NWB BANK

Annual Report

2023

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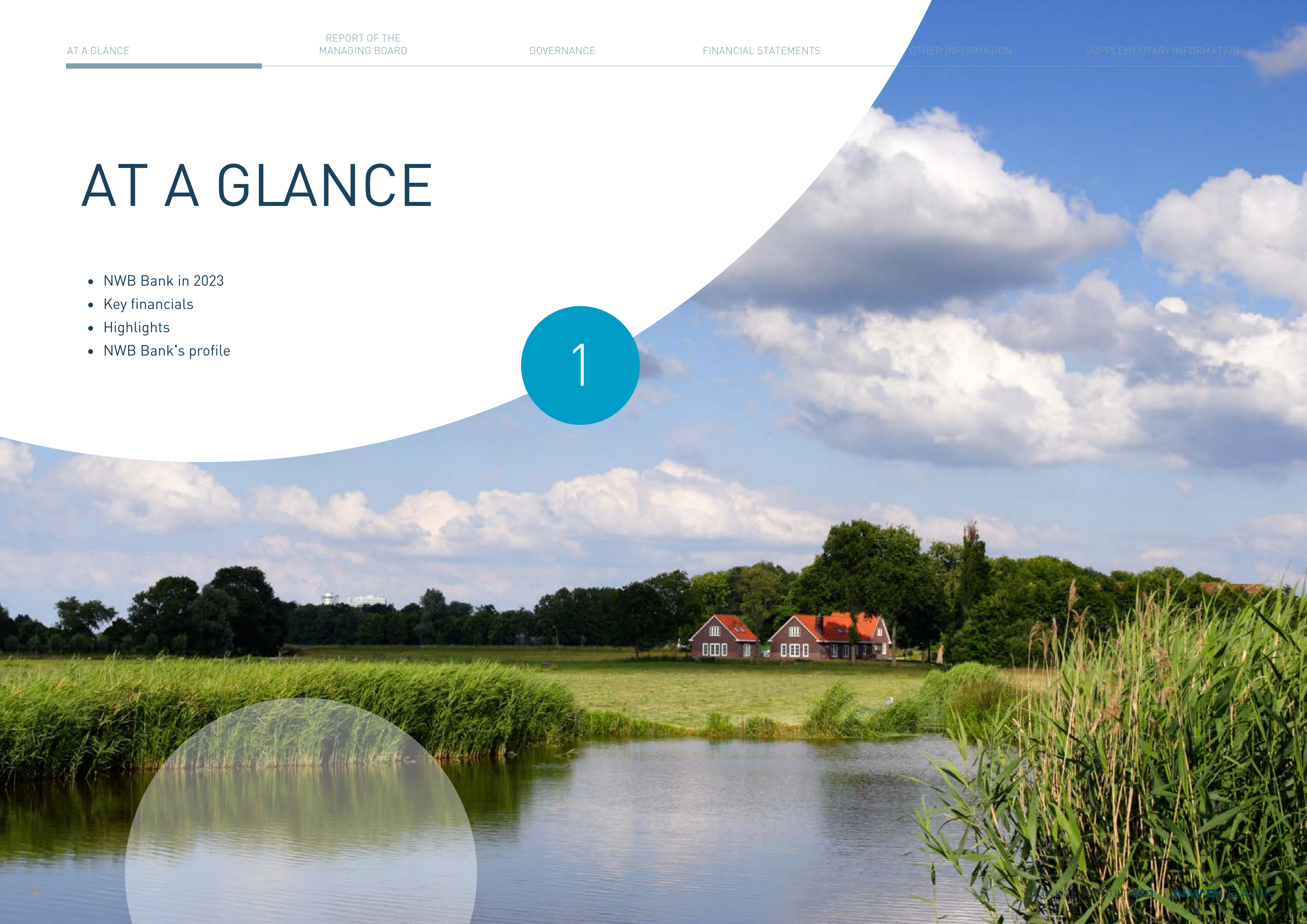
Chapters 1, 2 and the Corporate governance and Risk management paragraph in chapter 3 together form the annual report as referred to in Section 2:391 of the Dutch Civil Code. Insofar as it relates to NWB Bank’s risk management, the Risk management section in chapter 4 is also part of the annual report from that perspective.

This annual report of Nederlandse Waterschapsbank N.V. for the reporting year that ended on 31 December 2023 has also been published in ESEF format as specified by the European Commission in the Regulatory Technical Standard on ESEF (Regulation 219/815). The ESEF reporting package is available on our corporate website **nwbbank.com**.

These financial statements are an English translation of the financial statements prepared on 21 March 2024. In case of any discrepancies or possible differences in interpretation between the English translation and the financial statements prepared on 21 March 2024, the latter prevail.



AT A GLANCE

- NWB Bank in 2023
- Key financials
- Highlights
- NWB Bank's profile

1

NWB BANK 2023 **FACTS AND FIGURES**

LENDING

€7.4 BILLION TO THE DUTCH PUBLIC SECTOR

2022: €9.6 BILLION

HOUSING ASSOCIATIONS	**€5.3 BILLION**
WATER AUTHORITIES	**€781 MILLION**
MUNICIPALITIES AND JOINT SCHEMES	**€145 MILLION**
PASS-THROUGH NHG RMBS	**€409 MILLION**
HEALTHCARE INSTITUTIONS	**€281 MILLION**
RENEWABLE ENERGY	**€227 MILLION**
DRINKING WATER COMPANIES	**€114 MILLION**
GOVERNMENT-GUARANTEED LOANS	**€101 MILLION**
OTHER	**€122 MILLION**

TOTAL BONDS ISSUED

€61.1 billion

OF WHICH ESG BONDS

€23.2 billion

(38% of total bonds issued)

BONDS ISSUED IN 2023
€8.9 BILLION

OF WHICH ESG BONDS
€3.8 BILLION
(42.3% of total funding raised in 2023)

SDG Housing Bonds
€2.3 BILLION

Water Bonds
€1.5 MILLION

NET PROFIT

€126 MILLION

2022: €143 MILLION

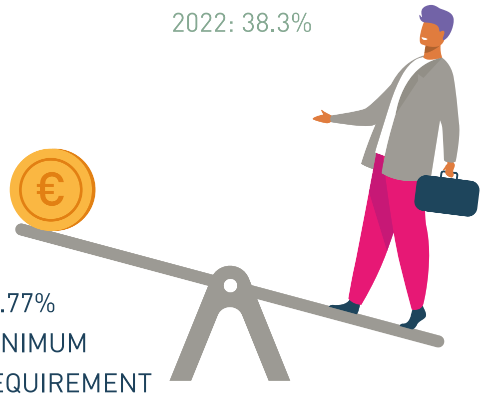
21.8% COST/INCOME RATIO

2022: 16.2%

CAPITAL RATIO

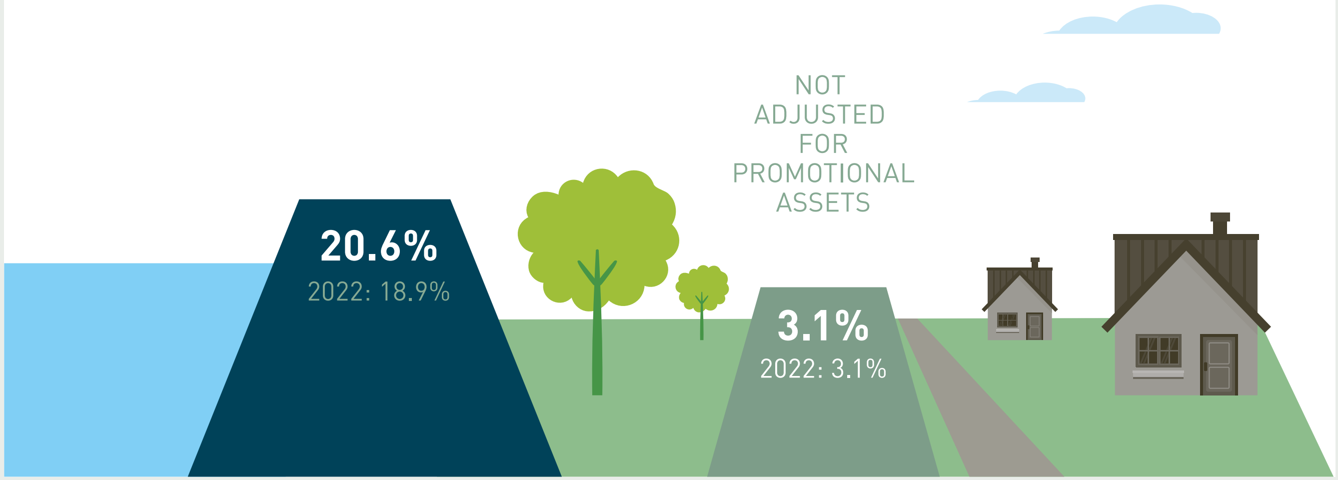
41.1 CET1 RATIO

2022: 38.3%



13.77%
MINIMUM
REQUIREMENT

LEVERAGE RATIO



TOTAL ASSETS

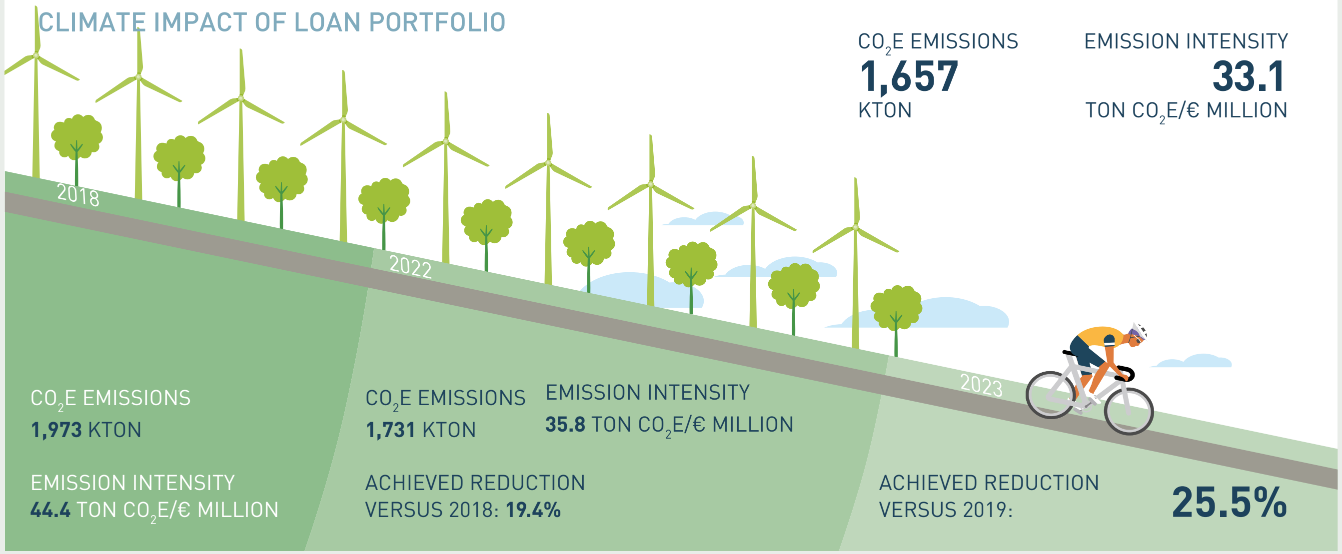
€75.9 BILLION

2022: €73.3 BILLION

CLIMATE IMPACT OF LOAN PORTFOLIO

CO_2E EMISSIONS
1,657
KTON

EMISSION INTENSITY
33.1
TON CO_2E/€ MILLION



KEY FINANCIALS

(in millions of euros)	**2023**[1]	2022	2021	2020	2019
Balance sheet					
Long-term loans and advances (nominal value)[2]	53,854	52,167	51,888	49,844	49,436
Equity	2,060	1,995	1,902	1,827	1,796
Tier 1 capital	2,235	2,155	2,083	2,049	2,010
Total assets	75,909	73,285	96,019	106,882	96,205
Risk-weighted assets	4,659	4,792	4,641	3,833	3,277
Results					
Net interest income	262	301	286	244	213
Results from financial transactions	-16	-30	-20	-55	-39
Operating income	246	271	266	189	174
Operating expenses	54	44	35	42	27
Bank tax and resolution levy	18	28	38	12[3]	22
Expected Credit Loss	-	-	-	-	-
Extraordinary income	-	-	-[4]	-	11
Income tax	48	56	72	54	41
Net profit	126	143	121	81	95
Dividend					
Dividend distribution	60.0	60.0	50.0	45.0	55.0
Dividend (in euros per share)	1,017.1	1,017.1	847.6	762.9	932.4

