterschapsbank N.V. Creditreform ID: 446061	Long Term Issuer Rating / Outlook: **AAA / stable** Short Term: **L1** Type: Update / Unsolicited
Rating Date: **16 August 2023** Monitoring until: withdrawal of the rating Rating Methodology: CRA "Bank Ratings v.3.2" CRA "Rating of Bank Capital and Unsecured Debt Instruments v.2.1" CRA "Government-Related Banks v.2.1" CRA "Environmental, Social and Governance Score for Banks v.1.0" CRA "Rating Criteria and Definitions v.1.3" Rating History: www.creditreform-rating.de	Rating of Bank Capital and Unsecured Debt Instruments: Preferred Senior Unsecured (PSU): AAA Non-Preferred Senior Unsecured (NPS): - Tier 2 (T2): - Additional Tier 1 (AT1): -

Rating Action

Creditreform Rating affirms Nederlandse Waterschapsbank's Long-Term Issuer Rating at AAA (Outlook: stable)

Creditreform Rating (CRA) affirms Nederlandse Waterschapsbank's Long-Term Issuer Rating at AAA. The rating outlook is stable.

CRA affirms Nederlandse Waterschapsbank's Preferred Senior Unsecured Debt at AAA.

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

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Key Rating Drivers

- High probability of extraordinary 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

Quantitative:	Very Good
Earnings	Satisfactory
Assets	Good
Capital	Very Good
Liquidity	Very Good
Qualitative:	Very Good

Executive Summary

Rating Action: The Long-Term Issuer Rating of Nederlandse Waterschapsbank N.V. is affirmed at AAA. The rating outlook is stable. The rating of Preferred Senior Unsecured Debt is affirmed in line with with the LT Issuer Rating.

Thanks to moderate growth in operating income coupled with lower bank- and income tax payments, Nederlandse Waterschapsbank managed to increase its net income materially in 2022. The overall level of profitability remains satisfactory, as profit maximization is not the primary objective of the bank. As a promotional bank, NWB's business purpose is to pass on its funding advantage to customers, thereby providing the public sector with low cost funds.

The bank's rating continues to reflect excellent asset quality metrics as well as capital and liquidity buffers that surpass the regulatory requirements by a wide margin.

The decisive factor for the rating is the high probability of support we assume from the Kingdom of the Netherlands. Creditreform Rating therefore adjusts the Long-Term Issuer Rating to the rating of The Kingdom of the Netherlands (AAA (stable) as of 19 May, 2023).

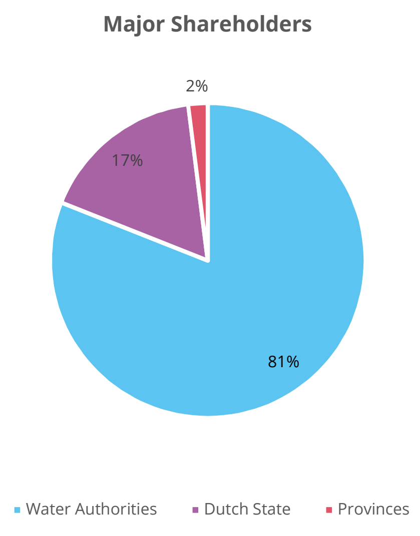
Company Overview

The Nederlandse Waterschapsbank N.V. (hereinafter: NWB) is the fifth largest bank in the Netherlands in terms of total assets (2022: EUR 73.3bn). The bank has neither subsidiaries nor branches. NWB's origin goes back to the year 1954. The head office is located in The Hague. By virtue of its statutes, the bank is solely committed to lending to the Dutch public sector.

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.

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

Chart 1: Major shareholders of NWB | Source: NWB Investor Presentation



Creditreform Rating examines the extent to which a bank is government related. As a result, Creditreform Rating comes to the conclusion that in the case of NWB's Long-Term Issuer Rating, there is a strong connection between NWB and the Dutch state. This enables additional notching, which finally leads to an equavalization of NWB's ratings with that of the Kingdom of the Netherlands.

While the Dutch government does not explicitly guarantee NWB's financial obligations, we assume a high probability of support in case of need due to the bank's policy mandate and its key role in funding the broader public sector including, social housing assosciations, municipalities and healthcare institutions. With BNG N.V. there is only one alternative bank that extends low cost funds to the public sector and the vast majority of NWB loans are covered by government guarantees, providing a further incentive to support the bank in our view. Our support assumption is further underpinned by the ownership structure of the bank. The Dutch state and other public legal entities (water authorities and provinces) hold 100% in NWB's share capital.

