

Rating Object	Rating Information			
Nederlandse Waterschapsbank N.V. (Group) Creditreform ID: 446061 Incorporation: 1954 (Main-) Industry: Banks Management: Lidwin van Velden (CEO) Melchior de Bruijne (CFO)	Long Term Issuer Rating / Outlook:	Short Term:	Type:	
	AAA / stable	L1	Update unsolicited	
	Rating of Bank Capital and Unsecured Debt Instruments:			
	Preferred Senior Unsecured:	Non-Preferred Senior Unsecured:	Tier 2:	Additional Tier 1:
	AAA	-	-	-
	Rating Date:	06 November 2020		
	Monitoring until:	withdrawal of the rating		
	Rating Methodology:	CRA "Bank Ratings v.2.0" CRA "Rating of Bank Capital and Unsecured Debt Instruments v.2.0" CRA "Government-Related Banks v.2.0" 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		

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Key Rating Driver

Strengths

- + High probability of support by the Dutch Government
- + One of the major lenders to the Dutch public sector
- + Outstanding asset quality with no loan defaults to date
- + Remarkable capital ratios
- + Stabilization and continuity through public shareholder
- + Adequate earnings figures

Weaknesses

- Credit concentration due to the relationship to public authorities in the Netherlands
- Limited possibilities for diversification
- Low interest margin

Opportunities / Threats

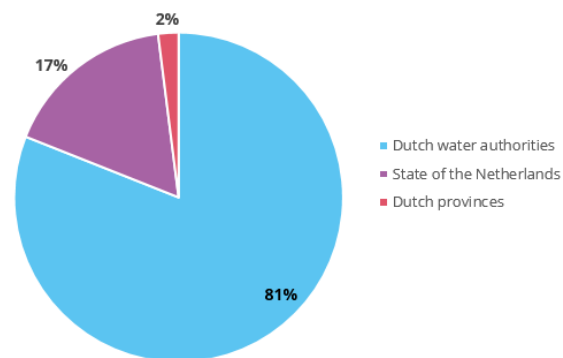
- + Increasing need for financial funding on part of public authorities
- Dependency on public authorities in the Netherlands, which suffer under the Corona pandemic
- Regulatory requirements compromise the role of public authorities as guarantor
- Low-interest policy of the ECB puts pressure on profitability

Company Overview

The Nederlandse Waterschapsbank N.V. (hereafter NWB) is the fifth largest bank in the Netherlands in terms of total assets. The bank has neither subsidiaries nor other 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.

With 62.8 FTEs at the year-end 2019, NWB reached total assets of €96.2 billion in 2019. NWB's articles of association allow exclusively Dutch public authorities to be shareholders of the bank. Currently, the shareholder structure of NWB is as follows:

Chart 1: Shareholder structure of NWB | Source: Investor presentation of NWB / CRA



NWB operates as a 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 to favorable funding. The bank acts principally in the areas of social housing, healthcare, education and activities related to water and the environment. Furthermore, NWB is increasing its activities in the area of public-private partnerships as well as government-backed export loans in the Netherlands. Until now, NWB has never recorded a default of a loan.

Business Development

Profitability

NWB's operating income decreased over the last year to €174 million in 2019. Net interest income as the only contributor to operating income decreased by 9% in a year-over-year comparison (€21 million). The driver is an increase in interest expense following negative interest rates at the central bank. However, NWB was able to partially offset the impact by increased interest income. By contrast, net trading income of NWB is negative like in the previous years, amounting to -€39 million in 2019. The negative result is due to NWB's hedging operations to lower the interest rate risk, as well as due to fair value changes of the restructured derivatives portfolio, which will result in a favorable effect on NWB's net interest income.

Operating expenses amounted to €49 million in 2019, remaining constant over the recent years. The general increase in NWB's personnel expense over the previous years is mainly due to increased salary costs as a result of an increase in headcount during the year and index-linked negotiated wages plus annual increments. Other expense consist primarily of a specific bank tax (which depends on the ratio of current liabilities at the end of the previous financial year) and the required payment of a resolution levy under the Bank Recovery and Resolution Directive (BRRD). The amount of bank tax paid in 2019 was €17.1 million (2018: €17.7 mil.) whereas the contribution under the BRRD amounted to €6.2 million (2018: €11.4 mil.).

