

Rating Object	Rating Information	
<b>Nederlandse Waterschapsbank N.V.</b>	Long Term Issuer Rating / Outlook: <b>AAA / stable</b>	Short Term: <b>L1</b>
Creditreform ID: 446061 Management: Lidwin van Velden (CEO) Melchior de Bruijne (CFO)	Type: Update / Unsolicited	
Rating Date: <b>27 August 2021</b> Monitoring until: withdrawal of the rating Rating Methodology: CRA "Bank Ratings v.3.0" 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 of Bank Capital and Unsecured Debt Instruments:	
Rating History: <a href="http://www.creditreform-rating.de">www.creditreform-rating.de</a>	Preferred Senior Unsecured:	<b>AAA</b>
	Non-Preferred Senior Unsecured:	-
	Tier 2:	-
	Additional Tier 1:	-

#### Contents

Key Rating Driver .....	1
Executive Summary .....	1
Company Overview .....	2
Business Development .....	3
Profitability .....	3
Asset Situation and Asset Quality .....	5
Refinancing, Capital Quality and Liquidity .....	7
ESG Score Card .....	9
Conclusion .....	10
Appendix .....	12

#### Analysts

Daniel Keller  
d.keller@creditreform-rating.de  
Lead-Analyst

Philipp J. Beckmann  
p.beckmann@creditreform-rating.de  
Senior Analyst

Christian Konieczny  
c.konieczny@creditreform-rating.de  
Person Approving Credit Ratings

Neuss, Germany

## Key Rating Driver

- + 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, leaving the fraud case out
- + Strong regulatory capital ratios
- + Stabilization and continuity through public shareholder
- + Adequate earnings figures
- + Increasing need for financial funding on part of public authorities
- Credit concentration and dependency due to the relationship to public authorities in the Netherlands
- Limited possibilities for diversification
- Regulatory requirements compromise the role of public authorities as guarantor
- Low-interest policy of the ECB puts pressure on profitability

## Executive Summary

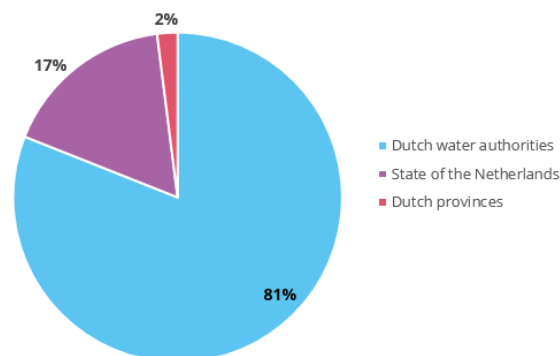
Creditreform Rating affirms the long-term issuer rating of Nederlandse Waterschapsbank N.V. at AAA/stable. Major key rating driver is the close relationship and the high probability of support by the government of the Netherlands (CRA Rating: AAA/stable as of 18.06.2021) and its public authorities in the event of financial distress. In addition, NWB records an outstanding asset quality and strong regulatory capital figures.

## 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 71.7 FTEs at the year-end 2020 (2019: 62.8 FTEs), NWB reached total assets of €106.8 billion in 2020. 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 increased over the last year to €189 million. Net interest income as the only contributor to operating income increased by 14.5% in a year-over-year comparison (€31 million). Although NWB recorded a further decline of its interest income, the bank was able to counteract this development by lower funding costs in addition to the growth of the loan portfolio. By contrast, net trading income of NWB is negative as in the previous years. This is due to 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 €54 million in 2020, increasing by about €5mn from a very low level. The general increase in NWB's personnel expense over the previous years is mainly due an increase in staff in addition to 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) which amounted together to €12mn in 2020 (2019: €22mn). The reduction in this position is related to a refund of about €8.6mn, which is a result of an adjusted method for calculating the base for the levy. In addition, the bank suffered a fraud case whereby NWB paid out a €12mn loan in 2020 to a person/organization who pretended to represent a municipality.