1) An explanation of the calculation of the quantities shown in the key figures is included in the 'Glossary'
2) Loans including interest-bearing securities, provided to regional authorities
3) Including a restitution of € 15 million for the years 2016 to 2018
4) Extraordinary income as a result of a change in the pension scheme

(in %)	**2023**[1]	2022	2021	2020	2019
Ratios (in %)					
Tier 1 ratio	48.0	45.0	44.9	53.5	61.3
CET1 ratio	41.1	38.3	38.0	45.1	51.6
Cost/income ratio[2]	21.8	16.2	13.0	22.2	15.5
Dividend pay-out ratio	47.7	41.9	41.2	55.9	58.2
Leverage ratio[3]	20.6	18.9	14.3[4]	13.2	15.1
Leverage ratio (not adjusted for promotional assets)[5]	3.1	3.1	2.6[6]	2.4[6]	2.3
Liquidity Coverage Ratio	160	285	183	150	204
Net Stable Funding Ratio	133	141	133	122	118
CSR					
Volume of ESG bond issuance in millions of euros	3,766	4,703	3,550	4,531	2,538
CO_2 emissions equivalents from operating activities p.p. (in tonnes)	0.5	0.9	1.2	1.5	2.8
CO_2 emissions equivalents PCAF portfolio coverage (in %)	-	91.9	90.7	91.6	93
CO_2 emissions equivalents loan portfolio (in kton)	-[7]	1,657[8]	1,731[8]	1,762[8]	1,868[8]

1) An explanation of the calculation of the quantities shown in the key figures is included in the 'Glossary'
2) 'Cost' concerns the operating expenses and 'income' the operating income
3) Taking into account the proportional calculation for promotional banks according to CRR II as of 27 June 2019
4) 53.0% taking into account Decision (EU) 2021/1074 of 18 June 2021 on the temporary exclusion of certain exposures to central banks from the total exposure
measure in view of the COVID-19 pandemic (ECB/2021/27)
5) Not taking into account the proportional calculation for promotional banks
6) Taking into account Decision (EU) 2021/1074 of 18 June 2021 on the temporary exclusion of certain exposures to central banks from the total exposure
measure in view of the COVID-19 pandemic (ECB/2021/27)
7) The most recent calculation is for 2022
8) Based on 91.9% of the loan portfolio (2021: 90.7%); The 2021, 2020 and 2019 figure is recalculated to the most actual methodology

HIGHLIGHTS

2023 was both the warmest and wettest year since the Royal Netherlands Meteorological Institute (KNMI) began measuring. As a bank of and for the Dutch public sector, we are committed to the fight against climate change. The climate footprint of our loan portfolio has continued to decrease, even though the size of this portfolio grew to a record €54 billion last year. Net profit for 2023 reached €126 million, of which €60 million will be distributed as dividends to our shareholders: the water authorities, the Dutch state and several provinces.

OUR LOAN PORTFOLIO HAS GROWN TO A RECORD LEVEL OF

€54 BILLION

NEW LENDING TO CLIENTS IN THE DUTCH PUBLIC SECTOR AND RENEWABLE ENERGY PROJECT IN 2023:

€7.4 BILLION

(2022: €9.6 BILLION)

NET PROFIT IN 2023:

€126 MILLION

(2022: €143 MILLION)

ON TRACK WITH OUR CLIMATE ACTION PLAN:

CLIMATE FOOTPRINT OF CREDIT PORTFOLIO REDUCED BY 26%

SINCE FIRST MEASUREMENT IN 2019

The Nederlandse Waterschapsbank (NWB Bank) was founded by the water authorities in 1954, and 70 years later we are more relevant than ever. Chair of the Managing Board Lidwin van Velden: "The 1953 North Sea Flood was the immediate reason for establishing our bank. Due to climate change, we are now once again wondering how to keep our feet dry. Our clients and shareholders are working hard to protect and adapt our land. By providing them with appropriate financing at the lowest possible cost, we ensure that sustainability remains affordable and the burden on citizens is kept to a minimum. "

Healthy figures

Lending to the Dutch public sector and renewable energy projects amounted to €7.4 billion last year. By the end of 2023, our total loan portfolio amounted to €53.9 billion, the largest it has ever been. We recorded a healthy profit of €126 million for 2023, and our capital and liquidity ratios remain as strong as ever. The Tier 1 ratio was 48.0% and the leverage ratio was 20.6% as of 31 December. Both are well above the minimum standards of 13.77% and 3% respectively. The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) are also well above the minimum requirement of 100% at 160% and 133% respectively.

Reduced climate footprint

Since 2018, the absolute climate footprint of our loan portfolio has decreased by 16% and the relative impact (CO_2 equivalent per euro financed) by as much as 25.5%. This is quite an achievement considering the further growth of our loan portfolio. However, we don't only focus on climate impact, but also on social impact and biodiversity, with a view to circularity and nature-inclusive solutions. We will therefore expand our climate action plan, which we presented in 2022, into a broader sustainability action plan in 2024. Being transparant about the impact of our activities and dilemmas is a priority for us. Last year, we were ranked fourth in the Transparency Benchmark, which ranks the 500 largest Dutch companies in terms of transparency in corporate social responsibility (CSR) reporting.

Outlook

We will continue to provide appropriate and affordable financing to the Dutch public sector in a socially responsible and sustainable manner in 2024. In particular, we expect the demand for financing from the water authorities, drinking water companies and housing associations to increase in the coming years due to the major transition tasks they are facing. As a result, we expect our loan portfolio to grow even further. We are cautious in our forecast for net profit in 2024. Partly because of the higher bank tax and also because of the ECB's decision to stop paying interest on the mandatory cash reserves that banks must hold with the central bank, it is probably going to be lower than last year.

NWB BANK'S PROFILE

NWB Bank is a bank of and for the public sector with a special focus on water and sustainability. Our excellent creditworthiness enables us to raise funding for our clients at favourable rates in the international capital markets. Our priority is to contribute to affordable sustainable practices in the Netherlands and to keep the burden on citizens as low as possible.

WHO WE ARE

We are a *national promotional bank*. This means that our activities contribute to the public interest. NWB Bank was founded by and for the water authorities, but we soon started financing the wider Dutch public sector which includes among others municipalities, drinking water companies, healthcare institutions and housing associations.

We focus our financing on organisations and initiatives that deliver social added value. We do not aim to maximise our profits but want to generate a healthy return in order to keep contributing to a stable and sustainable financial sector.

"We contribute to affordable sustainable practices in the Netherlands."

WHAT WE DO

We have been financing civil society organisations, projects and funds in the Netherlands since our foundation in 1954. On 5 May of that year, our bank was established to help the water authorities with the huge investment task of protecting our country against water after the North Sea flood. There had been plans to establish a water authority bank as early as 1939, but the disaster in February 1953 was the catalyst that accelerated its establishment. Indeed, the bank immediately faced an important task.

Today, we face new challenges: sustainability and the energy transition are top priorities. The transition to a climate-neutral, nature-inclusive and circular economy will require major investments in the coming decades, which will need to be recouped over a long period of time. We are well positioned and equipped to provide this kind of long-term financing. A big advantage is that we are able to provide appropriate financing for these long-term investments and keep the financing costs low for our clients. This is due to our excellent creditworthiness and efficient business model.

HOW WE DO IT

We raise the funds we lend to our clients in the international money and capital markets. Wherever possible, we try to do that by issuing ESG bonds (ESG standing for the sustainability criteria Environmental, Social and Governance). We finance the activities of the water authorities with Green Bonds and the activities of the housing associations with SDG (Sustainable Development Goals) Housing Bonds. We have a great deal of experience in this area and have already raised over €28 billion in this way since our first ESG bond issuance in 2014. This makes us a leader in this field in the Netherlands and a prominent player internationally as well.

The position we have built up as a financial institution is partly due to our compact organisation and open culture. These ensure that we are effective, professional and inventive. Our organisation is also characterised by integrity: clients and other stakeholders can rely on us. And like our clients, we want to set a good example when it comes to sustainability within our organisation.

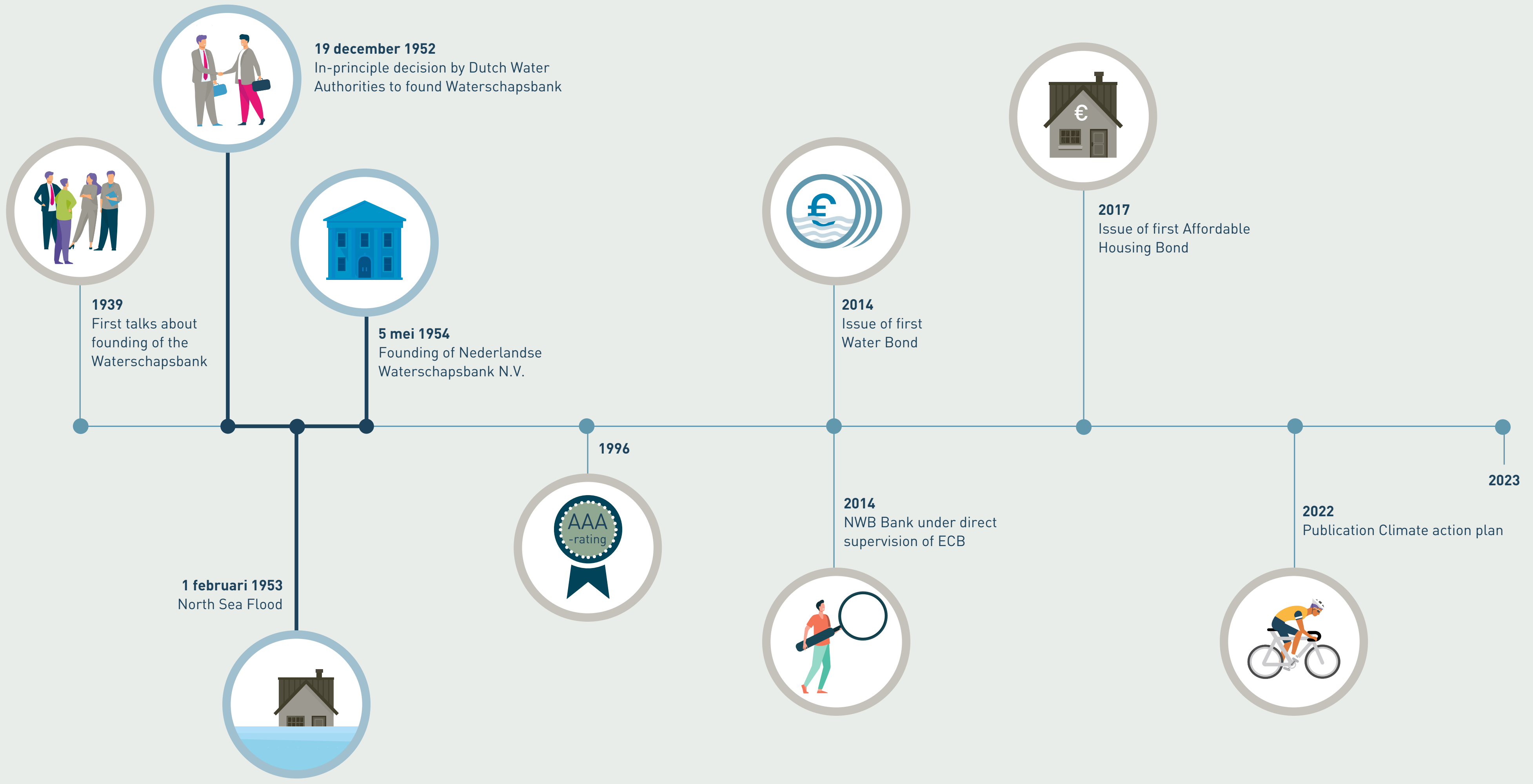
For instance, we only use company cars that do not emit CO_2, and our office has energy label A+. Sustainable and socially responsible business is therefore also part of all our internal processes.

“We are increasingly funding our clients with ESG bonds."

The vast majority of our bank's loan portfolio consists of loans to (local) governments or institutions guaranteed by (local) governments. This is one of the reasons why we have the highest credit rating: AAA/Aaa. NWB Bank is ranked sixth on the list of the world's safest banks. Thanks to our high creditworthiness, financial expertise and efficient organisation, we are able to respond actively to the financing needs of the Dutch public sector, even in difficult times.

As a significant bank, we are directly supervised by the European Central Bank. The intensity and high requirements of this supervision, which are no different for a national promotional bank such as NWB Bank than for a strictly commercial bank, as well as our own wish to operate in a professional and expert way, means that we are continually investing in our own organisation, employees and systems.