NWB counteracted the deteriorating per-impairment profit by a non-recurring revenue of about €11 million. The gain is related to a change in the pension plan. Active employees have switched from a defined benefit plan to a defined contribution plan. As a result of this change, the pension provision decrease and the bank will no longer bear the investment risk and has no longer to guarantee a specific retirement payment.

As NWB does not report any impairments following its outstanding asset quality without any loan defaults in the bank's entire history, the pre-tax profit remained almost unchanged. In 2019, NWB reports a net profit of about €95 million.

Considering the bank's half-year 2020 results and the Corona impact, the bank does not report any significant changes in its operating income and expenses. In addition, due to the fact that the majority of the bank's exposures are guaranteed by the Dutch government, we do not expect any material worsening of the bank's profitability. Thus, as of now the Corona pandemic impact is very limited.

A detailed group income statement for the years of 2016 through 2019 can be found in Figure 1 below:

Figure 1: Group income statement | Source: eValueRate / CRA

Income Statement	2016	2017	2018	%	2019
Income (€000)					
Net Interest Income	218.000	276.000	234.000	-9,0	213.000
Net Fee & Commission Income	-	-	-	-	-
Net Insurance Income	-	-	-	-	-
Net Trading Income	-25.000	-58.000	-48.000	-18,8	-39.000
Equity Accounted Results	-	-	-	-	-
Dividends from Equity Instruments	-	-	-	-	-
Other Income	-	-	-	-	-
Operating Income	193.000	218.000	186.000	-6,5	174.000
Expenses (€000)					
Depreciation and Amortisation	2.000	2.000	2.000	+0,0	2.000
Personnel Expense	8.000	8.000	10.000	+20,0	12.000
Tech & Communications Expense	-	3.000	3.000	+33,3	4.000
Marketing and Promotion Expense	-	-	-	-	-
Other Provisions	-	-	-	-	-
Other Expense	34.000	35.000	34.000	-8,8	31.000
Operating Expense	44.000	48.000	49.000	+0,0	49.000
Operating Profit & Impairment (€000)					
Pre-impairment Operating Profit	149.000	170.000	137.000	-8,8	125.000
Asset Writedowns	-	-	-	-	-
Net Income (€000)					
Non-Recurring Income	-	-	-	-	11.000
Non-Recurring Expense	-	-	-	-	-
Pre-tax Profit	149.000	170.000	137.000	-0,7	136.000
Income Tax Expense	42.000	47.000	37.000	+10,8	41.000
Discontinued Operations	-	-	-	-	-
Net Profit (€000)	107.000	123.000	100.000	-5,0	95.000
Attributable to minority interest (non-controlling interest)	-	-	-	-	-
Attributable to owners of the parent	-	-	-	-	-

NWB's Cost to income ratios are at an outstanding level despite the worsening YOY. Even though NWB will increase its work force in the upcoming years, we expect NWB to maintain its very impressive cost to income ratios. Due to the bank's very low amount of risk-weighted assets, NWB is outperforming the peer group clearly. The bank's return on equity before and after taxes is in line with the peer group bank's. However, NWB's return on assets before and after taxes is clearly worse than the peer group's average, which is due to the bank's business model.

NWB's net interest margin is considerably worse than that of the peer group and remained at a relatively low level YOY. Overall, NWB's reports sound earnings figures, despite its business model as promoting bank.

A detailed overview of the income ratios for the years of 2016 through 2019 can be found in Figure 2 below:

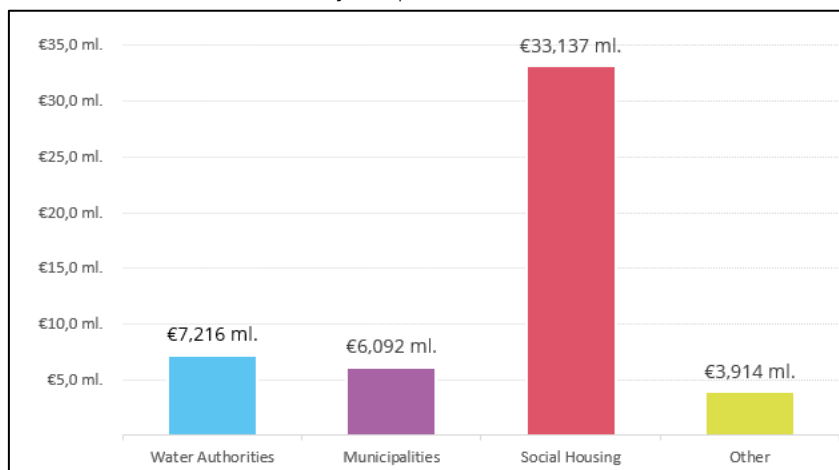
Figure 2: Group key earnings figures | Source: eValueRate / CRA

Income Ratios (%)	2016	2017	2018	%	2019
Cost Income Ratio (CIR)	22,80	22,02	26,34	+1,82	28,16
Cost Income Ratio ex. Trading (CIRex)	20,18	17,39	20,94	+2,06	23,00
Return on Assets (ROA)	0,11	0,14	0,12	-0,02	0,10
Return on Equity (ROE)	7,10	7,56	5,79	-0,50	5,29
Return on Assets before Taxes (ROAbT)	0,16	0,20	0,16	-0,02	0,14
Return on Equity before Taxes (ROEbT)	9,89	10,44	7,94	-0,37	7,57
Return on Risk-Weighted Assets (RORWA)	3,59	4,59	3,81	-0,91	2,90
Return on Risk-Weighted Assets before Taxes (RORWAbT)	5,00	6,34	5,22	-1,06	4,15
Net Interest Margin (NIM)	0,20	0,25	0,22	-0,04	0,18
Pre-Impairment Operating Profit / Assets	0,16	0,20	0,16	-0,03	0,13
Cost of Funds (COF)	1,58	1,57	1,63	-0,09	1,54
Change in %-Points					

Asset Situation and Asset Quality

NWB's development of assets is marked by the increase in its loans to customers. Net loans to customers represent the largest share of assets, accounting for 72%, increasing by 13.9% in a year-over-year comparison (€8.5 billion). The largest share of loans (97.1%) are long-term loans in the area of social housing, water authorities, municipal authorities and healthcare. The increase in loans follows the increase in social housing loans (+€6.1 billion). In addition, about 74% of NWB's loans are guaranteed by the Dutch government. The detailed breakdown of the four major loan areas of NWB as of 2019, which are related to the Dutch government are as follows:

Chart 2: Loans related to the Dutch Government by area | Source: eValueRate / CRA



NWB's loans to bank's item mainly comprises collateral held under collateral arrangements related to derivative contracts, which is not at the bank's disposal. By contrast, NWB's derivative assets consists primarily of currency swaps and interest rates swaps. In addition, the balance sheet item of total securities is primarily related to public sector debt securities with about 60%.

Considering the bank's half-year report and the Corona pandemic impact, NWB increased its loans to customers significantly to about €76.8 billion following fewer redemptions in comparison to the previous years. Overall, we expect an increase in the bank's business activities as a result of greater financing needs in the public sector due to economic downturn following the Corona pandemic.

A detailed look at the development of the asset side of the balance sheet for the years of 2016 through 2019 can be taken in Figure 3 below:

Figure 3: Development of assets | Source: eValueRate / CRA

Assets (€000)	2016	2017	2018	%	2019
Cash and Balances with Central Banks	7.246.000	9.638.000	10.237.000	-19,0	8.290.000
Net Loans to Banks	10.508.000	8.755.000	4.590.000	+75,9	8.075.000
Net Loans to Customers	64.496.000	60.973.000	61.405.000	+13,9	69.963.000
Total Securities	3.925.000	3.697.000	3.291.000	+43,1	4.711.000
Total Derivative Assets	8.228.000	4.048.000	4.163.000	+23,1	5.125.000
Other Financial Assets	-	-	-	-	-
Financial Assets	94.403.000	87.111.000	83.686.000	+14,9	96.164.000
Equity Accounted Investments	-	-	-	-	-
Other Investments	-	-	-	-	-
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	-	-	-	-	-
Tangible and Intangible Assets	8.000	8.000	8.000	+25,0	10.000
Tax Assets	-	-	8.000	+50,0	12.000
Total Other Assets	3.000	4.000	13.000	+46,2	19.000
Total Assets	94.414.000	87.123.000	83.715.000	+14,9	96.205.000