Business Development

Profitability

NWB posted a strong result for the fiscal year 2022, as indicated by a robust increase in net income.

Operating income grew by 2.3%, yoy entirely driven by improving net interest income. Year-on-year, net interest income improved to EUR 302mn (+5.6% yoy), benefitting from record amounts of lending and negative interest expense on TLTRO financing.

By contrast, net trading and securities income remained negative and the realized loss widened from EUR -20mn to -30mn. Last year's deterioration was particularly a result of unfavorable changes in counterparty credit risk, which amounted to EUR -17.6mn (2021: EUR -0.1mn). Furthermore, the hedge accounting result contributed another EUR 1.2mn to the weaker result from financial transactions.

Despite the high inflation environment, operating expenses remained flat at EUR 73mn in 2022. While personnel costs expanded strongly (+30.8% yoy) driven by a higher headcount, index-linked negotiated wages and higher expenses for temporary staff, other expenses provided some budgetary relief. Above all, NWB's bank tax payments, which are included in other expenses, fell from 32.3mn in 2021 to 18.6mn last year. In 2021, a generic one-off 50% higher rate had weighed on the bank's operating expenses.

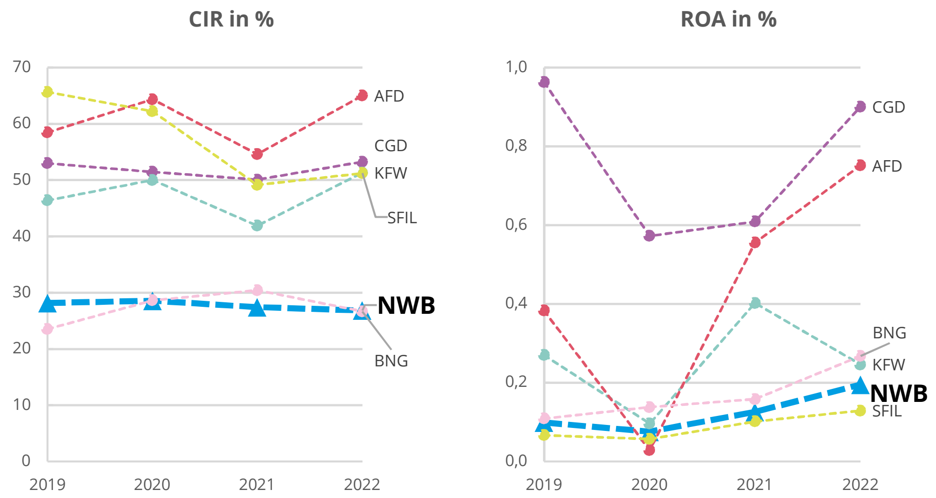
Thanks to its stellar asset quality - like in the previous years - NWB did not book any impairment expenses. As a result, growth in pre-impairment operating profit (3.1% yoy) translated into pre-tax profit growth by the same magnitude. However, the increase in net profit from EUR 121mn to EUR 143mn was significantly higher (+18.2% yoy) due to a more favorable tax treatement than in the previous year. In 2022, NWB's leverage ratio exceeded 9%, as result there were no tax charges on account of the so called thin cap rule.

In April 2023, NWB has declared to distribute EUR 60mn to shareholders. In 2022, the lender paid out EUR 50mn in dividends. Given the bank's capital buffers and profit generation we consider NWB's distribution policy as conservative.

Although we observed improvements with regard to the banks profitability metrics in 2022, 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 0.2% and 7.2%, respectively (2021: 0.1%; 6.4%). While underlying 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 2022, the cost income ratio (CIR) slightly improved to 26.8% (2020: 27.4%)

We note that NWB's CIR compares very favourably with international peers and is on par with its domestic peer BNG Bank. On the other hand, profitability as measured by return on assets has somewhat trailed that of BNG Bank and most international peers in recent years. On a positive note, however, NWB's RoA performance has been less volatile than that of most other government related banks.

Chart 2: CIR and RoA in comparison to the peer Group | Source: eValueRate / CRA



Looking ahead, we anticipate lower net income in the fiscal year 2023 as tailwinds to operating income from TLTRO participation are no longer given.

Asset Situation and Asset Quality

NWB's balance sheet contracted by almost 24% last year. Apart from derivatives, that benefitted from value appreciation of interest rate swaps in light of higher market rates, all key asset items contributed to the decline. In general, we note that the bank exclusively enters into derivative contracts for hedging purposes (i.e. currency and interest risk).