In 2019, NWB benefitted from a non-recurring revenue of about €11 million. The gain was related to a change in the pension 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 a result of the outstanding asset quality without any loan defaults in the bank's entire history NWB does not report any impairments. However, the introduction of the thin cap rule from the fiscal year 2020 (which limits the interest deduction for corporate income tax if the leverage ratio is lower than 8% ) on leads to a higher tax burden of the bank and results ultimately in a reduction of the banks net profit YOY.

A detailed group income statement for the years of 2017 through 2020 can be found in Figure 1 below:

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

Income Statement (EUR k)	2020	%	2019	2018	2017
<b>Income</b>					
Net Interest Income	244.000	+14,6	213.000	234.000	276.000
Net Fee & Commission Income	-	-	-	-	-
Net Insurance Income	-	-	-	-	-
Net Trading Income	-55.000	+41,0	-39.000	-48.000	-58.000
Equity Accounted Results	-	-	-	-	-
Dividends from Equity Instruments	-	-	-	-	-
Other Income	-	-	-	-	-
<b>Operating Income</b>	<b>189.000</b>	<b>+8,6</b>	<b>174.000</b>	<b>186.000</b>	<b>218.000</b>
<b>Expense</b>					
Depreciation and Amortisation	3.000	+50,0	2.000	2.000	2.000
Personnel Expense	12.000	+0,0	12.000	10.000	8.000
Tech & Communications Expense	5.000	+25,0	4.000	3.000	3.000
Marketing and Promotion Expense	-	-	-	-	-
Other Provisions	-	-	-	-	-
Other Expense	34.000	+9,7	31.000	34.000	35.000
<b>Operating Expense</b>	<b>54.000</b>	<b>+10,2</b>	<b>49.000</b>	<b>49.000</b>	<b>48.000</b>
<b>Operating Profit &amp; Impairment</b>					
<b>Pre-impairment Operating Profit</b>	<b>135.000</b>	<b>+8,0</b>	<b>125.000</b>	<b>137.000</b>	<b>170.000</b>
Asset Writedowns	-	-	-	-	-
<b>Net Income</b>					
Non-Recurring Income	-	-	11.000	-	-
Non-Recurring Expense	-	-	-	-	-
<b>Pre-tax Profit</b>	<b>135.000</b>	<b>-0,7</b>	<b>136.000</b>	<b>137.000</b>	<b>170.000</b>
Income Tax Expense	54.000	+31,7	41.000	37.000	47.000
Discontinued Operations	-	-	-	-	-
<b>Net Profit</b>	<b>81.000</b>	<b>-14,7</b>	<b>95.000</b>	<b>100.000</b>	<b>123.000</b>
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. Despite the increase of the work force, 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 able to outperform other European banks clearly in this regard. The bank's return on equity as well as the return on assets before and after taxes are below average due to the bank's business model. NWB's net interest margin is considerably worse than that of other large European banks and remained at a relatively low level. Overall, NWB's reports moderate earnings figures, despite its business model as promoting bank.

A detailed overview of the income ratios for the years of 2017 through 2020 can be found in Figure 2 below:

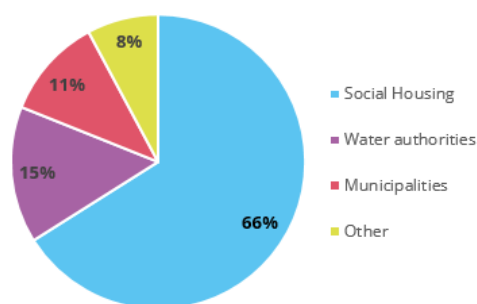
Figure 2: Group key earnings figures | Source: eValueRate / CRA

