Creditreform Bankrating

Nederlandse Waterschapsbank N.V. (Group)

Creditreform Rating

www.creditreform-rating.de

Rating object	Rating information		
Nederlandse Waterschapsbank N.V. (Group)	**Long Term Issuer Rating / Outlook:**		**Short Term:**
	AAA / stable		**L1**
	Rating of Bank Capital and Unsecured Debt Instruments:		
	Senior Unsecured	Tier 2	Additional Tier 1
	AAA	**n.r.**	**n.r.**

Creditreform ID: 446061
Incorporation: 1954
(Main-) Industry: Banks
Management: Lidwin van Velde (Chair of the Managing Board), Frenk van der Vliet (Member of the Managing Board)

Rating Date: **04 July 2018**
Monitoring until: withdrawal of the rating
Rating Type: **unsolicited**
Rating Methodology: bank ratings; rating of bank capital and unsecured debt instruments; government-related banks

Contents

Analysts

Daniel Keller
Lead-Analyst

Philipp J. Beckmann
Senior Analyst

Neuss, Germany

SWOT-Analysis

Strengths

+ High probability of support by the Dutch Government
+ One of the major lenders to the Dutch public sector
+ Outstanding asset quality
+ Remarkable capital ratio
+ No loan defaults to date
+ Stabilization and continuity through public shareholder
+ Sufficient earnings figures

Weaknesses

- Credit concentration risk due to the relationship to public authorities in the Netherlands
- Limited possibilities for diversification
- Low interest margin
- Difficulties related to compliance with the leverage ratio; however, the proposed adjustment of calculating this ratio by the European Commission might mitigate this problem

Opportunities / Threats

+ Increasing need for financial funding on part of public authorities
- Dependency on public authorities in the Netherlands
- Regulatory requirements compromise the role of public authorities as guarantor
- Low-interest policy of the ECB puts pressure on profitability
- Increasing banking regulation leads to rising costs

Company Overview

The Nederlandse Waterschapsbank N.V. (hereafter NWB) is the sixth 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.

With 61 employees at the end of the year, NWB reached total assets of €87.1 billion in 2017. NWB's articles of association allow exclusively Dutch public authorities to be shareholders of the bank. Currently, 81% of the shares are held by Dutch water authorities, 17% by the State of the Netherlands and 2% by Dutch provinces. Moreover, by virtue of its statutes, the bank is solely committed to lending to the Dutch public sector.

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.

The detailed breakdown of the four major loan areas (accounting for 96% of total loans) granted by NWB by balance sheet value in 2017 is as follows:

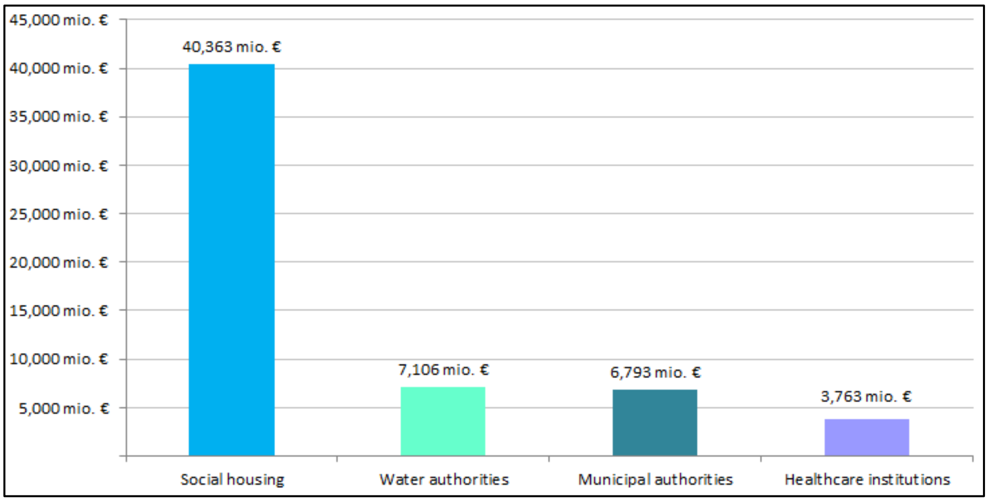

Chart 1: Breakdown of loans granted by NWB – Balance sheet value 2017. (Source: Annual report 2017 of NWB)