HISTORY TIME LINE



REPORT OF THE MANAGING BOARD

2

Interview

Lidwin van Velden

Chair of the Managing Board

“Our mission *to invest together in a water-conscious and sustainable society* is not just idealistic; it's the very foundation of our existence and essential to maintaining a healthy bank”

NWB Bank continues to grow, both in terms of outstanding capital and human capital. This requires an even sharper focus on conduct within the bank and among its clients, with a view to the environment, society and good governance.

Chair of the Managing Board Lidwin van Velden: “The foundation of our strategy is the commitment, credibility and passion of our employees.”

The North Sea Flood occurred in 1953, and in its aftermath, in 1954, the water authorities established NWB Bank. So a memorable anniversary year is approaching for the bank.
“Certainly, and we are more relevant than ever! The new year began in the Netherlands with extreme weather and flooding, which was in the news due to the high water levels. For the second year in a row, I was able to write about this in my New Year's blog for our employees, although this time it was even more tense and close to home for me. I live at the Markermeer and the outer dike meadow in front of our house had turned into a churning lake and the water was sloshing against the dike, which was full of sandbags. I had never seen anything like it before, even though I have lived there for a long time. I was seeing the effects of climate change on my own doorstep. And when I was on my way to our NWB Bank Together Days last July, it was code red because of Storm Poly. Climate change is becoming more and more tangible, and so is the struggle of our clients and shareholders to protect and adapt our country to it. By adapting and mitigating climate change, they're ensuring that this beautiful delta remains habitable for future generations. But we need to do more. That's why the water authorities and the drinking water companies are calling on the national and provincial governments to continue to invest together in protecting against extreme weather and restoring water quality and nature.”

“The meadow turned into a churning lake and the water was sloshing against the dike. I was seeing the effects of climate change on my own doorstep."

Isn't it ironic that after 70 years, the bank is more relevant than ever?

“There’s still a lot of work to be done, work to which we are willing and able to contribute. I suppose that’s not necessarily a positive, if you consider that this terrible North Sea Flood was the direct cause for establishing the bank. Our goal is to fulfil our founding purpose, and we’re committed to doing so. Our mission to invest together in a water-conscious and sustainable society is not just idealistic; it’s the very foundation of our existence and essential to maintaining a healthy bank. Consider, for example, that we finance about a third of the social housing in the Netherlands, and of course we want the people who live there to keep their feet dry and enjoy a healthy living environment.”

Keep your feet dry by reducing your footprint.

“Our bank has been measuring its climate footprint since 2019, and we’re becoming more and more comprehensive and precise. We now avail of climate impact data of about 92% of our lending. This constant improvement in measurement means that we occasionally need to revise the figures, but the climate footprint of our loan portfolio has been reduced by over 26% since our first measurement. At a client level, we monitor whether we’re on track to collectively meet the Paris climate goals. But our scope extends beyond the climate; nature and biodiversity are important to achieving our climate goals and, more broadly, ensuring a healthy living environment. We’re also mapping our impact and dependence on nature and biodiversity and are setting targets for these areas.”

What steps are being taken as a result of these figures?

“We published our climate action plan in April 2022, in which we show that we intend to scale up. That plan will be updated in 2024, when we will clarify and make more concrete our biodiversity targets, in line with our commitment to the Finance for Biodiversity Pledge. It is also in the bank’s own interest to manage for biodiversity. After all, we operate in sectors that depend on the services provided by nature. A healthy nature is crucial for the quality of the sources of our drinking water and therefore for the water authorities and drinking water companies. Nature can provide solutions, as can be seen in the Prins Hendrik sand dike on Texel and the Room for the River programme, where nature-friendly river banks act as water buffers. It hits two targets with one arrow: promoting nature and protecting against floods and droughts. As a bank, we are also involved in the Nature Inclusivity Agenda, an initiative of the Ministry of Agriculture, Nature and Food Quality.”

The amount of new loans fell slightly in 2023 compared to the previous year. Was this due to higher interest rates?

“It’s more likely that our clients have funded themselves optimally in previous years when interest rates were low. They thought ahead and took advantage of low interest rates to finance future investments. The overall loan portfolio is continuing to grow, and our financial results are also favourable and in line with our business model as a public bank. The financing of renewable energy projects continued to grow, bringing us another step closer to the bank's audacious goal of an energy positive loan portfolio by 2035, on our way to climate neutral by 2050. We couldn't have predicted this in 2018, when we fomrulated the sustainable water bank strategy, but by starting to finance renewable energy projects in 2019, we contributed to our country's resilience to an energy crisis. And although lending has fallen slightly, it was still substantial at €7.4 billion last year. A sign that we’re playing our social role well.”

Has the higher interest rate had any impact on NWB Bank's operations?

“Our profits are only marginally sensitive to interest rates. This is because we do not aim to maximise our profits and always keep our margins as low as possible in the interests of our clients and our social objectives. The interest rates we charge our clients move almost identically with the interest rates we pay for funding on the international capital markets. Of course, we need profits to grow our equity so that we are and remain adequately capitalised and can fulfil our ambitions for the future. The business model is that of a healthy public bank, making a reasonable profit to pay an appropriate dividend and save for our role in the future. Our priority is to provide our public sector clients with appropriate loans at the lowest possible costs."

"By financing renewable energy projects, we contributed to our country's resilience to an energy crisis"

That's an entirely different premise than that of a commercial bank. Aren't you being lumped together too much in terms of regulation?

"After the banking crisis, regulations were tightened considerably. With a balance sheet of around €76 billion, we're talking about a significant bank, and that, combined with our triple-A rating, sets a high bar for the quality and professionalism of our work. Tighter regulation of banks is a positive development, but it doesn't change the fact that sometimes more customised solutions, taking into account the special position of public banks, are desirable. European public banks such as NWB Bank have a different business model and together account for more than 15% of the European funding market. Their social character also means they're more progressive about issuing sustainable bonds, which can be used to finance social investments at even more favourable rates. As the European Association of Public Banks, we drafted a position paper to draw attention to the regulation of green bonds. We highlighted the importance of public banks as early adopters and the fact that the proposed framework did not quite fit. And with a first success. Legislators in Europe now have a better awareness of what we do and what our specific mission is, and there has already been a move in our direction, demonstrating a better understanding."

A mission that resonates at all levels of NWB Bank.

"Every year we take a critical look at our strategy to see if we're still on the right track, and the foundation of this strategy is the commitment, credibility and passion of our employees. All the more reason to invest in our human capital. Last year, we grew from around 100 to over 130 employees, and we will continue to grow in 2024. This is due to investments in the quality of our processes, including new aspects such as embedding ESG in all our processes and related data. At the same time, our investments focus on providing the best possible service to our clients. And as the organisation grows, so do our human resources and internal communications challenges. We introduced temporary measures to provide office space for all colleagues and are working on longer-term accommodation solutions."

In the first quarter of 2023, NWB Bank celebrated the completion of the Lighthouse change programme. What's different now?

"Apart from the work we've done to strengthen and digitalise our processes, one of the changes is an adjustment in governance, with senior management playing a greater role in decision-making committees. This requires managers to look beyond the boundaries of their own departments. They also have an important role to play in getting people excited about our mission and translating it into day-to-day work, so we can all identify more opportunities to do our jobs even better. A management development programme has been launched to support this. To bring the mission to life, for the second time we organised the NWB Bank Together Days. In workshops and inspiration sessions, we learned to push boundaries, and Bernice Notenboom, who has made expeditions to the North and South Poles, inspired us even more to fulfil our mission as a sustainable water bank. We also had the premiere of our corporate movie, *Voorbij het Water*, in which clients speak enthusiastically about their relationship with the bank and spontaneously mention our core values and core competencies. These stand out, which is important, as it shows that the bank's commitment, credibility and passion are not just empty phrases, but are genuinely perceived as such.

The good work stands out elsewhere as well. NWB Bank came fourth in the Ministry of Economic Affairs and Climate's Transparency Benchmark, which ranks the 500 largest companies in terms of transparency in CSR reporting.

"I'm proud of this, and you can see that it brings together our knowledge, expertise and ambition. From 1 January 2025, new European directives will require maximum transparency on sustainability. This fourth place shows that we're already working hard and have the right mindset to report transparently on sustainability and our impact. It was a nice surprise for us, and we certainly owe this recognition in part to our ESG Accelerator, a group of employees who have worked in recent years on the accelerated integration of ESG into our processes and the collection and structuring of the related ESG data. Not isolated units, but a bank-wide chain. We're not only focusing on the risks but also in the opportunities of ESG as part of the bank's core tasks."

"Our clients tell us enthusiastically about their relationship with the bank and spontaneously mention our core values and core competencies"

The world around us

The Dutch and European economies slowed down significantly in 2023. Officially, the Netherlands was even in recession, with the economy contracting in the first three quarters of the year, albeit to a limited extent. The main reasons for the economic cooldown are the decline in world trade and the European Central Bank's monetary policy. This policy, which resulted in higher interest rates, was necessary to combat high inflation.

The average inflation rate in the Netherlands in 2023 was 3.8%. This is quite high, even by historical standards, but much lower than the 10% in 2022. Core inflation excluding energy and food averaged 6.5% in 2023. The Harmonised Index of Consumer Prices (HICP) is used to compare inflation across Europe. Based on the HICP, consumer goods and services became on average 4.1% (2022: 11.6%) more expensive in the Netherlands in 2023 and 5.4% (2022: 8.4%) in the eurozone as a whole.

Both the ECB and the Federal Reserve in the United States and the Bank of England tried to curb inflation in 2023. The ECB raised its key rate six times last year, most recently in September. The ECB even raised rates in March, despite considerable turmoil in financial markets at the time. That month, the failure of Silicon Valley Bank in the United States led to investor concerns about the banking sector, and the turmoil also rocked the Swiss bank Credit Suisse. Equity markets plunged and bond yields fell by tens of basis points. Eventually, calm returned, thanks in part to the takeover of Credit Suisse by UBS, which was engineered by the Swiss central bank and government. At the end of the year, after the last increase in September, the ECB's key interest rate stood at 4%: an all-time high. In the final months of the year, it became clear that no further rate hikes were to be expected, and markets even began to anticipate rate cuts as inflation appeared to be under control. When the ECB adjusts its policy rate, or is expected to do so, it affects the interest rates paid and received by governments, companies and households through financial markets and banks.

Capital market interest rates followed an erratic pattern in 2023. There were months when mortgage providers changed their rates several times a week. Sometimes these were increases of up to 0.5% at a time, but by December interest rates for new mortgages were back to their early 2023 levels. Changing interest rates also had an impact on the public finances, but this did not stop the cabinet at the time from announcing that it would continue to invest. At the presentation of the Spring Memorandum in April, the cabinet announced that it would spend additional money on defence, asylum and the handling of the childcare benefits scandal and the gas extraction damage in Groningen. At the time, however, no one knew that the cabinet would fall in July.

POLITICS

There had been tensions within the coalition of the VVD, D66, CDA and ChristenUnie for some time, particularly over how to tackle the nitrogen problem. Nitrogen emissions must be drastically reduced to strengthen nature and biodiversity. The coalition agreement therefore states that emissions must be halved by 2030 compared with 2019. Agriculture in particular will have to make major adjustments, and this has been met with resistance from the sector and parts of society. This was evident in the water authority and provincial elections on 15 March, when the BoerBurgerBeweging (BBB) emerged victorious. As a result, the government agreed in late March to renegotiate the nitrogen section of the coalition agreement, although it wanted to wait for an agricultural agreement and new provincial councils. However, the process of reaching an agricultural agreement was halted at the end of June after the largest agricultural organisation, the LTO, withdrew from the talks.

The government fell in early July, but not over nitrogen. Rather, it was because the parties could not agree on asylum measures. Elections to the House of Representatives were held on 22 November. The PVV emerged as the largest party, winning 37 seats. It was followed by GroenLinks-PvdA with 25, VVD with 24 and Nieuw Sociaal Contract (NSC) with 20 seats. D66 got 9 seats and BBB 7, followed by the other parties, including the CDA with 5 seats. Immediately after the elections, the formation of a new cabinet began, with the PVV, VVD, NSC and BBB deciding, after a brief reconnaissance, to negotiate a coalition agreement under the guidance of two successive 'informateurs'. In terms of content, both informateurs received many letters from stakeholders on what they considered to be important issues and challenges.