Income Ratios (%)	2020	%	2019	2018	2017
Cost Income Ratio (CIR)	28,57	+0,41	28,16	26,34	22,02
Cost Income Ratio ex. Trading (CIRex)	22,13	-0,87	23,00	20,94	17,39
Return on Assets (ROA)	0,08	-0,02	0,10	0,12	0,14
Return on Equity (ROE)	4,43	-0,86	5,29	5,79	7,56
Return on Assets before Taxes (ROAbT)	0,13	-0,02	0,14	0,16	0,20
Return on Equity before Taxes (ROEbT)	7,39	-0,18	7,57	7,94	10,44
Return on Risk-Weighted Assets (RORWA)	2,11	-0,79	2,90	3,81	4,59
Return on Risk-Weighted Assets before Taxes (RORWAbT)	3,52	-0,63	4,15	5,22	6,34
Net Interest Margin (NIM)	0,18	-0,00	0,18	0,22	0,25
Pre-Impairment Operating Profit / Assets	0,13	-0,00	0,13	0,16	0,20
Cost of Funds (COF)	1,17	-0,20	1,37	1,63	1,57
Change in %- Points					

## Asset Situation and Asset Quality

NWB's development of assets is marked by the strong increase of its loans. Net loans to customers represent the largest share of assets, accounting for 72%, increasing by 9.4% in a year-over-year comparison (€6.6 billion) despite significant redemptions of about €14.3bn. The largest share of loans are long-term loans in the area of social housing, water authorities, municipal authorities and healthcare. However, the increase in loans is primarily the result of a higher amount of short-term loans. In addition, about 65% of NWB's loans are receivables from or guaranteed by the Dutch government. The detailed breakdown of the four major loan areas of NWB as of 2020, which are related to the Dutch government are as follows:

Chart 2: Distribution of loans (€49.6bn) 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 (€1.5bn) and interest rates swaps (€2.5bn). In addition, the balance sheet item of total securities is primarily related to public sector debt securities.

A detailed look at the development of the asset side of the balance sheet for the years of 2017 through 2020 can be taken in Figure 3 below:

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

Assets (EUR k)	2020	%	2019	2018	2017
Cash and Balances with Central Banks	9.857.000	+18,9	8.290.000	10.237.000	9.638.000
Net Loans to Banks	9.577.000	+18,6	8.075.000	4.590.000	8.755.000
Net Loans to Customers	76.562.000	+9,4	69.963.000	61.405.000	60.973.000
Total Securities	5.779.000	+22,7	4.711.000	3.291.000	3.697.000
Total Derivative Assets	5.064.000	-1,2	5.125.000	4.163.000	4.048.000
Other Financial Assets	-	-	-	-	-
<b>Financial Assets</b>	<b>106.839.000</b>	<b>+11,1</b>	<b>96.164.000</b>	<b>83.686.000</b>	<b>87.111.000</b>
Equity Accounted Investments	-	-	-	-	-
Other Investments	-	-	-	-	-
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	-	-	-	-	-
Tangible and Intangible Assets	11.000	+10,0	10.000	8.000	8.000
Tax Assets	-	-	12.000	8.000	-
Total Other Assets	32.000	+68,4	19.000	13.000	4.000
<b>Total Assets</b>	<b>106.882.000</b>	<b>+11,1</b>	<b>96.205.000</b>	<b>83.715.000</b>	<b>87.123.000</b>

The NPL ratio of NWB increased to 0.17%. However, the related exposures are guaranteed by the government and will not lead to an ECL provision nor to a write off. As of now, NWB has not record any loan losses to date, leaving the fraud case out. 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 other European banks. Moreover, NWB's RWA ratio of 3.59% is much lower than that of its peers, remaining largely stable at a very low level. In addition, the low RWA ratio emphasizes that NWB benefits from the 0% risk-weighting of its public financial assets.