On the flip side, interest rate developments reduced the carrying value of NWB's securities portfolio. Although purchases slightly outpaced sales and redemptions throughout the year, the portfolio's value, which mainly consists of unlisted public sector debt, fell from EUR 4.8bn to EUR 4.3bn due to negative value adjustments. Moreover, net loans to banks – mainly consisting of collateral held under collateral arrangements related to derivative contracts as well as the cash position were also significantly lower than in 2021.

Net loans to customers – the bank's key asset – dropped from EUR 70.3 to EUR 51.4bn mostly on the back of value adjustments for fair value hedge accounting. Although to a lesser extent, the banks core-lending operations also contributed to the decline in net loans. Net new lending (total loans granted minus redemptions) was slightly negative as demand for new short- and long-term loans (EUR +11.6bn) was more than offset by higher redemptions (EUR 11.8bn).

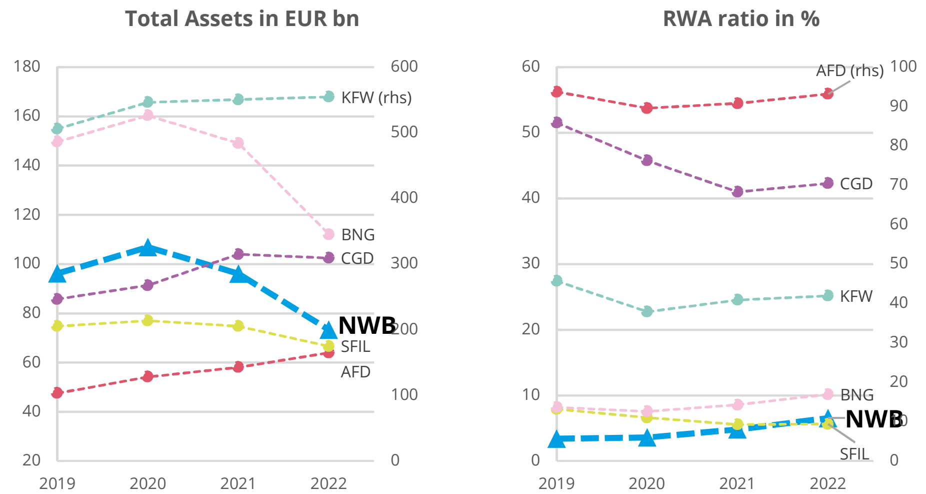
Against the backdrop of a rising rate environment, NWB saw moderating credit demand across its key customers last year. New lending to social housing associations, which account for about 2/3 of the bank's loan portfolio, dropped by 18% yoy. The bank also provided less credit than in the previous year to water authorities and municipalities, which make up for 15% and 14% of the loan portfolio.

In view of CRA, NWB's business model as a public sector lender comes with elevated concentration risk. However, we believe extensive government guarantees provided by a sovereign with a strong credit profile acts as a risk mitigant. As of year-end 2022, NWB's loans were almost completely to or guaranteed by the Dutch government.

With regard to asset risk, NWB continues to excel across most relevant metrics. The bank reported nil NPLs and cost of risk in 2022. 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 aside the 2021 fraud case. The bank's RWA increased moderately last year (+3.2% yoy), mainly stemming from the adaptation of the standardized approach, which required a higher capital backing for counterparty credit risk including derivatives. Despite this increase we note that the lender's RWA ratio remained at an extraordinarily low 6.8% in 2022, underpinning the low risk nature of NWB's lending operations, where most exposures carry risk weightings of only 0-20%.

Comparing the size of NWB's balance sheet with a broader set of national and international government related banks, the Dutch promotional bank (2022: EUR 73.2bn) is similar in size to French SFIl and AFD. In the Netherlands, however, it is clearly exceeded in terms of size by BNG, which had a balance sheet total of EUR 112.1bn last year. With regard to RWA ratios, only SFIl (2022: 5.6%) scores higher than NWB.

Chart 3: Total assets and RWA ratios in comparison to the peer Group | Source: eValueRate / CRA



Refinancing, Capital Quality and Liquidity

Like most promotional bank's, NWB is largely wholesale funded with debt representing more than 80% of total financial liabilities. Despite the lender's high dependence on market funding, CRA does not perceive material refinancing risk for NWB in the near term. Given its GRE-status, NWB displays 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 an internationally diversified investor base. 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 EUR 10.9bn (2021: EUR 8bn) in international capital markets of which EUR 4.7bn were ESG bonds, making it the largest issuer of ESG bonds in the Netherlands. While the outstanding volumes of of bond loans, which make up the bulk of the bank's total debt position, were slightly higher than in 2021, the overall carrying amount of the bank's total debt position was significantly lowered by value adjustments for fair value hedge accounting.