The NPL ratio of NWB of 0% is due to the fact that NWB has not record any loan losses to date. This value is unique and the competitors cannot keep up in this area. Due to the lack of existing loan losses and due to the fact that NWB does not expect losses on the loans granted, NWB outperforms in the category of asset-quality in general in any figure analyzed in comparison to the peer group. Moreover, NWB's RWA ratio of 3.41% is much lower than that of its peers, remaining largely stable at a very low level. In addition, the low RWA ratio clarifies that NWB benefits from the 0% risk-weighting of its public financial assets.

Overall, NWB's asset quality is at an exceptionally sound level in comparison to its competitors and the bank's asset quality ratios are the best performers in any of the areas analyzed.

A detailed overview of the asset quality for the years of 2016 through 2019 can be found in Figure 4 below:

Figure 4: Development of asset quality | Source: eValueRate / CRA

Asset Ratios (%)	2016	2017	2018	%	2019
Net Loans/ Assets	68,31	69,98	73,35	-0,63	72,72
Risk-weighted Assets/ Assets	3,16	3,08	3,14	+0,27	3,41
NPLs/ Net Loans to Customers	0,00	0,00	0,00	+0,00	0,00
NPLs/ Risk-weighted Assets	0,00	0,00	0,00	+0,00	0,00
Potential Problem Loans/ Net Loans to Customers	0,04	0,03	0,01	-0,00	0,01
Reserves/ NPLs	0,00	0,00	0,00	+0,00	0,00
Reserves/ Net Loans	0,00	0,00	0,00	+0,00	0,00
Net Write-offs/ Net Loans	0,00	0,00	0,00	+0,00	0,00
Net Write-offs/ Risk-weighted Assets	0,00	0,00	0,00	+0,00	0,00
Net Write-offs/ Total Assets	0,00	0,00	0,00	+0,00	0,00
Change in %-Points					

Refinancing and Capital Quality

Total debt represents the largest share of NWB's liabilities with 78% and increasing by 10.5% in comparison to the previous year (€7 billion). This position consists primarily of long-term bond loans (74%) and short-term debt securities (21.5%). As of June 2020, NWB increased its total debt to about €82.2 billion following the funding needs of its increased loan portfolio. The increase was partially covered by covered by additional bonds (€4.5 billion) and partially by additional short-term debt securities (€2.6 billion). Derivate liabilities represent the second largest share of total liabilities, and consists primarily of interest rate swaps (€10.8 billion) and currency swaps (€0.57 billion). The increase in this position is related to an increase in interest rate swaps (€4.8 billion) representing the bank's prudent approach. Other financial liabilities represent the bank's "funds entrusted" which comprises liabilities due to parties other than banks, including "Namensschuldverschreibungen" and "Schuldscheine". As of June 2020, NWB does not report significant changes in the structure and composition of its liabilities. Overall, we do not perceive any refinancing risk at NWB due to its widely government-backed business activities and its specific role as a promoting bank for the Dutch public sector.

A detailed overview of the development of liabilities for the years of 2016 through 2019 can be found in Figure 5 below:

Figure 5: Development of refinancing and capital adequacy | Source: eValueRate / CRA

Liabilities (€000)	2016	2017	2018	%	2019
Total Deposits from Banks	2.692.000	1.154.000	1.523.000	+8,1	1.646.000
Total Deposits from Customers	-	-	-	-	-
Total Debt	67.558.000	66.745.000	66.626.000	+10,5	73.615.000
Derivative Liabilities	16.482.000	11.402.000	7.252.000	+69,6	12.298.000
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	6.060.000	6.107.000	6.528.000	+4,2	6.802.000
Total Financial Liabilities	92.792.000	85.408.000	81.929.000	+15,2	94.361.000
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	-	-	-	-	-
Tax Liabilities	22.000	-	-	-	-
Provisions	30.000	32.000	27.000	-11,1	24.000
Total Other Liabilities	63.000	55.000	33.000	-27,3	24.000
Total Liabilities	92.907.000	85.495.000	81.989.000	+15,1	94.409.000
Total Equity	1.507.000	1.628.000	1.726.000	+4,1	1.796.000
Total Liabilities and Equity	94.414.000	87.123.000	83.715.000	+14,9	96.205.000

NWB's regulatory equity fluctuated over the past years; nevertheless, it has always been at an outstanding level in comparison to the peer group.