Overall, NWB's asset quality is at an exceptionally sound level 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 2017 through 2020 can be found in Figure 4 below:

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

Asset Ratios (%)	2020	%	2019	2018	2017
Net Loans/ Assets	71,63	-1,09	72,72	73,35	69,98
Risk-weighted Assets/ Assets	3,59	+0,18	3,41	3,14	3,08
NPLs*/ Net Loans to Customers	0,17	+0,17	0,00	0,00	0,00
NPLs*/ Risk-weighted Assets	3,44	+3,44	0,00	0,00	0,00
Potential Problem Loans**/ Net Loans to Customers	0,44	+0,44	0,00	0,01	0,03
Reserves/ NPLs*	0,56	+0,56	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					

\* NPLs are represented from 2017 onwards by Stage 3 Loans.  
\*\* Potential Problem Loans are Stage 2 Loans where available.

## Refinancing, Capital Quality and Liquidity

Total debt represents the largest share of NWB's liabilities with 67% and decreasing by 3.7% in comparison to the previous year (€2.7 billion). This position consists primarily of long-term bond loans (85%) and short-term debt securities (8.3%). As only a small portion of the long-term debt securities carry a variable interest rate, NWB faces only little risk in this regard. Moreover, NWB reduced primarily its short-term debt securities and replaced the funding by the participation in the ECB TLTRO III program whereby the bank took about €10bn (see increase in deposits from banks). As of now, NWB will likely meet the conditions of the ECB to achieve an interest rate of at least -1%. Derivate liabilities represent the second largest share of total liabilities, and consists primarily of interest rate swaps (€12.7 billion) and currency swaps (€1.6 billion). The increase in this position is related to an increase in interest rate swaps (€1.8bn) as well as currency swaps (€1bn) 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". 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 2017 through 2020 can be found in Figure 5 below:

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

Liabilities (EUR k)	2020	%	2019	2018	2017
Total Deposits from Banks	11.493.000	> +100	1.646.000	1.523.000	1.154.000
Total Deposits from Customers	-	-	-	-	-
Total Debt	70.870.000	-3,7	73.615.000	66.626.000	66.745.000
Derivative Liabilities	15.245.000	+24,0	12.298.000	7.252.000	11.402.000
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	7.325.000	+7,7	6.802.000	6.528.000	6.107.000
<b>Total Financial Liabilities</b>	<b>104.933.000</b>	<b>+11,2</b>	<b>94.361.000</b>	<b>81.929.000</b>	<b>85.408.000</b>
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	-	-	-	-	-
Tax Liabilities	11.000	-	-	-	-
Provisions	17.000	-29,2	24.000	27.000	32.000
Total Other Liabilities	94.000	> +100	24.000	33.000	55.000
<b>Total Liabilities</b>	<b>105.055.000</b>	<b>+11,3</b>	<b>94.409.000</b>	<b>81.989.000</b>	<b>85.495.000</b>
<b>Total Equity</b>	<b>1.827.000</b>	<b>+1,7</b>	<b>1.796.000</b>	<b>1.726.000</b>	<b>1.628.000</b>
<b>Total Liabilities and Equity</b>	<b>106.882.000</b>	<b>+11,1</b>	<b>96.205.000</b>	<b>83.715.000</b>	<b>87.123.000</b>

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

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 at a very low level. This fact is due to the bank's business model as a public lender and the very low amount of RWA.

NWB records a very strong leverage ratio of 13.5% in 2020; however, the bank benefits from the regulatory relief for public development banks in the calculation of these ratio. 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.

The bank's LCR of 150% meets comfortably the regulatory required 100%. The bank's Net Stable Funding Ratio of 122% is in line with other large banks, 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. 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 capital and liquidity ratios for the years of 2017 through 2020 can be found in Figure 6 below:

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

Capital Ratios and Liquidity (%)	2020	%	2019	2018	2017
Total Equity/ Total Assets	1,71	-0,16	1,87	2,06	1,87
Leverage Ratio	13,50	-1,90	15,40	2,60	2,50
Fully Loaded: Common Equity Tier 1 Ratio (CET1)*	45,10	-6,50	51,60	61,60	55,90
Fully Loaded: Tier 1 Ratio (CET1 + AT1)*	53,50	-7,90	61,40	73,80	67,90
Fully Loaded: Total Capital Ratio (CET1 + AT1 + T2)*	53,50	-7,90	61,40	73,80	67,90
SREP Capital Requirements	12,75	+0,00	12,75	9,25	7,63
Interbank Ratio	83,33	-407,25	490,58	301,38	758,67
Liquidity Coverage Ratio	150,00	-54,00	204,00	222,00	179,00
Net Stable Funding Ratio (NSFR)	122,00	+4,00	118,00	129,00	126,00
Change in %Points					

\*Fully loaded whenever available.