SOCIETY

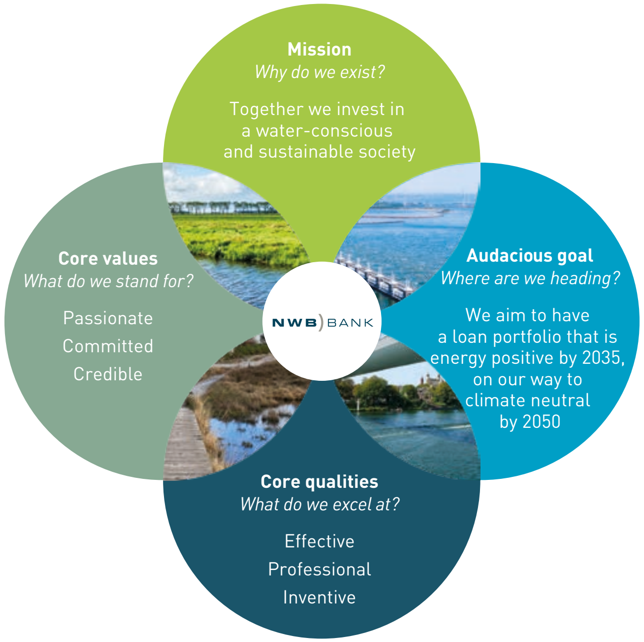
One of the biggest challenges for a new cabinet is the housing shortage in the Netherlands. By the end of 2023, this shortage will amount to almost 400,000 homes. The outgoing cabinet wants to build at least 900,000 homes by 2030, at least two-thirds of which must be affordable rental and owner-occupied homes. The umbrella organisation of housing associations, Aedes, believes that the new cabinet should take the lead in tackling the housing crisis and ensure that housing associations can play their part in this process.

For municipalities, provinces and water authorities, the proposed agenda focuses on housing, livelihoods, climate and energy, and rural areas. Among other things, the provincial authorities want water and soil to become guiding factors in spatial planning and to be enshrined in law at the local, regional and, where necessary, national levels. The importance of spatial planning was highlighted in the last few weeks of the year by the high water. Huge amounts of water entered the Netherlands through the major rivers and, combined with a lot of rain and wind, led to flooding in some places. Fortunately, the situation in the main water system remained manageable and the dikes held. However, 2023 was a year of extreme weather. It was both the wettest and the warmest year since the Royal Netherlands Meteorological Institute (KNMI) began measuring. Globally, 2023 also went down as the warmest year on record, with record seawater temperatures and sea level rise.

STRATEGY AND VALUE CREATION

STRATEGY

VISION QUADRANT



Mission and vision

Our mission is to invest with our stakeholders in a water-conscious and sustainable society. Water awareness and sustainability are in our bank's DNA. We want to contribute to long-term environmental and social goals by making the best possible use of our financing power.

We offer our clients appropriate financing on the most favourable terms possible. This is how we keep the public sector's financing costs low and the sustainability of the Netherlands affordable. Ever since we were founded in 1954, we have focused on efficiently meeting the combined financing needs of our clients in the public sector. We are cost-conscious and risk-aware, and we use our AAA/Aaa ratings to raise funds for the Dutch public sector in an inexpensive and sustainable way.

Water awareness and sustainability are also in the DNA of our founding members, the water authorities. Climate adaptation, climate mitigation and improving biodiversity are among their core tasks, and the water authorities play an important role in the energy transition. They are still one of our largest client groups. The housing associations, which also play an important part in enhancing sustainability, are another large client group. About 30% of the Dutch housing stock consists of social housing, and housing associations are investing heavily in new, climate-neutral construction, making existing social housing more energy-efficient and keeping social rents low. Together with the housing associations, water authorities, drinking water companies and other clients, we are working on a society in which current and future generations can live well and sustainably.

Internally, we use a 'vision quadrant', in which we clearly state why we exist, what we stand for and what we excel at. Part of the vision quadrant is an audacious goal, one that is stimulating and challenging and as such encourages and motivates our employees to make a substantial contribution to the energy transition and to making the Netherlands more sustainable. The figure on the right illustrates our four-part vision quadrant.

Audacious goal

We aim to have a loan portfolio that is energy positive by 2035, on our way to climate neutral by 2050. Energy positive means that the renewable energy projects we finance, produce more renewable energy than the rest of our clients consume in fossil fuels. We aim to achieve this by encouraging our clients to reduce their energy consumption as much as possible and to use renewable energy wherever possible. At the same time, we finance renewable energy projects to make as much renewable energy available as possible. We know this is ambitious, but it is partly with this audacious goal in mind that we were the first financial institution in the Netherlands to draw up a **climate action plan** in 2022.

Core values

Passionate, committed and credible are our core values. We expect our employees to actively uphold these core values in their work. We are an organisation that strives to have a significant societal impact. We are passionate about our profession, about sustainability and about helping people. We challenge ourselves and others to continuously develop and improve, and to contribute to the social goals we share as much as possible. Being credible is essential. We can only fulfil our social role to the full if society, and especially our clients, have confidence in our organisation and the integrity with which we operate as a bank. In addition, we are almost entirely dependent on the international money and capital markets for our funding requirements. Integrity and transparent disclosure are also essential values, not only to investors, but to all stakeholders of our bank.

Core qualities

To properly fulfil these core values, core qualities are important, which we have also defined in the vision quadrant. At NWB Bank, it is essential that we have the ability and the will to do things that contribute to a stable and sustainable financial sector and an economy that is good for people and the environment. To do this, we need the right knowledge and experience, not only financially, but also in terms of our social role. The Netherlands faces many challenges, such as the energy transition and building and keeping housing affordable. These are difficult tasks that we as a society must tackle together. At the bank, we think and act proactively. It is important that we are effective, professional and inventive. We cherish these core qualities and constantly monitor them.

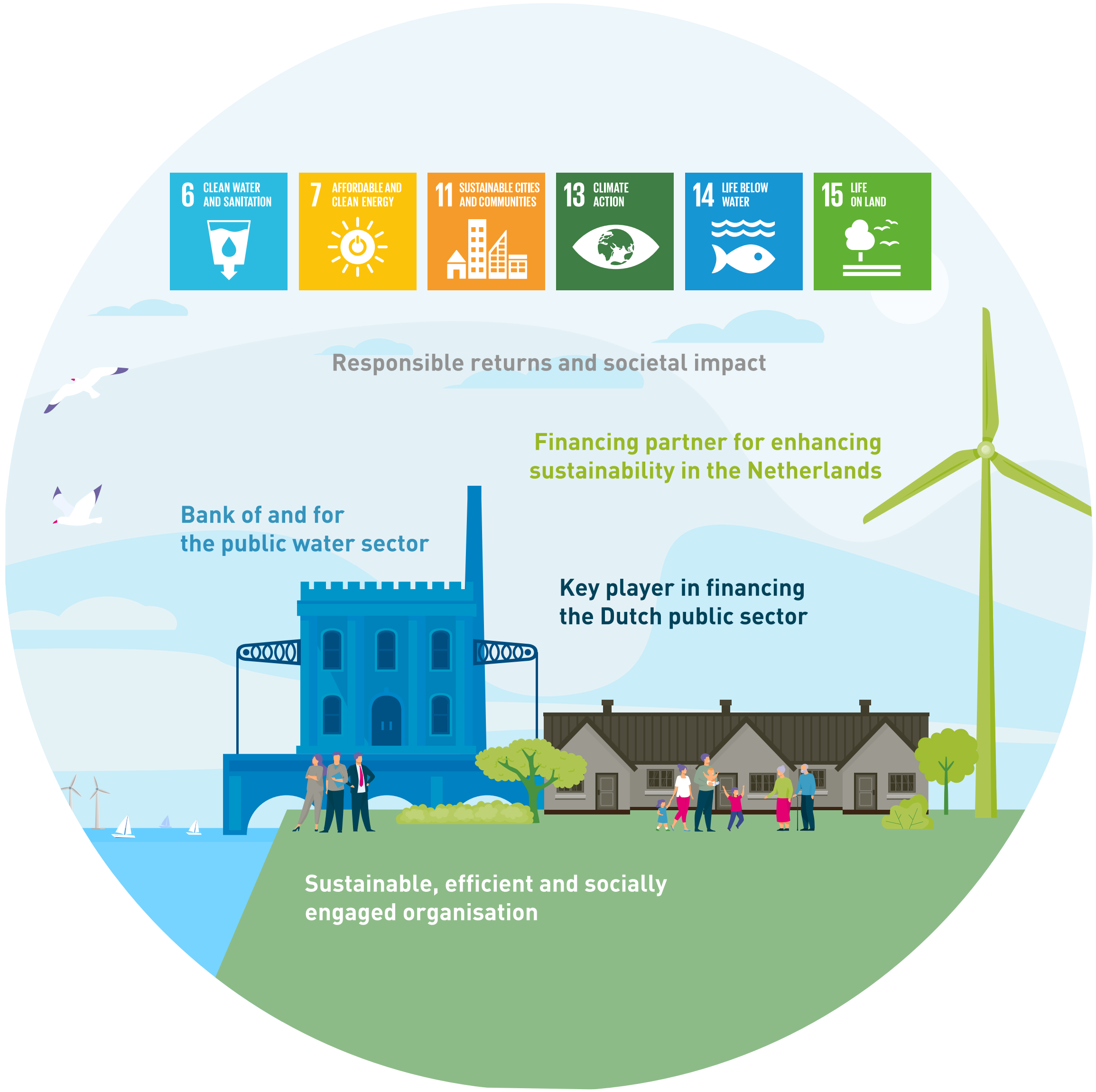
Long-term strategy

In consultation with the Supervisory Board, we have defined a number of criteria that our bank's operations must meet for us to be able to create added value for our clients, shareholders and other stakeholders.

Key criteria include maintaining our high credit ratings and our status as promotional bank. The latter means that, under European law, at least 90% of the bank's total lending qualifies as promotional lending. This refers to lending that helps to achieve public-sector policy objectives.

We have a low risk appetite entrenched in our articles of association. The activities of our bank are clearly linked to the Dutch public sector and are also identifiable as such to our shareholders, rating agencies and investors. The vast majority of our loan portfolio consists of loans to Dutch (local) authorities and loans guaranteed by these authorities. Another important starting point is that we are well-equipped organisationally, in terms of both our commercial capacity and our risk management, to handle both existing and new tasks.

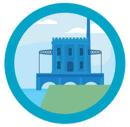
NWB BANK'S STRATEGY



Medium-term strategy

In consultation with the Supervisory Board and stakeholders, we defined a medium-term strategy in 2018, known as the 'the sustainable water bank' strategy. We set a number of concrete objectives in this strategy for the period 2019-2023. In 2021, we extended these objectives to 2026, as a mid-term review showed that this strategy was working and that we were on track with our objectives. We have linked six United Nations Sustainable Development Goals (SDGs), which are the most relevant to our bank and where we have the most impact, to our sustainable water bank strategy. We monitor this impact through a set of key performance indicators (KPIs). Wherever possible, these KPIs are quantitative in nature, so that the results are measurable, insightful and easily comparable.

NWB Bank's strategy consists of three pillars, a foundation and a keystone. These are explained one by one in the following sections, which also indicate which of the six Sustainable Development Goals they align with.



Pillar 1: We are the bank of and for the public water sector

We are *the* bank of and for the public water sector. That is our first strategic pillar. Our bank is the water authorities' primary integral financial service provider, and in financing these shareholders, we aim to maximise our market share. By providing appropriate financing at the lowest possible cost, we help the water authorities in their tasks of flood protection, water management and water quality. To finance lending to the water authorities, we issue designated Water Bonds (Green Bonds).

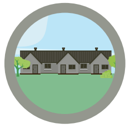
Drinking water companies have also traditionally been an important client group of our bank. Financing these clients ideally fits the profile of 'the sustainable water bank'. Drinking water companies' main task is to provide consumers and businesses with high-quality and sufficient drinking water, and to be able to do so in the future, they invest in environmental management. We want to expand our lending to this sector where possible.

The SDG that fits perfectly with a bank of and for the public water sector is SDG 6: Ensure access to sustainable management of water and sanitation for all. To determine our impact, we look at surface water quality and the quality of drinking water for which water authorities and drinking water companies respectively are responsible. In addition, SDGs 13, 14 and 15 are relevant.

SDG 13 is focused on urgent action to combat climate change and its impacts. Adapting the Netherlands to climate change, also known as climate adaptation, is an integral part of the water authorities' duties.

SDG 14 is about the conservation and sustainable use of the oceans, seas and maritime resources. The water authorities work to ensure clean and ecologically healthy surface water. They strive both for optimal water quality for users (such as agriculture, drinking water companies and recreation) and good biological and chemical conditions for the plants and animals that live in the water. We monitor our impact on this SDG by looking at the natural quality of fresh waters in the Netherlands.