The decline of NWB's regulatory capital ratios is mainly due to the fluctuation of the risk-weighted assets, which have a relatively large impact due to the relatively low amount of the bank's capital. Nevertheless, the bank's CET1, AT1 and Total Capital ratio are at an outstanding level due to the low volume of risk-weighted assets. NWB clearly exceeds the regulatory required CET1 ratio of 12.75%. The bank does not issue Tier 2 capital. In addition, the bank decided to not issue any AT1 capital since 2016. By contrast, the bank's equity to total capital ratio is clearly worse than the peer group's average. This fact is due to the bank's business model as a public lender.

NWB's leverage ratio of 15.4% in 2019 increased strongly YOY from 2.6%; however, the increase is a result of a change of the regulatory environment. Public development credit institutions, can exclude exposures related to the financing of public sector investments. Thus, NWB benefits from this change and meets the regulatory required leverage ratio of 3% clearly.

A detailed overview of the development of capital ratios for the years of 2016 through 2019 can be found in Figure 6 below:

Figure 6: Development of capital ratios | Source: eValueRate / CRA

Capital Ratios (%)	2016	2017	2018	%	2019
Total Equity/ Total Assets	1,60	1,87	2,06	-0,19	1,87
Leverage Ratio	2,30	2,50	2,60	+12,80	15,40
Common Equity Tier 1 Ratio (CET1)*	46,90	55,90	61,60	-10,00	51,60
Tier 1 Ratio (CET1 + AT1)*	57,60	67,90	73,80	-12,40	61,40
Total Capital Ratio (CET1 + AT1 + T2)*	57,60	67,90	73,80	-12,40	61,40
SREP Capital Requirements	7,00	7,62	9,25	+3,50	12,75
Change in %-Points					

* phased-in values until 2018

Due to NWB's bank capital and debt structure, as well as its status as a promotional bank of the Netherlands, the Group's preferred senior unsecured debt instruments have not been notched down in comparison to the long-term issuer rating. Due to NWB's lack of non-preferred senior unsecured debt and Tier 2 capital, we do not assign any rating to these capital and debt classes. As NWB intends not to issue any AT1 capital any more, we do not assign a rating to NWB's AT1 capital either.

Liquidity

The Group's LCR of 204% is in line with the average of the peer group and meets comfortably the regulatory required 100%. The bank's Net Stable Funding Ratio of 118% is in line with its competitors, however, this ratio is binding starting 2021.

Due to the bank's business model the bank does not report any customer deposits. Thus, we do not consider appropriate ratios. However, this issue is due to the bank's business purpose. Overall, NWB's liquidity situation is very satisfactory. Up to now, we do not perceive any liquidity issues at NWB and the whole banking sector and we do not expect a change in this regard at NWB.

A detailed overview of the development of liquidity for the years of 2016 through 2019 can be found in Figure 7 below.

Figure 7: Development of liquidity | Source: eValueRate / CRA

Liquidity (%)	2016	2017	2018	%	2019
Net Loans/ Deposits (LTD)	NA	NA	NA	-	NA
Interbank Ratio	390,34	758,67	301,38	+189,20	490,58
Liquidity Coverage Ratio	146,00	179,00	222,00	-18,00	204,00
Customer Deposits / Total Funding (excl. Derivates)	NA	NA	NA	-	NA
Net Stable Funding Ratio (NSFR)	123,00	126,00	129,00	-11,00	118,00
Change in %-Points					

Environmental, Social and Governance (ESG) Score Card

Nederlandse Waterschapsbank NV 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 in the Netherlands.

ESG Score

3,6 / 5

- Corporate Behaviour and Green Financing / Promoting are identified as moderate rating driver. While Green Financing / Promoting is rated positive due to the banks significant amount of green financing activities, Corporate Behaviour is rated positive due its business activities in accordance with the ideas and beliefs of the society.