Due to NWB's bank capital and debt structure, as well as its status as a promotional bank of the Netherlands, the bank'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 anymore, we do not assign a rating to NWB's AT1 capital either.



## 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.

- Corporate Behaviour and Green Financing / Promoting are identified as moderate rating driver. While Green Financing / Promoting was upgraded to strong positive as almost one quarter of the banks bonds outstanding are sustainable bonds, Corporate Behaviour is rated positive due to the banks business activities in accordance with the ideas and beliefs of the society.

### ESG Score

3,8 / 5

### 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 2021	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 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 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".

## 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 – 18.06.2021) 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. Thus, NWB's credit rating strongly benefits from its relation to the government.

Overall, Nederlandse Waterschapsbank N.V. (Group) had a solid year of performance in 2020 despite the challenges following the Corona pandemic. However, NWB business is not significantly 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 2020 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 remains limited.

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 lender to the public sector in the Netherlands with an outstanding creditworthiness. In addition, the bank has not recorded any loan loss in its history.

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 does not suffer from the Corona pandemic and benefits from its close relationship to the Dutch government. 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](http://www.creditreform-rating.de) for additional information regarding the dates of publication.

Figure 7: 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
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

## 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](http://www.creditreform-rating.de). The rating was carried out on the basis of the rating methodology for [bank ratings as \(v3.0\)](#), the methodology for the [rating of bank capital and unsecured debt instruments \(v2.0\)](#), 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 27 August 2021, 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.

#### **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".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within „Basic data“ information card.

In accordance to Article 11 (2) EU-Regulation (EC) No 1060/2009 registered or certified credit rating agency shall make available in a central repository established by ESMA information on its historical performance data, including the ratings transition frequency, and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website: <https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

An explanatory statement of the meaning of Creditreform's default rates are available in the credit rating methodologies disclosed on the website.

### **Disclaimer**

Any rating performed by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct which has been published on the web pages of Creditreform Rating AG. In this Code of Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the enterprise or the issue under review.

Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. This rating is therefore no statement of fact, but an opinion. For this reason, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings. Neither should these ratings be construed as recommendations for investors, buyers or sellers. They should only be used by market participants (entrepreneurs, bankers, investors etc.) as one factor among others when arriving at corporate or investment decisions. Ratings are not meant to be used as substitutes for one's own research, inquiries and assessments.

We have assumed that the documents and information made available to us by the client are complete and accurate and that the copies provided to us represent the full and unchanged contents of the original documents. Creditreform Rating AG assumes no responsibility for the true and fair representation of the original information.

This report is protected by copyright. Any commercial use is prohibited without prior written permission from Creditreform Rating AG. Only the full report may be published in order to prevent distortion of the report's overall assessment. Excerpts may only be used with the express consent of Creditreform Rating AG. Publication of the report without the consent of Creditreform Rating AG is prohibited. Only ratings published on the Creditreform Rating AG web pages remain valid.

Creditreform Rating AG

#### Contact information

Creditreform Rating AG  
Europadamm 2-6  
D-41460 Neuss

Phone +49 (0) 2131 / 109-626  
Fax +49 (0) 2131 / 109-627

E-Mail [info@creditreform-rating.de](mailto:info@creditreform-rating.de)  
[www.creditreform-rating.de](http://www.creditreform-rating.de)

CEO: Dr. Michael Munsch

Chairman of the Board: Michael Bruns  
HR Neuss B 10522