SDG 15 relates to protecting and promoting the sustainable use of ecosystems, such as forests and grasslands. The activities of the water authorities not only affect biodiversity in water but also on land. In managing and maintaining the water system, they must comply with legislation on the natural environment, most of which is contained in the Nature Conservation Act. The section of this Act on the protection of species is intended to promote the sustainable conservation of animal and plant species in the Netherlands. The water authorities have drawn up a bio-compass with five common principles that each water authority can use to work on restoring and conserving biodiversity in its own way.



Pillar 2: We are a key player in financing the public sector

Pillar 2 of our strategy is that we are a key player in financing the Dutch public sector. Our bank also finances municipalities and provinces, as well as institutions backed by a (local) government guarantee, such as housing associations, healthcare institutions and educational institutions, with the financing they need on the best possible terms. In terms of outstanding debt, the social housing sector is the largest within the Dutch public sector and hence also our biggest client group when it comes to volume. To extend our impact in this sector, we issue so-called SDG Housing Bonds and use the proceeds for financing the housing associations. We thus help to keep social rents at affordable levels and also to improve the sustainability of the housing associations' housing stock.

Over the past 10 years, we have provided almost €80 billion in long-term loans. We aim to maintain our substantial market share in financing the Dutch public sector and, with total assets of almost €76 billion, we are a major player in the Dutch banking industry. Our bank helps to ensure a financially sound, social and innovative playing field in which public funds are used efficiently and effectively.

Our lending policy and product range is designed to meet the changing needs of the Dutch public sector. For example, we lend to public-private partnership projects and we invest in NHG RMBS bonds (based on securitised mortgages covered by a National Mortgage Guarantee). We have also adopted a policy of lending to public-sector clients with a relatively small borrowing requirement – clients such as amateur sports clubs (whose borrowing is covered by a municipal guarantee). The small scale of such lending makes it difficult to assist this type of client on a cost-efficient basis. The amount of time it takes to analyse both the sector as a whole and the individual client is often disproportionate to the size of the loan. If we had to factor in all the costs incurred in undertaking a thorough analysis in the form of a surcharge on the cost of the loan, this would drive up the interest on these loans. However, in the light of our social role, we have decided against doing this to ensure that we can also provide these small-scale clients with appropriate finance on the best possible terms.

The SDGs that relate to this second pillar of our strategy are SDGs 11 and 13. SDG 11 is about 'making cities and human settlements inclusive, safe, resilient and sustainable'. Housing associations own approximately 30% of the total housing stock in the Netherlands, and our bank covers over one-third of the needs of housing associations. To measure our impact, we look at the number of rental properties allocated each year within the income limits of the housing associations we finance.

SDG 13 relates to climate action. Housing associations have an important role to play in the energy transition and in making homes sustainable. Municipalities and provinces are also committed to making our country more resilient and adaptable to climate risks. Their responsibilities include climate-smart spatial planning and measures to prevent floods, droughts and heat stress.

Pillar 3: We are a financing partner for enhancing sustainability in the Netherlands

Pillar 3 is the most recent pillar of our strategy: we are a financing partner for enhancing sustainability in the Netherlands. Since 2019, we have been lending directly to renewable energy projects and infrastructure projects that have a significant impact on renewable energy, such as district heating networks and regional grid operators. Government institutions and projects that have received a subsidy under the Renewable Energy Production Incentive Scheme (SDE+) can apply to us for project financing. This includes solar energy, wind energy and aquathermal energy projects. In this way, we make an important contribution to an affordable energy transition in the Netherlands and fulfil our commitment to implement the Climate Agreement.

Naturally, these activities align with SDG 7: ensure access to affordable, reliable, sustainable and modern energy for all. This strategic pillar also aligns with SDG 13: take urgent action to combat climate change and its impacts. We monitor our impact through the amount of energy generated by the renewable energy projects we finance.

Our foundation: sustainable, efficient and socially engaged organisation

The foundation of our strategy is that we are a sustainable, efficient and socially engaged organisation. We are a cost-efficient and highly capitalised bank (on a risk-weighted basis) operating under the direct supervision of the European Central Bank. While the diversification of our loan portfolio and the increasing demands being placed on banks require further investments in knowledge, staff and systems, with our workforce of around 130 staff, we remain a highly cost-efficient organisation.

As a bank of and for the public sector, we are highly aware of our own social responsibility. Keen as we are to set a good example, we are taking action to improve the sustainability of our own business operations. For example, all new cars added to our fleet are electric vehicles, and we have improved our office's energy label to A+. In spite of the rather modest climate footprint of our operations, we will herewith also be contributing to SDG 13: Take urgent action to combat climate change and its impacts.

The bottom line: responsible returns and societal impact

'Responsible returns and societal impact' are final elements of our strategy. As a promotional bank, we do not seek to maximise our profits. However, it is important for us to make a reasonable level of profit to be able to achieve our objectives and distribute an appropriate dividend. Every year, we set a benchmark target return on equity in consultation with our shareholders. We also focus on the social return of our lending activities, which is ultimately what it is all about. In doing so, we focus a great deal on the climate impact of our loans and on keeping this as low as possible. In line with our commitment to the *National Climate Agreement*, we have drawn up a climate action plan in which we outline how we will be reducing the CO_2 equivalent emissions associated with our lending year on year. Culminating in net zero emissions by the year 2050 at the latest. To challenge ourselves further, in 2022 we formulated an audacious target to make our loan portfolio energy positive by 2035. But our societal impact is broader than climate. It is also about the impact on biodiversity and the social sphere, with an eye to circularity and nature-inclusive solutions.

VALUE CREATION MODEL

We have designed a 'value creation model' to express the value that we add to society and the process underlying this. The various components of this model all reflect our strategy, i.e. input, business model, output, outcome and impact.

Input

This part of the value creation model relates to the foundations on which our strategy is built, i.e. a 'sustainable, efficient and socially engaged organisation'. It focuses on our own specific qualities or characteristics, and the types of capital that we use in order to create value. We distinguish between financial, social and relational, human, intellectual, organisational and natural capital. The funding we obtain from our investors and the knowledge and experience of our staff are examples of different types of capital.

Business model

This part of the model centres on our activities and the 'enablers' ensuring that our business model operates with maximum efficiency. Our enabling factors include risk management, corporate governance, compliance, our remuneration policy, and diversity and inclusion. They enable us to make effective, efficient and sustainable use of the different kinds of capital.

Output

As a bank of and for the public sector, our business consists of a single core activity, i.e. providing our borrowers with the financing they need on the best possible terms. For this reason, we regard our lending activities as our prime output. The model presents three financial flows mirroring the three pillars of our strategy: *the* bank of and for the public water sector, a key player in financing the Dutch public sector, and a financing partner for enhancing sustainability in the Netherlands.

Outcome and impact

The outcome and impact aspects entail looking at the added value our clients create for society with the aid of our loans. Our strategy refers to this as 'a responsible return and societal impact'. In other words, although earning a reasonable financial return is part of the equation, the main concern is the impact of our lending on the climate, nature and society. It is at this point in the value creation model that we encounter the six SDGs on which we as a bank have the greatest impact. For each SDG, we established critical performance indicators to make our impact measurable as well.

VALUE CREATION MODEL

INPUT

WITH OUR SPECIFIC QUALITIES

Sustainable, efficient and socially engaged organisation

Financial capital
- Well-capitalised
- Low-cost funding
- High degree of creditworthiness
- Significant size

Social and relationship capital
- Serve the broader Dutch public sector
- National promotional bank in all relevant networks

Human capital
- Committed, knowledgeable and motivated employees

Intellectual capital
- Frontrunner in sustainable funding through ESG bonds

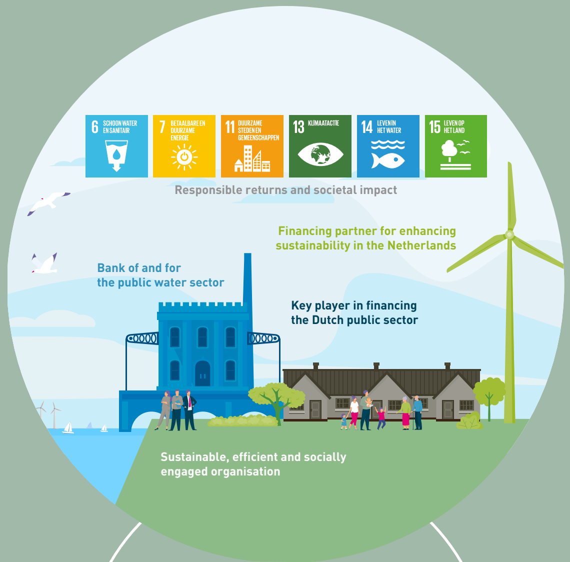
Organisational capital
- Professional and cost-conscious organisation
- High transparency and integrity in our governance structure

Natural capital
- Minimise the impact of our business operations on the climate and environment, and compensate for this where necessary

BUSINESS MODEL

... WE MOBILISE LOW-COST CAPITAL

Mission
Together we invest in a water-conscious and sustainable society.



By efficiently combining the financing needs of our clients and due to our AAA/Aaa ratings, we attract low-cost and sustainable financing for the Dutch public sector.

Enablers
Risk management
Compliance
Corporate governance
Remuneration policy
Diversity & Inclusion

Core values
Passionate
Committed
Credible

OUTPUT

... FOR APPROPRIATE FINANCING FOR THE DUTCH PUBLIC SECTOR

Bank of and for the public water sector

WATER AUTHORITIES
€781 MILLION

DRINKING WATER COMPANIES
€114 MILLION

Key player in financing the Dutch public sector

HOUSING ASSOCIATIONS
€5.26 BILLION

MUNICIPALITIES AND JOINT SCHEMES
€145 MILLION

HEALTHCARE INSITUTIONS
€281 MILLION

GOVERNMENT-GUARANTEED LOANS
€101 MILLION

OTHER
€122 MILLION

Financing partner for enhanving sustainability in the Netherlands

RENEWABLE ENERGY
€227 MILLION

OUTCOME

... AND AFFORDABLE SUSTAINABILITY AND LOWER COSTS FOR CITIZENS

Responsible returns

Financial capital
- Significant market share in the financing of the Dutch public sector
- Responsible shareholder return: 6.3% return on equity

Social and relationship capital
- Low financing costs for our clients thanks to retention of our high ratings
  Credit ratings S&P: AAA, Moody's: Aaa,
  ESG ratings, ISS ESG: B
  Sustainalytics: 10.0, Vigeo Eiris: 57

Human capital
- Sustainable employability with development opportunities
- High employee satisfaction
- Absenteeism: 7%

Intellectueel kapitaal
- Share our knowledge and experience about aquathermal energy and biodiversity within both the public and financial sector
- Training budget spent: 190%

Organisational capital
- Contribute to a diverse and innovative banking sector
- Number of sustainability linked loans provided: 1

Natural capital
- Reducing the climate and biodiversity impact of our loan portfolio
- Emission intensity: 33.1 ton CO_2e/€ million

IMPACT

... AND TO CONTRIBUTE TO THE SUSTAINABLE DEVELOPMENT GOALS

... and societal impact

6 CLEAN WATER AND SANITATION
- Percentage of drinking water measurements that meets the set standards: 99.9%
- Percentage of discharges that meets the set standards: 98.7%

7 AFFORDABLE AND CLEAN ENERGY
- Percentage of loan portfolio that is energy neutral: 35.8%
- Energy intensity of social housing: 47,637 kWh/m^2

11 SUSTAINABLE CITIES AND COMMUNITIES
- Percentage of allocated social housing per year within income limits: 72.3%
- Net number of social housing units built: 7,300
- Total investments in hospital buildings and grounds: €624 million
- Total amount of municipal solid waste: 2,395 kilotonnes

13 CLIMATE ACTION
- CO_2e reduction achieved versus 2018 (/€ mln): 25.5%
- Safety of flood defenses: 8,972 km in line with target

14 LIFE BELOW WATER
- Percentage of surface water that complies with WFD targets: 0%

15 LIFE ON LAND
- Percentage of public green surface area that is garden or nature: 30%

OPPORTUNITIES AND RISKS

Our strategy is designed to ensure that we maximise any opportunities we identify for making a responsible return and societal impact. At the same time, we must mitigate the risks to which we are exposed. When considering opportunities and risks, we apply the concept of double materiality. This involves looking at material topics from two angles: the potential positive and negative impact of the organisation on people and the environment, and the impact of sustainability-related risks and opportunities on the organisation itself, predominantly from a financial point of view. The former is called the inside-out perspective, the latter outside-in.

In recent years, we have paid increasing attention to (strategic) sustainability (ESG) opportunities and risks. Our reporting follows the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). We continue to develop this reporting annually, as we continue to integrate ESG risks and opportunities into our performance of tasks.