The shareholder structure of NWB is as follows:

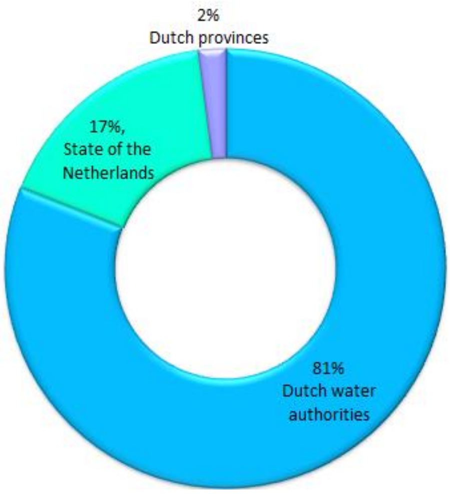

Chart 2: Shareholders of NWB.
(Source: Website of NWB)

Business Development

Profitability

NWB's operating income amounted to €217 million in 2017 and increased by 12.1% in comparison to the previous year (€23.5 million). Net interest income as the only contributor to operating income increased by 25.7% in a year-over-year comparison (€57.2 million) and was thereby the driver of the increase in operating income. The main reason for this growth is a more distinct decrease in NWB's interest expense on banks, funds entrusted, hybrid capital and debt securities in comparison to the banks decreased interest income (YOY) in the same item.

However, net trading income of NWB is negative like in the previous years, amounting to -€58.1 million in 2017, and increased thereby by €33.7 million YOY. The negative result, as well as the increase in this position, is due to NWB's hedging operations to lower the interest rate risk, as well as to some restructuring measures of its derivatives portfolio, which will result in a favorable effect on NWB's net interest income. Moreover, NWB generated a significant lower result from maturity extensions and early redemptions (-€24.1 million YOY).

Operating expenses amounted to €48 million in 2017, increasing by 9% YOY (€4 million). The general increase in NWB's operating expense over the previous years is mainly due to an imposed 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 2017 was €19.9 million (2016: €19.8 mio.) whereas the contribution under the BRRD amounted to €9.1 million (2016: €6.9 mio.). In addition, NWB's personnel expenses accounted for only 17% of total expenses, increasing by 8% YOY (€0.676 million) as a result of an increased number of employees (FTEs: +4 YOY) as well as negotiated wages plus.

The pre-impairment operating profit amounted to €170 million in the fiscal year 2017 and increased due to the aforementioned events by 13.8% (€20.6 million) in comparison to the previous year. After deduction of income tax, NWB recorded a net profit of €122.5 million in 2017, an improvement in net profit by 14.1% YOY (€15.2 million).

A detailed group income statement for the years 2014 - 2017 can be found in figure 1 below:

Income Statement	2014	%	2015	%	2016	%	2017	%
Income (€000)								
Net Interest Income	117,000	115.8%	177,378	104.0%	218,331	112.7%	275,534	126.8%
Net Fee & Commission Income	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Net Insurance Income	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Net Trading Income	-16,000	-15.8%	-6,843	-4.0%	-24,522	-12.7%	-58,190	-26.8%
Equity Accounted Results	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Dividends from Equity Instruments	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Rental Revenue	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Lease and Rental Revenue	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Other Noninterest Income	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Operating Income	**101,000**	**100%**	**170,535**	**100%**	**193,809**	**100%**	**217,344**	**100%**
Expenses (€000)								
Depreciation and Amortisation	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Personnel Expense	6,000	19.4%	7,510	18.8%	7,661	17.4%	8,337	17.4%
Occupancy & Equipment	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Tech & Communications Expense	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Marketing and Promotion Expense	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Other Provisions	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Other Expense	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Operating Expense	**31,000**	**100%**	**40,006**	**100%**	**44,000**	**100%**	**48,000**	**100%**
Operating Profit & Impairment (€000)								
Pre-impairment Operating Profit	**70,000**		**131,686**		**149,361**		**170,008**	
Asset Writedowns	0		0		0		0	
Net Income (€000)								
Nonrecurring Revenue	NA		NA		NA		NA	
Nonrecurring Expense	NA		NA		NA		NA	
Pre-tax Profit	**70,000**		**131,686**		**149,361**		**170,008**	
Income Tax Expense	21,000	30.0%	36,980	28.1%	42,009	28.1%	47,481	27.9%
Discontinued Operations	0		0		0		0	
Net Profit	**49,000**		**94,706**		**107,352**		**122,527**	