What is more, NWB redeemed its TLTRO III funds in the amount of EUR 11bn funds entirely in November 2022. Hence, total deposits from banks – which was almost totally attributable to the bank's TLTRO participation - fell sharply from 12.5bn to only EUR 1.6bn at the end of last year. Derivative liabilities dropped by more than 50% yoy to EUR 5.1bn, with interest rate swaps explaining most of the decline, followed by currency swaps.

We note that NWB continued to strengthen its equity via profit retention to about EUR 2bn. Together with the lower balance sheet total, this led to a notable improvement in the equity to total assets ratio to 2.7% (2021: 2.0%).

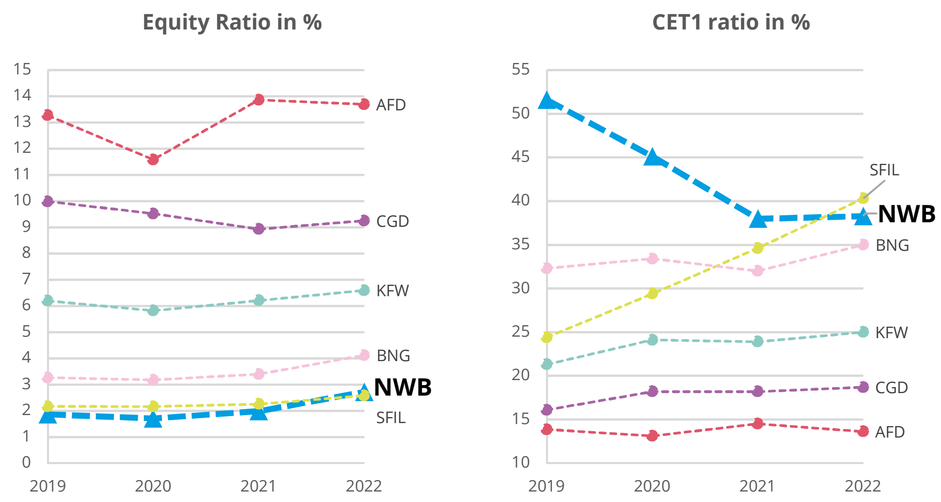
Commensurate with the build-up of balance sheet equity, NWB's regulatory capital ratios further improved from already excellent levels. With reported CET1 and Tier1 ratios of 38.3% and 45% respectively, NWB easily exceeds its regulatory capital requirements, leaving the bank with extraordinary high capital buffers. As of year-end 2022, NWB had to comply with a CET1 ratio of 8.21% including a countercyclical capital buffer of 0.08% and a pillar 2 requirement of 1.13%. Minimum requirements for Tier1 and Total Capital stood at 10.08 and 12.58% of RWAs, respectively. 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 compared with other European government related banks, while its equity ratio is comparably low. This divergence can be attributed to the large variance between total assets and RWAs.

NWBs leverage ratio, which had temporarily exceeded 53% in 2021 normalized to a still very strong 18.9% in 2022. In order to provide some relief during the Covid-19 pandemic, the ECB had allowed banks to exclude certain central bank exposures from their leverage exposure. In March 2022, this temporary exemption expired, explaining the steep drop in NWB's leverage ratio. That being said, NWB's leverage ratio continues to benefit 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 strong capital cushion, NWB's rating continues to reflect the lender's excellent liquidity profile. The bank's medium to long term funding position is robust (2022: NSFR 140.6%), moreover it holds ample amounts of HQLA, as indicated by an LCR of 417.4%. Going forward, we expect the LCR remain strong, but to moderate somewhat. Due to rising market interest rates that require the bank to hold less cash collateral with its counterparties for its derivatives portfolio, the current liquidity position appears somewhat inflated.

Chart 4: Equity ratio and CET1 ratio of NWB in comparison to the peer Group | Source: eValueRate / CRA



Due to NWB's bank capital and debt structure and its affiliation to the Dutch state, the Group's Preferred Senior Unsecured Debt instruments are not notched down in comparison to the Long-Term Issuer Rating.