ESG 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 2020	Eval.
Environmental	1.1 Green Financing / Promoting	The sub-factor "Green Financing/Promoting" has a moderate relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	3	(+)
	1.2 Exposure to Environmental 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 neutral 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 "Considering the Impact of ESG Factors".

Conclusion

Our rating of Nederlandse Waterschapsbank N.V. is clearly affected by our opinion that there is a high probability of support by the government of the Netherlands (CRA Rating: AAA/stable – 25.06.2020) and its public authorities in the event of financial distress. This owes to the fact that the NWB is entirely and exclusively owned by the Dutch water authorities as well as by the State of the Netherlands and its local authorities, as well as due to NWB's historical role in public financing. In addition, we assume therefore a public interest of the Dutch authorities in the business operations of the bank.

Overall, Nederlandse Waterschapsbank N.V. (Group) had a solid year of performance in 2019 and faces challenging fiscal year 2020. The Corona pandemic has a massive impact on the global economy. However, NWB business is not adversely affected, as the bank is committed to serve the Dutch public sector with its financial needs. The affirmation of the long-term issuer rating follows the stable and widely government-backed business model despite the current economic environment, which is characterized by a high degree of uncertainty.

NWB's net result in the fiscal year 2019 shows a stable and sound performance. In particular, the bank's cost to income ratios are at an outstanding level. The bank clearly benefits from its business activities with the Dutch public sector with the highest credit quality. However, the bank does not pursue profit maximization and we therefore do not expect any material changes in the bank's profitability. In addition, the Corona pandemic impact is limited as of now.

The asset quality of NWB was as in the previous years: outstanding and considerably above average due to the fact that NWB is one of the major lenders to the public sector in the Netherlands. As a result, NWB clearly benefits from its business with Dutch public authorities with an outstanding creditworthiness. In addition, the bank has not recorded any loan losses in its history so far.

On the liabilities side, NWB records a stable development. The fluctuation of NWB's capital ratios follows the fluctuation of the risk-weighted assets. Nevertheless, NWB's regulatory capital ratios are at an outstanding level as a result of its business model as public sector financier with few risk weighted assets. Due to its widely government-backed operations, NWB faces very little refinancing risk.

Overall, the impact of the Corona pandemic is up to now negligible due to the bank's business model. However, we expect increased business activities due to increasing financing needs on behalf of the Dutch public sector. In addition, due to the government-backed operations we do not expect any refinancing risks. However, the rating of NWB is strongly affected by the rating of the Netherlands.

Outlook

We consider the outlook of NWB's long-term issuer rating and its bank capital and debt instruments as stable. This reflects our view that the bank is able to overcome the current adverse impact by the Corona pandemic in particular through its close relation to the Dutch government. However, we will observe how the bank will deal with the Corona pandemic effects on the economy, as the final impact is still uncertain. In addition, we assume no significant economic worsening due to the Corona pandemic and a stable political environment in the bank's market of operation.

Scenario Analysis

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 a "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 in 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 credit rating.

By contrast, a downgrade of the Group's long-term issuer credit rating and its bank capital and debt instruments is likely if we see a lowering of the probability of support by the Dutch Government. In addition, a lasting decline of NWB's profitability and / or a further reduction of the bank's capital ratios might lead to a downgrade as well. Moreover, we will observe the ongoing Corona pandemic impact on the business activities of the bank and the Dutch economy in general.

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.

Appendix

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 8: 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
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

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. Subject to a peer group analysis were 52 competing institutes.

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 as \(Version 2.0\)](#), the methodology for the [rating of bank capital and unsecured debt instruments \(Version 2.0\)](#), the methodology for the rating of [Government-Related Banks \(Version 2.0\)](#) as well as the rating methodology for [Environmental, Social and Governance Score for Banks \(Version 1.0\)](#) in conjunction with Creditreform's basic document [Rating Criteria and Definitions \(Version 1.3\)](#).

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document Rating Criteria and Definitions (Version 1.3) are published on our homepage:

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

On 06 November 2020, 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. (Group), 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. (Group) 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.

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 "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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