Figure 1: Group income statement
(Source: S&P Global Market Intelligence)

NWB's return on average assets (ROAA) remained largely unchanged YOY and is still at a very low level in comparison to the peer group. In addition, the peer group was able to improve its value for ROAA significantly YOY. However, NWB's value for ROAE is now slightly below the average of the peer group as the peer group was able to improve its ROAE on average significantly YOY.

Due to a large amount of 0% risk weighted assets, the bank has an outstanding value for RoRWA. Despite the improvement of the peer group in this figure, the peers aren't able to keep up with NWB. NWB's net interest margin is considerably worse than that of the peer group and remained at a relatively low level YOY. By contrast, NWB's cost income ratios are overtopping and are both significantly better than the average of the peer group. In addition, NWB was even able to improve these ratios over the past years.

The development of the key earnings figures for the years 2014 - 2017 is detailed as follows:

Income Ratios (%)	2014	%	2015	%	2016	%	2017	%
Return on Average Assets (ROAA)	0.06	0.02	0.11	0.04	0.12	0.01	0.13	0.02
Return on Equity (ROAE)	3.83	1.09	7.01	3.18	7.39	0.38	7.82	0.43
RoRWA	3.24	0.34	5.01	1.77	4.31	-0.70	4.33	0.02
Net Interest Margin	0.15	0.02	0.20	0.05	0.24	0.04	0.30	0.07
Cost income Ratio ex. Trading	26.50	-6.14	22.55	-3.94	20.15	-2.40	17.42	-2.73
Cost income Ratio	30.69	-7.58	23.46	-7.23	22.70	-0.76	22.08	-0.62
Change in %-Points								

Figure 2: Group key earnings figures
(Source: S&P Global Market Intelligence)

Asset Situation and Asset Quality

NWB's financial assets account for almost 100% of total assets, decreasing by 7.7% YOY (€7.3 billion). Net loans to customers represent the largest share of financial assets, accounting for 70%, decreased by 5.5% in a year-over-year comparison (€3.5 billion). The largest share of loans (81.5%) are long-term loans guaranteed by the Dutch government in the area of social housing, water authorities, and municipal authorities.

Cash and balances with central banks account for 11.1% of financial assets and increased by 33% over the previous year (€2.4 billion). However, net loans to banks account for 10% of financial assets, decreasing by 16.7% (€1.75 billion) YOY. The reduction in this position is a result of reduced receivables under collateral arrangements related to derivative contracts, which are not at the banks disposal. Total securities account for only 8.9% of NWB's financial assets, decreasing by 36.3% (€4.4 billion) in comparison to the previous year. This position consists primarily of interest bearing securities (for liquidity purposes) and interest rate swaps as well as currency swaps. A reduction in the two latter mentioned items (€4.2 billion) caused the decrease in NWB's total securities and is a result of the banks restructuring measures of its derivatives portfolio as well as the application of the settled-to-market method for centrally cleared derivatives since 2017.

NWB's total assets amounted to €87.1 billion in 2017, an increase by 7.7% YOY (€7.3 billion).