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 more than 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 the Long-Term Issuer Rating of NWB is stable. In the medium term, CRA expects NWB to retain its key credit strengths, in particular superb asset quality and capitalisation, as well as sound liquidity buffers. Profitability should remain modest, commensurate with the NWB's business model as a promotional bank. Most importantly, we do not expect the bank's close ties with the Dutch government to weaken that underpin our government support assessment.

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.

Scenario Analysis

In a scenario analysis, the bank is able to reach a Long-Term Issuer Rating of AAA in the "Best-Case-Scenario" and a Long-Term Issuer Rating of AA+ in the "Worst-Case-Scenario". The ratings of Bank Capital and Senior Unsecured Debt would respond similarly based on our rating methodology. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general.

An upgrade of NWB's Long-Term Issuer Rating and the ratings of Bank Capital and Senior Unsecured Debt is not possible, as NWB already achieved the highest possible rating.

By contrast, a downgrade of NWB's Long-Term Issuer Rating and the ratings of Bank Capital and Senior Unsecured Debt is highly likely if we see a downgrade of Dutch sovereign rating or a lower probability of support by the Dutch government. Moreover, a lasting and significant decline of NWB's profitability, weakening asset quality and / or a reduction of the banks' capital ratios could also result in a downgrade.

Appendix

Bank ratings Nederlandse Waterschapsbank N.V.

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.

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

Bank Capital and Debt Instruments Ratings Nederlandse Waterschapsbank N.V.

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 (PSU):	**AAA**
Non-Preferred Senior Unsecured (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
Rating Update	16.08.2023	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
PSU	16.08.2023	AAA

Tables Group (if applicable)

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

Income Statement (EUR m)	2022	%	2021	2020	2019
Income					
Net Interest Income	302	+5,6	286	244	213
Net Fee & Commission Income	-	-	-	-	-
Net Insurance Income	-	-	-	-	-
Net Trading & Fair Value Income	-30	+50,0	-20	-55	-39
Equity Accounted Results	-	-	-	-	-
Dividends from Equity Instruments	-	-	-	-	-
Other Income	-	-	-	-	-
Operating Income	**272**	**+2,3**	**266**	**189**	**174**
Expense					
Depreciation and Amortisation	4	+33,3	3	3	2
Personnel Expense	17	+30,8	13	12	12
Tech & Communications Expense	-	-	-	5	4
Marketing and Promotion Expense	-	-	-	-	-
Other Provisions	-	-	-	-	-
Other Expense	52	-8,8	57	34	31
Operating Expense	**73**	**+0,0**	**73**	**54**	**49**
Operating Profit & Impairment					
Operating Profit	**199**	**+3,1**	**193**	**135**	**125**
Cost of Risk / Impairment	-	-	-	-	-
Net Income					
Non-Recurring Income	-	-	-	-	11
Non-Recurring Expense	-	-	-	-	-
Pre-tax Profit	**199**	**+3,1**	**193**	**135**	**136**
Income Tax Expense	56	-22,2	72	54	41
Discontinued Operations	-	-	-	-	-
Net Profit	**143**	**+18,2**	**121**	**81**	**95**
Attributable to minority interest (non-controlling interest)	-	-	-	-	-
Attributable to owners of the parent	-	-	-	-	-

Figure 3: Key earnings figures| Source: eValueRate / CRA and Pillar III

Income Ratios (%)	2022	%	2021	2020	2019
Cost Income Ratio (CIR)	26,84	-0,61	27,44	28,57	28,16
Cost Income Ratio ex. Trading (CIRex)	24,17	-1,35	25,52	22,13	23,00
Return on Assets (ROA)	0,20	+0,07	0,13	0,08	0,10
Return on Equity (ROE)	7,17	+0,81	6,36	4,43	5,29
Return on Assets before Taxes (ROAbT)	0,27	+0,07	0,20	0,13	0,14
Return on Equity before Taxes (ROEbT)	9,97	-0,17	10,15	7,39	7,57
Return on Risk-Weighted Assets (RORWA)	2,98	+0,38	2,61	2,11	2,90
Return on Risk-Weighted Assets before Taxes (RORWAbT)	4,15	-0,00	4,16	3,52	4,15
Net Financial Margin (NFM)	0,37	+0,09	0,28	0,18	0,18
Pre-Impairment Operating Profit / Assets	0,27	+0,07	0,20	0,13	0,13