Opportunities

Financing renewable energy projects is a good example of an outside-in opportunity we saw to contribute to the energy transition in the Netherlands. These projects are generally characterised by large financing requirements and long repayment periods. Providing this type of long-term project financing at a relatively low cost is a perfect fit for our bank, and in this way we contribute directly to the reduction of CO_2e emissions. It is simultaneously an example of inside-out.

We want to support our clients to whom we mainly provide balance sheet financing to carry out their tasks in sustainability. These include among others water authorities, drinking water companies, housing associations and municipalities. It is more difficult to exert any direct influence with this type of lending, however, as we are not financing a specific investment or project, but rather the client's overall financing requirement. To encourage them to become more sustainable, we offer sustainability-linked loans (SLLs). With this type of loan, we agree on a set of sustainability performance indicators with clients in advance, and they receive a discount on the interest rate if they meet these indicators. We see offering this type of loan as a strategic opportunity, just as we have been active in issuing ESG bonds since 2014.

Offering sustainability-linked loans is an important part of our climate action plan that we presented in April 2022. This action plan embodies our commitment to the 2019 *National Climate Agreement* and contains a number of concrete targets as well as a plan of action for further reducing the climate impact of our loan portfolio. Our climate action plan takes as its starting point the current climate impact of our loan portfolio – in the knowledge that we have had a good picture of the impact of the bulk of our portfolio since 2019. Every year, we analyse the CO_2e emissions associated with our loan portfolio and seek to achieve a year-on-year reduction in this figure, culminating in net zero emissions by 2050 at the latest. To this end, we set specific targets, both for sectors as a whole and for individual clients, which we then discuss with our clients.

Risks

In addition to the opportunities for the bank to contribute to the necessary transition to a more sustainable, social and nature-inclusive country, climate change and biodiversity loss pose risks to society and our clients – and therefore us as a bank. We divide these risks into overall risks and risks that affect us through our loan portfolio. We manage, monitor and respond to all risks through our risk management framework, which is described in detail in the *Risk Management* section of the *Governance* chapter. ESG risks are also addressed there.

ESG risks take the form of strategic risk, operational (legal) risk, interest rate risk and credit risk. By strategic risk, we mean the impact of ESG developments on the bank's business model and on our stakeholders' and society's expectations of our contribution to the transition agenda. Think of changing policies and regulations from governments and regulators (transition risks). For example, as a bank of and for the public sector, we are particularly sensitive to changes in government policy. This can lead to changes in our clients' financing needs, and we need to respond proactively. At the same time, as a bank, we have to comply with an increasing number of changing regulations. Within these laws and regulations, and also from regulators, there is an increasing focus on ESG risks, and, in particular, climate risks.

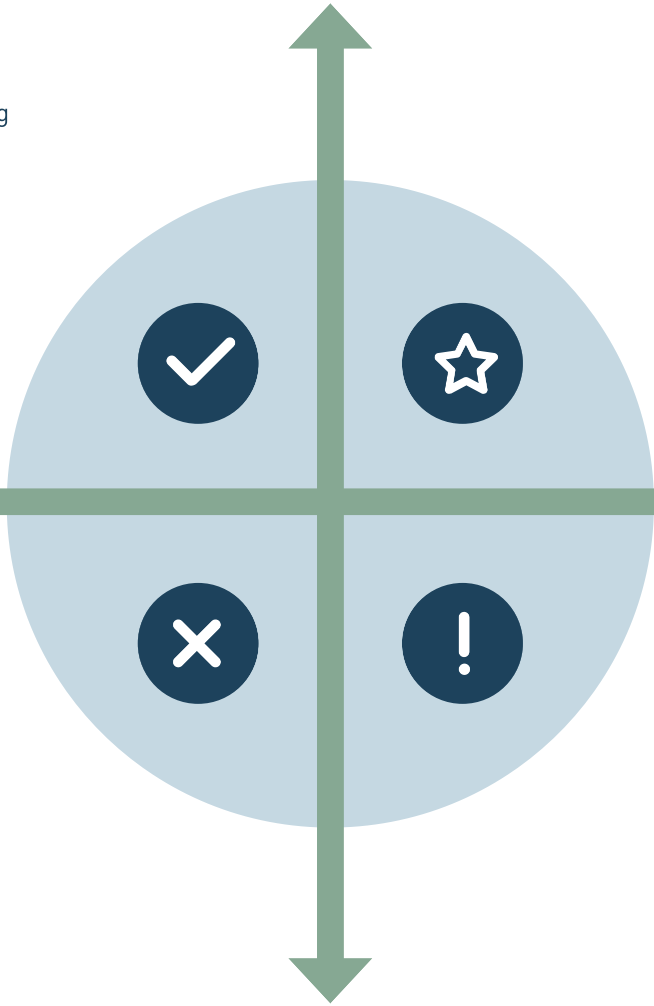
From an ESG perspective, operational (legal) risk is, for example, the risk that human rights violations or climate or environmental abuses occur in the financing chain and impact our bank. ESG interest rate risk can arise, for example, if investors have little confidence in the bank's (sustainability) strategy and this has a negative impact on the funding spread, or if there is greenwashing among financial counterparties, which can make it more difficult to raise funds.

We consider ESG risks that affect us through the loan portfolio as credit risk. This credit risk is mainly driven by physical climate and environmental risks (e.g. flooding and biodiversity loss) and environmental and social transition risks (e.g. energy poverty and housing sustainability). We consider ESG credit risk to be material for most of our client groups, in particular housing associations, water authorities, municipalities, provinces, healthcare institutions and drinking water companies. ESG factors do not have a material impact on the annual accounts via Expected Credit Loss (ECL). This is because the majority of the relevant clients (municipalities, housing associations, water authorities) are either governments or government guaranteed and therefore have a 0% Loss Given Default (LGD). As a result of this LGD being 0, the ECL will also be 0.

SWOT analysis

We are aware of our strengths and our weaknesses. We have summarised them in a so-called SWOT analysis. SWOT stands for strengths, weaknesses, opportunities and threats. The diagram below shows at a glance where we see the bank's opportunities and where we need to focus our attention.

SWOT ANALYSIS



Strengths
- Creditworthiness (AAA/Aaa ratings)
- Access to affordable, long and sustainable funding
- Compact and efficient organisation
- Engaged and sustainable shareholders
- Business model not cyclically sensitive
- Margin company with clear focus

Opportunities
- Financing the sustainability of the Netherlands
- Requested societal role
- Sustainability requires innovative financing and public-private partnership
- Embedding ESG within the organisation
- Sustainability-linked loans

Weaknesses
- Limited absorption and adaptation capacity of the organisation
- Limited diversification possibilities
- Low profit buffer in combination with leverage
- Focused on the Dutch public sector

Threats
- Political dynamics
- Capital market union/new entrants/competition
- Changing role of government in guarantees
- Increasing operational complexity (e.g. cybersecurity)
- Increasing legislation and regulations with little room for proportionality
- Limited earnings capacity (partly as a result of high tax burden and supervision costs)

MANAGEMENT APPROACH

We have translated our strategy to the best of our ability into concrete objectives. We do this in coordination with the management layer within the bank and with the Supervisory Board. Progress against our strategic objectives is actively monitored and reported to the Supervisory Board. We call the way we do and organise things at our bank the 'management approach', a term we use interchangeably with '(internal) governance'. Both involve the implementation of policy, control, oversight, rules and principles, and between all these facets we constantly seek the optimal balance to achieve our objectives as efficiently and effectively as possible. We communicate this transparently and are accountable, including through this Annual Report, for the benefit of all our stakeholders.

> **Dilemma: Timeliness and quality of sustainability data**
>
> Not all of the data we use to drive our sustainability targets is high quality yet. This is partly because not all of our client publish their carbon footprints or are able to share this data easily on a large scale. The timeliness of the data is also a concern, as in many cases we use publicly available information, for example from Statistics Netherlands (CBS). Such bodies process the data after receiving it from the energy companies, which takes some time. The limited quality and timeliness of the data is an obstacle to achieving our sustainability goals, but we will not let this deter us.

Sustainability

Sustainability targets are an integral part of our strategic objectives. We believe that the aim of generating a social return should be fully integrated in our organisation and processes. This means that sustainability is factored into all decisions we take as a bank. For example, all credit proposals specify the sustainability impact, based on KPIs related to the climate action plan or the SDGs. Sustainability is also a recurring item on the agenda at meetings of the Managing Board/Executive Committee and the Supervisory Board.

We have a Sustainability Advisory Board whose task it is to prepare, scrutinise and amend plans and policy on sustainability-related issues. This board is also responsible for formulating our sustainability policy. The board consists of staff from a range of departments and is chaired by our chief commercial officer (CCO). The Sustainability Advisory Board advises and reports to our Managing Board/Executive Committee, which is ultimately responsible for policy, management and control regarding all sustainability-related issues. We have tailored our management approach to sustainability to our compact organisation and to our role as a financial services provider of and for the public sector.

ESG risk management

ESG risk has received an increasing amount of attention in recent years in the bank's risk committees: the Credit Committee, the Non-Financial Risk Committee and the Asset & Liability Committee. Among other things, this gives the members of the Managing Board/Executive Committee a good picture of the ESG risks, and in particular the climate-related risks, to which the bank is exposed. We have expanded and strengthened our Public Finance and Risk Management departments in recent years. Sustainability will be even more prominent in our market approach with this additional capacity and knowledge.

We have explicitly considered ESG risks in our governance and risk management. We allocate all responsibilities within the Three Lines of Defence model. The first line includes the Public Finance, Specialised Finance, Treasury and Finance & Control departments and is responsible for due diligence, individual client assessment, client engagement, reporting and disclosure of information. ESG risk management is essentially the responsibility of the first line, while the second line monitors it. The second line, which consists of the Credit Risk Management, ALM Risk Management, Operational Risk Management and Compliance departments, supports, advises, coordinates and monitors the first line. Second-line departments are responsible for setting the framework and policies for ESG risk management and for ensuring that the first line is operating within the agreed framework. The chief risk officer (CRO) is responsible for the second line. The third line consists of the Internal Audit department, which carries out assessments of the control measures of the sustainability management measures and provides an objective, independent judgement on them, including opportunities for improvement. ESG risk management is thus a bank-wide task involving the entire senior management of the bank.

Various procedures and processes within risk management are designed to identify, monitor, address and manage ESG risks. These procedures and processes are set out in various policy documents and risk management frameworks. On an annual basis, we identify and assess our material ESG risks through a risk materiality assessment. We use stress testing and scenario analysis to further address ESG risks and, where relevant and necessary, incorporate them into our annual capital and liquidity adequacy assessment processes. We then monitor these risks using the key risk indicators included in the risk appetite statement, credit risk monitoring, credit reviews and sector analyses. A more detailed description of ESG risk management processes and procedures can be found in the *ESG risk management* section of the *Risk management* chapter.

Developments in the last year

In order to report and manage our impact as a bank, we need to collect, store and analyse various ESG data. There are a number of projects underway within the bank in this area, and in 2022 we set up the ESG Accelerator project team to coordinate, pool knowledge and set priorities. All relevant departments are represented in this team. Launched as part of the Lighthouse Change Programme, the project group has continued to pursue a number of initiatives since the programme ended in early 2023. Last year, the ESG Accelerator's work included preparing for the implementation of the Corporate Sustainability Reporting Directive (CSRD) and conducting a new materiality analysis, focusing for the first time on the concept of double materiality. The project group reports to a steering committee on which the Managing Board/ Executive Committee is represented.

We are not yet required as an organisation to report in line with the EU taxonomy for sustainable activities, but we have decided to do so. This is the best way for us to prepare for mandatory reporting and to demonstrate that as a sustainable bank we are in tune with the taxonomy and the implementation of the CSRD. Partly because it is not yet mandatory, we report on the EU taxonomy in the **ESG Facts & Figures** annex to the Annual Report, rather than in this Report of the Managing Board. As far as possible, we use the templates provided by the European bodies.

Dilemma: EU green taxonomy

Many of our public sector clients do not yet appear to be reporting in line with the EU taxonomy that clarifies which activities can be called sustainable and which cannot. This is because most local authorities and public bodies are not required to do so. This makes it more difficult to determine the extent to which our financing is in line with the taxonomy. This is also partly because the financing we provide to clients is generally not earmarked for a single project, but intended for activities related to the client's statutory duties.
If we want financing to be classified as 'green/ sustainable' under the taxonomy, we have to start asking clients for data, which creates additional reporting pressure. On the other hand, if we do not do this, we run the risk of having a lower 'green' asset ratio and may appear less sustainable as a bank. This could be detrimental if investors in our bonds start to take this into account in their investment decisions. This could increase the price of our funding and thus lead to higher financing costs for the public sector, which is undesirable at a time when we need to invest heavily in making the Netherlands more sustainable.