The development of assets of NWB for the years 2014 - 2017 is shown in detail in the following:

Assets (€000)	2014	%	2015	%	2016	%	2017	%
Cash and Balances with Central Banks	502,000	0.6%	6,766,469	7.4%	7,246,425	7.7%	9,637,531	11.1%
Net Loans to Banks	10,174,000	11.5%	8,907,685	9.8%	10,508,235	11.1%	8,754,504	10.0%
Net Loans to Customers	64,666,000	73.3%	63,575,761	69.6%	64,496,020	68.3%	60,972,929	70.0%
Total Securities	12,011,000	13.6%	12,055,137	13.2%	12,152,691	12.9%	7,745,807	8.9%
Financial Assets	**87,353,000**	**99%**	**91,305,052**	**100%**	**94,403,371**	**100%**	**87,110,771**	**100%**
Equity Accounted Investments	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Other Investments	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Insurance Assets	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Noncurrent Assets HFS & Discontinued Ops	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Tangible and Intangible Assets	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Tax Assets	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Total Other Assets	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Total Assets	**88,249,000**	**100%**	**91,314,000**	**100%**	**94,414,000**	**100%**	**87,123,000**	**100%**

Figure 3: Development of assets
(Source: S&P Global Market Intelligence)

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 3.08% is much lower than that of its peers, remaining largely stable at an outstanding 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.

The development of asset quality for the years 2014 - 2017 is detailed as follows:

Asset-Quality (%)	2014	%	2015	%	2016	%	2017	%
Non Performing Loans (NPL) / Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NPL / RWA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Potential Problem Loans / NPL	NA	NA	NA	NA	NA	NA	NA	NA
Reserves / Impaired Loans	NA	NA	NA	NA	NA	NA	NA	NA
Net Write-offs / Risk-adjusted Assets	0.00	NA	0.00	0.00	0.00	0.00	0.00	0.00
Risk-weighted Assets/ Assets	2.02	0.31	2.19	0.17	3.16	0.97	3.08	-0.08
Change in %-Points								

Figure 4: Development of asset quality
(Source: S&P Global Market Intelligence)

Refinancing and Capital Quality

The financial liabilities of NWB accounted for almost 100% of total liabilities and decreased by 8% YOY (€7.4 billion). Total debt represents the largest share of financial liabilities with 78.1% and remained roughly unchanged in comparison to the previous year (-€0.8 billion). This position consists primarily of bond loans (84%).
Derivate liabilities represent the second largest share of total liabilities, accounting for 13.3% of total financial liabilities, and decreased by 30.8% in a year-over-year comparison (€5.1 billion). The reduction in this position is analogous to the decline of NWB’s derivative assets and is mainly attributable to reduced interest rate swaps.
Total deposits from customers account for only 7.1% of total financial liabilities, remaining stable in a year-over-year comparison (+€46.6 million). However, total deposits from banks decreased by €1.5 billion YOY, mainly due to a reduction in liabilities under collateral arrangements related to derivative contracts.

The development of refinancing and capitalization in the years 2014 - 2017 is detailed as follows:

Liabilities (€000)	2014	%	2015	%	2016	%	2017	%
Total Deposits from Banks	1,276,000	1.5%	2,454,506	2.7%	2,691,608	2.9%	1,153,994	1.3%
Total Deposits from Customers	5,325,000	6.1%	5,371,441	6.0%	6,059,996	6.5%	6,106,620	7.1%
Total Debt	63,178,000	72.7%	67,680,170	75.3%	67,558,256	72.7%	66,744,074	78.1%
Derivative Liabilities	16,302,000	18.7%	14,302,343	15.9%	16,482,261	17.7%	11,401,851	13.3%
Securities Sold, not yet Purchased	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Other Financial Liabilities	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total Financial Liabilities	**86,081,000**	**99%**	**89,808,460**	**100%**	**92,792,121**	**100%**	**85,406,539**	**100%**
Insurance Liabilities	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Non-Current Liab. HFS & Discontinued Ops	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Unit-Linked Insurance and Investment Contr.	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Tax Liabilities	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Noncurrent Asset Retirement Obligations	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Other Provisions	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Total Other Liabilities	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Total Liabilities	**86,946,000**	**98.5%**	**89,915,067**	**98.5%**	**92,907,000**	**98.4%**	**85,495,000**	**98.1%**
Total Equity	**1,303,000**	**1.5%**	**1,399,000**	**1.5%**	**1,507,000**	**1.6%**	**1,628,000**	**1.9%**
Total Passiva	**88,249,000**	**100%**	**91,314,000**	**100%**	**94,414,000**	**100%**	**87,123,000**	**100%**
Deposits from Customers Growth*	37.21	NA	0.87	-36.33	12.82	11.95	0.77	-12.05
Change in %-Points								