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)	2022	%	2021	2020	2019
Cash and Balances with Central Banks	8.617	-18,9	10.628	9.857	8.290
Net Loans to Banks	3.606	-43,8	6.421	9.577	8.075
Net Loans to Customers	51.437	-26,8	70.250	76.562	69.963
Total Securities	4.312	-9,4	4.760	5.779	4.711
Total Derivative Assets	5.245	+33,6	3.926	5.064	5.125
Other Financial Assets	-	-	-	-	-
Financial Assets	**73.217**	**-23,7**	**95.985**	**106.839**	**96.164**
Equity Accounted Investments	-	-	-	-	-
Other Investments	-	-	-	-	-
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	-	-	-	-	-
Tangible and Intangible Assets	14	+40,0	10	11	10
Tax Assets	-	-	-	-	12
Total Other Assets	54	> +100	24	32	19
Total Assets	**73.285**	**-23,7**	**96.019**	**106.882**	**96.205**

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

Asset Ratios (%)	2022	%	2021	2020	2019
Net Loans to Customers / Assets	70,19	-2,97	73,16	71,63	72,72
Risk-weighted Assets[1] / Assets	6,54	+1,70	4,83	3,59	0,00
NPL[2]/ Loans to Customers[3]	0,00	+0,00	0,00	0,00	-
NPL[2]/ Risk-weighted Assets[1]	0,00	+0,00	0,00	0,00	0,00
Potential Problem Loans[4]/ Loans to Customers[3]	0,40	-0,79	1,19	0,00	-
Reserves[5]/ NPL[2]	-	-	-	-	-
Cost of Risk / Loans to Customers[3]	0,00	+0,00	0,00	0,00	-
Cost of Risk / Risk-weighted Assets[1]	0,00	+0,00	0,00	0,00	0,00
Cost of Risk / Total Assets	0,00	+0,00	0,00	0,00	0,00

Change in %-Points

1 RWA: Pillar 3, EU CR1
2 NPL: Gross; Non-Performing Loans of the categories Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1
3 Loans to Customers: Gross; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1
4 Potential Problem Loans: Stage 2; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1
5 Reserves: Impairment & Provisions and Collateral & Guarantees; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

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

Liabilities (EUR m)	2022	%	2021	2020	2019
Total Deposits from Banks	1.651	-86,8	12.513	11.493	1.646
Total Deposits from Customers	0	-	0	0	0
Total Debt	58.317	-10,9	65.424	70.870	73.615
Derivative Liabilities	5.075	-52,8	10.741	16.794	12.298
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	6.173	+15,7	5.335	5.776	6.802
Total Financial Liabilities	**71.216**	**-24,2**	**94.013**	**104.933**	**94.361**
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	-	-	-	-	-
Tax Liabilities	7	-77,4	31	11	-
Provisions	13	-13,3	15	17	24
Total Other Liabilities	54	-6,9	58	94	24
Total Liabilities	**71.290**	**-24,3**	**94.117**	**105.055**	**94.409**
Total Equity	**1.995**	**+4,9**	**1.902**	**1.827**	**1.796**
Total Liabilities and Equity	**73.285**	**-23,7**	**96.019**	**106.882**	**96.205**

Figure 7: Development of capital and liquidity ratios | Source: eValueRate / CRA and Pillar III

Capital Ratios and Liquidity (%)	2022	%	2021	2020	2019
Total Equity / Total Assets	2,72	+0,74	1,98	1,71	1,87
Leverage Ratio[1]	18,86	-34,32	53,18	2,43	2,34
Common Equity Tier 1 Ratio (CET1)[2]	38,29	+0,32	37,97	45,11	51,60
Tier 1 Ratio (CET1 + AT1)[2]	44,97	+0,10	44,87	53,47	61,37
Total Capital Ratio (CET1 + AT1 + T2)[2]	44,97	+0,10	44,87	53,47	61,37
CET1 Minimum Capital Requirements[1]	8,21	-0,06	8,27	8,27	8,27
Net Stable Funding Ratio (NSFR)[1]	140,59	+7,96	132,63	131,41	118,00
Liquidity Coverage Ratio (LCR)[1]	417,41	+202,5	214,94	154,59	204,00

Change in %-Points

1 Pillar 3 EU KM1
2 Regulatory Capital Ratios: Pillar 3 EU KM1

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 table 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 following methodologies and Rating Criteria and Definitions (v1.3):

- Bank ratings (v3.2)
- Rating of bank capital and unsecured debt instruments (v2.1)
- Government-Related Banks (v2.1)
- Environmental, Social and Governance Score for Banks (v1.0)

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

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

On 16 August 2023, 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.

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. Ich

Rules on the Presentation of Credit Ratings and Rating Outlooks

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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