OUR STAKEHOLDERS

We regard our stakeholders as including, in any event, our shareholders, our clients, our investors, our staff, the supervisory authorities and the government and since this year explicitly also nature and the environment. We keep in touch with our stakeholders on a regular basis to remain abreast of news and developments affecting them. The Managing Board/Executive Committee has a permanent responsibility for maintaining, intensifying and expanding the network of stakeholders. The various departments of the bank are also in regular contact with stakeholders regarding those matters for which they are responsible.

Shareholders

The number of shareholders in our bank is limited and manageable., which makes it possible to maintain regular, personal contact. A formal Annual General Meeting of shareholders is held once a year. During this meeting, the Managing Board reports on the results and the policy that it pursued during the previous year. It also presents the latest strategic developments of the bank. Interim meetings are also held at least once a year with the water authorities. Last year this took place in the autumn, when we met many new administrators who had taken office since the water authority elections in March. The Managing Board has quarterly meetings with the Ministry of Finance. Corporate social responsibility and the energy transition were spearheads of the most recent *State Participation Policy Memorandum*, published in 2022, which sets out the ministry's interpretation of its role as a shareholder in state participations such as NWB Bank.

Clients

We have around 1,000 clients and we wish to build and maintain a long-term relationship with all of them that, where possible, goes beyond a straightforward borrower-lender relationship. All our clients are either part of or operate in the Dutch public sector. As a result, they already feel a strong intrinsic social responsibility, especially when it comes to sustainability. The sustainable nature of our bank stems partly from this. Conversely, in discussions with our clients we do not fail to draw extra attention to their responsibility for sustainability and the climate in particular. The Public Finance Department's credit management team has an important role to play in this respect. Last year, we organised two client days: one for water authorities and one for housing associations.

In the unlikely event that clients are not satisfied with our services, they can file a complaint. We handle these complaints according to our complaints procedure. In 2023, we received no complaints.

Employees

Internally, we aim to foster an open dialogue, not only among our employees but also between our employees, the members of the management team and the Managing Board/Executive Committee. We set great store by an informal, inclusive and open corporate culture. The doors of Managing Board member's offices are always open. Several times a year, a town hall meeting is held for all employees, during which the Managing Board/Executive Committee updates everyone on the annual and half-year results and the results of the annual strategy cycle.

The Works Council is the official consultative body between the Managing Board and our staff. The Managing Board met with the Works Council on four occasions last year, discussing topics such as the appointment of an external confidential adviser, data protection and accommodation. Members of the Supervisory Board attend the meetings twice a year.

If employees in the organisation unexpectedly become aware of misconduct, they can turn to an (external) confidential advisor. We also have a whistle-blower scheme that allows employees to report suspicions of irregularities without endangering their job status. Once again, no use was made of this in 2023.

Sector organisations

Apart from interacting with our clients on a regular basis, we are in regular contact with public sector associations, guarantee funds and the ministries active in our client sectors.

Investors

We raise the bulk of our funding on the international money and capital markets by issuing bonds and commercial paper. In doing so, we try to attract investors who are not simply interested in the financial aspects, but who also factor sustainability-related aspects into their decision making. It is for this reason that we have been issuing ESG bonds since 2014.

We have regular meetings with investors and potential investors organised by our Treasury department. We then explain our bank's business model, strategy and activities, but also want to find out what investors are particularly interested in. Since we started issuing ESG bonds, we have occasionally invited investors to come and take a look at certain sustainable and social projects that have been financed with the proceeds of these bonds.

We actively seek to engage with our investors on sustainability, as indeed they do with us. Our investors keep us on our toes, using research bureaus and ESG rating agencies to assess our sustainability policy and the transparency of our activities and organisation.

Supervisory authorities

The Managing Board/Executive Committee, managers and some members of our staff meet regularly with the supervisory authorities. We fall under the supervision of the European Central Bank, the Dutch Central Bank and the Netherlands Authority for the Financial Markets (AFM). Prudential supervision, in particular, is intensive and demanding, and places high demands on our organisation. In recent years, the issue of climate-related and environmental risks faced by financial institutions is proving to be a matter of growing concern for the supervisory authorities. In terms of developments in supervision, we engage in dialogue with supervisory institutions ourselves and collectively through the European Association of Public Banks and the Dutch Banking Association.

Government

As a bank of and for the public sector, we greatly value our contacts with the local and provincial authorities, as well as with central government. We meet regularly with representatives of the relevant ministries and, where possible in response to requests from the ministries, supply expertise for policy debates. Examples are our periodic meetings with the Ministry of the Interior and Kingdom Relations and WSW (the Social Housing Guarantee Fund) about the social housing market.

As a holder of a banking licence, we must comply with specific laws and regulations such as the prudential capital requirements and the regulations on remuneration policy and taxation. For this reason, we regularly attend meetings with a range of institutions, both in the Netherlands and at an EU-level. We often join forces with other banks, for example through the Dutch Banking Association and the European Association of Public Banks. In this way, we try to ensure that new and changing laws and regulations also take into account the specific business model of promotional banks such as NWB Bank.

Nature and the environment

Our actions invariably impact nature and the environment, both directly and indirectly. Conversely, nature and the environment compel us to adapt our actions, as demonstrated by climate change. We are committed to consciously acknowledging the needs of nature and the environment in our decisions. That is why we have chosen to recognise them as silent stakeholders. Given that nature and the environment cannot voice their concerns, we consult environmental organisations.

MATERIALITY ANALYSIS

Every year, we decide which economic, environmental and social topics to report on in our annual report. We call this the materiality analysis and present the results of this in a Materiality Matrix (MM). To date, we have carried out this analysis in line with the Global Reporting Initiative (GRI), at the 'in accordance with' level. We continue to report in accordance with the GRI in this Annual Report. At the same time, we are preparing for the implementation of the Corporate Sustainability Reporting Directive (CSRD), which we will officially have to apply from 1 January 2026. The CSRD sets out legal requirements for how the Materiality Matrix is carried out. In this Annual Report, we included additional elements that bring the analysis as close as possible to CSRD compliance.

Conducting a double materiality analysis is an important step in complying with the CSRD legislation. In this analysis, we look at the impact of the organisation on our environment (inside-out) and the impact of the environment on the organisation (outside-in). To put it differently, we look at both the impact *of* our bank as well as at the impact *on* our bank. When it comes to the former it is about impact materiality, the latter is about financial materiality. Impact materiality is about the potential impact - negative or positive - that we as a bank have on people and planet. Examples are the emission of greenhouse gases and the offering of employee training programs. Topics can be classified as material based on likelihood, magnitude, scope, recoverability and social relevance. Financial materiality relates to the financial implications of possible ESG risks and opportunities for us as a bank. A well known example is the damage as a result of flooding but als as a result of drought.

In conducting our materiality analysis, we have followed a four-step process in accordance with the European Sustainability Reporting Standards (ESRS). This includes step A: understanding the context, step B: identifying potentially relevant issues, step C: assessing the materiality of potentially material issues, and step D: reporting. We have used both qualitative and quantitative information in these four steps.

Step A: context
First, we mapped our value chain and stakeholders and considered whether we were missing input from key stakeholders for the purpose of materiality analysis. As a result, it was decided to consult an environmental organisation in order to also give nature and water in the Netherlands sufficient voice in the process.

Step B: identification
In this step, we identified a list of potentially relevant topics. We did this through a number of sub-steps. First, we used the subtopics from the ESRS/CSRD to create a long list of potentially material topics. We then considered whether there were any topics missing from this list that were relevant to us as a bank. This was done by consulting colleagues who deal with sustainability in their day-to-day work, by conducting a contextual analysis based on internal and external sources, by checking whether any topics were missing from the 2022 MM, and by checking whether all GRI topics were represented in the longlist.

We then shortened the list by assigning relevance scores to all topics, based on the expertise of the same mentioned colleagues. To be considered for further materiality analysis, a topic had to score above a certain number. This resulted in a shortlist.

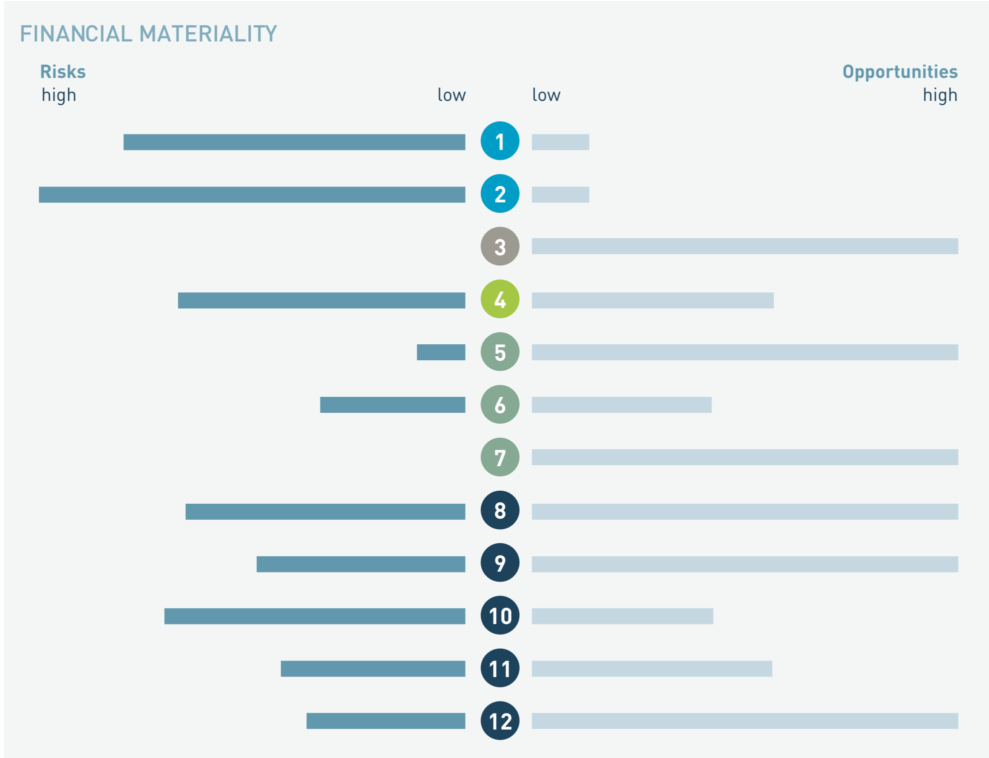
Step C: assessment
In Step C, we assigned indicators to the shortlisted topics and quantified them as far as possible. We looked at the scale of impact, the range of impact and the likelihood of impact. For each indicator, we set a threshold to determine when a positive or negative impact is material. To determine the materiality of financial risks, we used a process we call risk materiality assessment, taking into account whether the risks are foreseeable in the short, medium or long term. Short-term risks were given greater weight than medium-term risks, and medium-term risks were given greater weight than long-term risks. The sector to which a topic relates may also determine the weighting, depending on the amount of funding we have outstanding in that sector. The materiality of financial opportunities was determined by the Public Finance department. Finally, we validated the results of the analyses and our chosen approach with our stakeholders before the Managing Board/Executive Committee decided to make it definitive.

Step D: reporting
We presented the results of the materiality analysis on two axes. Our own inputs, together with the results of the context analysis, form the x-axis of the MM matrix. The y-axis of the matrix is made up of the results of the quantitative analysis together with the inputs from our stakeholders. To give substance to the CSRD, and in particular the concept of double materiality, we present financial risks and opportunities separately below the matrix.

In total, we identified 12 material topics, which we report on in this Report of the Managing Board. Compared to previous years' materiality analyses, we see more specific environmental and social topics and fewer directly business-related topics. This is partly because we have split climate change mitigation, climate change adaptation and biodiversity into three separate topics.

MATERIALITY MATRIX

FINANCIAL MATERIALITY



MATERIAL TOPICS

1. Facilitating sufficient quality surface water
2. Facilitating clean and sufficient drinking water
3. Availability and affordability of appropriate financing
4. Financing and facilitating renewable energy
5. Integrity and transparent business operations
6. Good employment practices
7. Safe, stable and efficient bank
8. Contributing to climate adaptation
9. Contributing to climate mitigation
10. Contributing to biodiversity
11. Contributing to a circular economy
12. Social impact of lending

STRATEGIC THEME


Bank of and for the public water sector


Key player in financing the Dutch public sector


Financing partner for enhancing sustainability in the Netherlands


Sustainable, efficient and socially engaged organisation


Responsible returns and societal impact

THE SUSTAINABLE WATER BANK: RESULTS AND IMPACT IN 2023

We report on our bank's results and activities over the past year based on our strategy and value creation model.