Figure 5: Development of refinancing and capital adequacy
(Source: S&P Global Market Intelligence)

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

The prior decline of NWB’s capital ratios and partly the fluctuation (since 2014) is mainly due to the introduction of the Credit Valuation Adjustment (CVA) capital charge on 01 January 2014 based on the Capital Requirements Regulation and Directive (CRR/CRD) of the EU. This regulation imposed the fair value of the counterparty risk in relation to derivatives, which affects among others the risk weighted assets position. Due to its business model, the CVA charge had a tremendous impact on NWB's capital ratios. On the one hand, this is because NWB hedges its interest rate and currency risks through hedging operations, and it is here that the CVA charge for the counterparty risk comes to bear. On the other hand, because the introduction of the regulatory provision has a relatively large impact on NWB’s capital ratios, as NWB has only a small number of RWA due to its business model as a public sector financier. Overall, this has led to a tremendous decline of NWB’s ratios for CET1, Tier 1 and total capital since 2014 as shown in figure 6.

By contrast, NWB’s leverage ratio of 2.5% in 2017 actually increased by 0.2 percentage points; however, the bank does not meet the regulatory requirement of 3%. The difficulty in fulfilling the requirement is due to NWB’s business model as a lender to public authorities (promotional bank), which are likely to have a high amount of 0% risk weighted assets. However, NWB awaits the adjustment of the calculation method of the leverage ratio (proposed by the European Commission in November 2016) in the second half of 2018, which is expected to ease the leverage ratio requirements for promotional banks.

The development of capital ratios for 2014 - 2017 is detailed as follows:

Capital (€000)	2014	%	2015	%	2016	%	2017	%
Total Capital	1,251,000	-0.40	1,500,000	19.90	1,716,000	14.40	1,820,000	6.06
Total Risk-weighted Assets	1,780,000	42.97	1,998,000	12.25	2,979,000	49.10	2,680,000	-10.04
Capital Ratios (%)								
Core Tier 1 Ratio	70.28	-30.60	65.07	-5.22	46.86	-18.20	55.97	9.11
Tier 1 Ratio	70.28	-30.60	75.08	4.79	57.60	-17.47	67.91	10.31
Total Capital Ratio	70.28	-30.60	75.08	4.79	57.60	-17.47	67.91	10.31
Leverage Ratio	1.74	0.04	2.10	0.36	2.30	0.20	2.50	0.20
Fully Loaded: Common Equity Tier 1 Ratio	NA	NA	NA	NA	46.85	NA	NA	NA
Fully Loaded: Tier 1 Ratio	NA	NA	NA	NA	NA	NA	NA	NA
Fully Loaded: Risk-weighted Capital Ratio	NA	NA	NA	NA	NA	NA	NA	NA
Total Equity/ Total Assets	1.48	-0.24	1.53	0.06	1.60	0.06	1.87	0.27
Change in %-Points								

Figure 6: Development of capital ratios
(Source: S&P Global Market Intelligence)

Due to NWB’s bank capital and debt structure, as well as its status as a promotional bank of the Netherlands, the group’s senior unsecured debt instruments have not been notched down in comparison to the long-term issuer rating.

Liquidity

The liquidity coverage ratio of NWB is consistent with the peer group average and improved by 33 percentage points (similar to the peer group) over the previous year. The bank’s interbank ratio increased significantly over the previous year, while the peer group recorded a decline in this ratio. However, NWB’s interbank ratio is at a relatively high level in general. Due to the bank’s business model and a low number of deposits, its loan-to-deposit ratio is considerably higher than the average of the peer group, but declined by 66 percentage points YOY.

The development of the liquidity ratios for 2014 - 2017 is shown in detail as follows:

Liquidity (%)	2014	%	2015	%	2016	%	2017	%
Liquidity Coverage Ratio	144.00	34.00	134.00	-10.00	146.00	12.00	179.00	33.00
Interbank Ratio	797.34	-397.69	362.91	-434.42	390.41	27.50	758.63	368.22
Loan to Deposit (LTD)	1214.38	-264.23	1183.59	-30.80	1064.29	-119.30	998.47	-65.82
Change in %-Points								

Figure 7: Development of liquidity
(Source: S&P Global Market Intelligence)

Conclusion

Firstly, 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 – 29.06.2018) 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 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.

Regardless of the aforementioned issue, NWB can look back at 2017 as another sound year of performance.

NWB's result in operating income in the fiscal year 2017 improved in comparison to the previous year. The bank was able to counteract its increase in operating expenses with a reduction of its interest expenses and thereby achieved an increase in its net profit. Noteworthy are NWB's earnings figures, which indeed cannot compete with the peer group. However, NWB is partly able to compensate for this by very low cost-to-income ratios.

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 recorded a stable development. The fluctuation of NWB's capital ratios is mainly a result of the introduction of the CVA capital charge in 2014. The tremendous impact on the aforementioned ratios is due to NWB's business model as public sector financier with low risk weighted assets. Nevertheless, NWB's capital ratios are still outstanding in comparison to its peers and meet all regulatory requirements. A challenge, which NWB has to deal with might be the compliance with the regulatory leverage ratio. However, an adjustment of the leverage ratio by the European commission might ease the leverage ratio requirements for promotional banks.

In the near future, growing regulation, ongoing digitization and the ECB's low interest rate policy pose a general challenge for the banking landscape. However, an interest rate reversal is becoming more likely, as well as the termination of the ECB bond-buying program. In particular, a rapid increase in the interest rates goes hand-in-hand with an interest rate adjustment risk for banks, which have adjusted to long-term low-interest rates.

In a scenario analysis, the rating remained unchanged in the “best case” scenario and significantly worse in the "worst case" scenario. The ratings of bank capital and (preferred) senior unsecured debt would behave similarly due to our rating mechanics. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general. In addition, the banks' long term issuer rating as well as the rating of its bank capital and (preferred) senior unsecured debt are sensitive to changes in the rating of the Netherlands.

Ratings Detail

Bank ratings

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

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

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: **AAA**
Tier 2 (T2): **n.r.**
Additional Tier 1 (AT1): **n.r.**

Ratings Detail and History

Ratings			
Bank Capital und Debt Instruments			
Instruments	Rating Date	Publication Date	Ratings
Senior Unsecured / T2 / AT1	27.04.2018	08.05.2018	AAA / A+ / A-
Senior Unsecured / T2 / AT1	04.07.2018	06.07.2018	AAA / n.r. / n.r.

Bank Issuer Ratings			
Type	Rating Date	Publication Date	Ratings
LT Issuer / Outlook / Short-Term	27.04.2018	08.05.2018	AAA / stable / L1
LT Issuer / Outlook / Short-Term	04.07.2018	06.07.2018	AAA / stable / L1

Figure 8: Ratings Detail and History

Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third parties 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 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 S&P Global Market Intelligence subject to a peer group analysis were 33 competing institutes.

The information and documents processed satisfied the requirements according to the rating system of Creditreform Rating AG published on the website www.creditreform-rating.de. The rating was carried out on the basis of the rating methodology for unsolicited bank ratings as well as the methodology for the rating of bank capital and unsecured debt instruments in conjunction with Creditreform`s basic document “Rating Criteria and Definitions”.

On 04 July 2018, 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 it. There was no change in the rating score.

The rating is subject to one-year monitoring from the creation date (see cover sheet). Within this period, the rating can be updated. At the latest after one year, a follow-up is required to maintain the validity of the rating.

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.

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 in 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 ‘Rating Committee’ policy, 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. Transaction structure and participants

2. Transaction documents

3. Issuance documents

There are no other attributes and limitations of the credit rating or rating outlook other than those 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 time of 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 cases 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 rating report and indicates how the different methodologies or 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 and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated including any rating outlooks is indicated clearly and prominently in the ‘Basic Data’ card as a “rating action”; initial 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, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating 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
Hellersbergstraße 11
D-41460 Neuss

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

E-Mail info@creditreform-rating.de
www.creditreform-rating.de

CEO: Dr. Michael Munsch

Chairman of the Board: Prof. Dr. Helmut Rödl
HR Neuss B 10522