PILLARS

The first three paragraphs of this section of the Report of the Managing Board each focus on one of our strategic pillars: 'Bank of and for the public water sector', 'Key player in financing the Dutch public sector' and 'Financing partner for enhancing sustainability in the Netherlands'. The pillars all relate to the bank's lending, which we consider the main output of our business model. For each client group, we indicate how much financing we have provided in 2023, the size of the loan portfolio and its climate impact. We do this based on the material topics 'facilitating sufficient quality surface water', 'facilitating clean and sufficient drinking water', 'availability and affordability of appropriate financing' and 'financing and facilitating renewable energy'.

In each section, we have indicated how we sustainably implemented our strategy and what results have been achieved. At least one Key Performance Indicator (KPI) was used for each materiality topic. To the greatest extent possible, these KPIs are quantitative to ensure the results are measurable, transparent and easily comparable.

Climate impact of lending and climate action plan

Since 2019, we have been calculating the climate impact of our loan portfolio using the Partnership for Carbon Accounting Financials (PCAF) methodology. In the first three paragraphs of this section, we show for each client sector the climate impact of the financing we have provided to these clients. To calculate the climate impact, we use the previous year's loan portfolio, as the relevant figures are available. This means that now, in the 2023 Annual Report, we are reporting the climate impact of the loan portfolio as it was at the end of 2022.

With five client groups – namely water authorities, drinking water companies, housing associations, municipalities and healthcare institutions – we discuss the actions we took last year as part of our climate action plan. In it, we commit to a loan portfolio in 2050 that generates zero net CO_2e emissions. At the heart of the plan are CO_2e reduction targets that we have set at the client and sector levels. Our reduction targets for the entire loan portfolio are a 28% reduction in greenhouse gas emissions by 2026, a 43% reduction by 2030, and net zero emissions by 2050, compared to 2018, the first year in which we had a picture of our climate impact. We are also requiring all our clients to set their own science-based reduction targets by 2030. In this way, we aim to ensure that we and our clients operate within a maximum global warming of 1.5 degrees Celsius. We also believe it is important not to view climate change as an isolated issue, but to continue to link it to broader sustainability issues and societal challenges. The conservation and restoration of biodiversity is a good example of this.

The implementation of the climate action plan is an iterative process in four steps. In 2023, we have done the following in it:

STEP 1 - Measure

Together with our partners, we have ensured that our understanding of the climate impact of sectors and clients is of a higher quality and covers an even greater proportion of our loan portfolio.

STEP 2 - Targets

At the sector level, we assessed reduction targets and adjusted reduction paths where appropriate.

STEP 3 - Action

We have intensified client visits, with our clients' climate strategy as the main topic of discussion.

STEP 4 - Transparency

We gathered data in a usable form for our own organisation and maintained a high level of external reporting.

FOUNDATION

After our strategic pillars, we turn to the foundation of our strategy: our sustainable, efficient and socially engaged organisation. Based on the material topics 'Safe, stable and efficient bank', 'Integrity and transparent business operations' and 'Good employment practices', we explain what characterises our organisation and how we maximise our social and sustainable impact in our immediate environment and sphere of influence. This relates to the different types of capital that form the input to our business model. These include people, our organisational structure and culture, and financial resources, including funding.

OUTCOME AND IMPACT

We conclude this section of the report with the keystone of our strategy: our commitment to 'responsible returns and societal impact'. This brings together everything we give back to our shareholders as a national promotional bank and everything we contribute to society through lending to our clients. We see this as the outcome and impact of our business model and consider the contribution we make to the Sustainable Development Goals through our lending. To capture our impact on our selected SDGs, we have defined KPIs for each SDG and report on them in this section.

This final section focuses on the material topics 'Contributing to climate adaptation', 'Contributing to climate mitigation', 'Contributing to biodiversity', 'Contributing to a circular economy' and 'Social impact of lending'. We also take stock of the climate footprint of our entire loan portfolio.

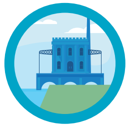
Connectivity table

How these strategic themes, materiality topics and KPIs are connected is illustrated in the connectivity table on the next page.

CONNECTIVITY TABLE

	MATERIAL TOPICS	STRATEGIC THEMES	KEY PERFORMANCE INDICATOR	TARGET	RESULT 2023	IMPACT ON SDGs
1	Facilitating sufficient quality surface water	 Bank of and for the public water sector	Volume of new lending to water authorities	Highest possible market share	€781 million	• Safety of flood defenses • Water quality of surface water • Quality of drinking water • Quality of wastewater
2	Facilitating clean and sufficient drinking water		Volume of new lending to drinking water companies		€114 million	
3	Availability and affordability of appropriate financing	 Key player in financing the Dutch public sector	Total volume of lending	Significant and substantial market share	€7.4 billion	• Amount of nature-inclusive public green areas • Energy performance of social housing associations • Quality of hospital buildings and grounds • Allocation of social housing • Amount of social housing
4	Financing and facilitating renewable energy	 Financing partner for enhancing sustainability in the Netherlands	Volume of new lending to renewable energy projects		€227 million	• Accelerating energy transition
			% of loan portfolio energy neutral	> 100% in 2035	35.8%	
5	Safe, stable and efficient bank	 Sustainable, efficient and socially engaged organisation	Financial ratios	Minimum capital requirement: 13.77% Leverage ratio: 3% (minimum requirement) LCR: 100% (minimum requirement) NSFR: 100% (minimum requirement)	Tier 1 ratio: **48.0%** CET1 ratio: **41.1%** Leverage ratio: **20.6%** LCR: **160%** NSFR: **133%**	
			Credit ratings	Equal to the State of the NL	S&P: **AAA** | Moody's: **Aaa**	
			ESG ratings		ISS ESG: **B** Sustainalytics: **10** Vigeo Eiris: **57**	
			Return on equity	3.7% (standard return)	6.3%	
			Dividend payout ratio	40 - 60%	48%	

MATERIAL TOPICS	STRATEGIC THEMES	KEY PERFORMANCE INDICATOR	TARGET	RESULT 2023	IMPACT ON SDGs
6 Integrity and transparent business operations	 **Sustainable, efficient and socially engaged organisation**	Number of complaints	0	0	
		Number of reports of bribery and corruption	0	0	
		Number of data leaks	0	0	
7 Good employment practices		% of training budget spent	100%	190%	
		% of sickness absence	< 4%	7%	
		Pay ratio of Chair of the Managing Board versus median of employees		4.0	
		Male-female ratio		60% male I 40% female	
		Internships filled	> 2	3	
8 Contributing to climate adaptation	 **Responsible returns and societal impact**	Volume of new lending to water authorities	Highest possible market share	€781 million	 • Safety of flood defenses • Climate impact of lending • Accelerating energy transition • Amount of nature-inclusive public green areas • Quality of surface water • Amount of municipal solid waste • Energy performance of social housing associations • Quality of hospital buildings and grounds • Allocation of social housing • Amount of social housing
9 Contributing to climate mitigation		Reduction CO_2e emissions compared to 2018	28% (2026) 43% (2030) zero net (2050)	16% (absolute in kton CO_2e) 25,5% (relative in CO_2e/€ million)	
		% of loan portfolio, of which the climate impact has been calculated	≈ 100%	91.9%	
10 Contributing to biodiversity					
11 Contributing to a circular economy					
12 Social impact of lending					



BANK OF AND FOR THE PUBLIC WATER SECTOR

The public water sector serves a vital public interest. As a result of climate change and more extreme weather events, protection against and of water is becoming an increasing challenge. This was again evident in 2023, which was the warmest and wettest year since the Royal Netherlands Meteorological Institute (KNMI) began measuring. We are facing more intense and prolonged rainfall and extremely dry summers. Meanwhile, sea levels continue to rise. Water authorities are responsible for safe, clean and sustainable surface water, while water companies are responsible for sufficient and high-quality drinking water. We support both groups of clients by providing appropriate financing on the most favourable terms possible.

Water authorities

Water authorities are experiencing the effects of climate change on a daily basis and are investing heavily to reduce CO_2e emissions, adapt their infrastructure to changing conditions, and continue to provide sufficient and high-quality surface water. Biodiversity and ecology also plays an important role in the work of the water authorities.

As a bank of and for water authorities, we aim to maximise our market share in this sector, which we call our home market. In 2023, we provided the water authorities with loans of in total €781 million (2022: €942 million). At the end of 2023, we had €7,970 million of financing outstanding with the water authorities. At the end of 2022 it was €7,699 million.

Last year, we provided our second sustainability-linked loan, this time to De Stichtse Rijnlanden Water Authority. This water authority took out a loan of €10 million and it will receive a discount on the annual interest expenses if it meets ambitious sustainability milestones. Together with the client, we have set targets for climate mitigation, biodiversity and staff diversity, as these are important issues for both the bank and the water authority. We review annually whether the water authority has met the targets and, if so, financial rewards follow. With our sustainability-linked loans (SLL), we aim to positively support and accelerate our clients' (further) sustainability efforts.

Climate neutral by 2035

The Dutch water authorities announced their ambition to be climate neutral as early as 2035. This is an important and unique ambition that sets the bar higher than the national target. The 21 water authorities have laid down their ambition in the strategic vision *Towards climate neutrality*, which also states that they will map their climate footprint even better. They are looking at their own greenhouse gas emissions, including nitrous oxide and methane from wastewater treatment plants, as well as emissions from third parties working on behalf of the water authorities. They also aim to reduce greenhouse gas emissions in their surroundings, for example from peatlands, surface water and watercourses.

An intermediate step is energy neutrality in 2025, which the water authorities as a sector agreed on in the 2019 climate agreement. This means using as little energy as possible and generating as much renewable energy as possible, for example from wastewater or through solar panel and wind turbines. Water authorities have more than 300 wastewater treatment plants and are increasingly looking at them as an intelligent local energy system. Good examples include the accelerated production of green gas and innovations such as green hydrogen for wastewater treatment plants.

Aquathermal energy – the sustainable use of water to heat and cool homes – also has great potential. The potential of sustainable sources available to water authorities exceeds their own energy needs.

As *the* sustainable water bank, we fully support the ambition of water authorities. We are ready to provide them with appropriate financing on the most favourable terms possible. The work of the water authorities is capital intensive and the need for much higher investment and hence financing is only increasing. This was demonstrated once again at the end of last year when many parts of the Netherlands were flooded, but thanks to the many investments made in recent years, the inconvenience was limited and the dikes held. It is important that funding and investments are made responsibly. The debt ratio – the amount of debt in relation to annual income – of many water authorities is already quite high. At the same time, further investments in water management and water quality are needed. As a result, it will be essential in the future to give due consideration to (tax) rate increases and debt control.

Innovation in the sector

The water authorities are always looking for new ways to make water management better, cheaper and more sustainable. A driving force behind this is innovation. Scaling up innovative projects often requires venture capital, but the provision of venture capital is not compatible with our risk appetite. In order to play a role anyway, we launched the NWB Water Innovation Fund in early 2021.

The NWB Water Innovation Fund is a self-governing entity independent from our bank. The fund finances water authorities' innovative projects with wide-ranging applications, which contribute to enhancing sustainability in the Netherlands. These include innovations in climate adaptation, climate mitigation, the circular economy, biodiversity, water quality, water safety and the energy transition. Scaling up many of these projects is challenging because obtaining risk-bearing capital can be difficult. The NWB Water Innovation Fund aims to help these projects progress beyond the pilot phase. It provides subordinated capital, always as co-financing: the fund contributes up to 50% of the required risk-bearing capital required, while at least a third comes from one or more water authorities.

Last year, the NWB Water Innovation Fund awarded its first financing to Torwash. This company, a TNO spin-off, has been working in recent years on innovative processing methods for sewage sludge, wet grass clippings and mixed plastics. Its patented technology produces biofuel, biogas and fertiliser from these wastes. The company also produces raw materials for natural plastic substitutes. The NWB Water Innovation Fund loan will support Torwash's growth from a scale-up to a mature company. Torwash is demonstrating the technology at the Aa en Maas Water Authority's Land van Cuijk wastewater treatment plant.

We have also been encouraging innovation in the sector in another way for years. Every two years, we present the Water Innovation Prize together with the Association of Dutch Water Authorities. For this prize, we consider projects that address the various operations and responsibilities of water authorities. The nominees for the Water Innovation Prize 2023/2024 were announced at the end of December 2023. The award ceremony took place during the Water Innovation Festival on 1 February 2024.

Climate impact of water authorities

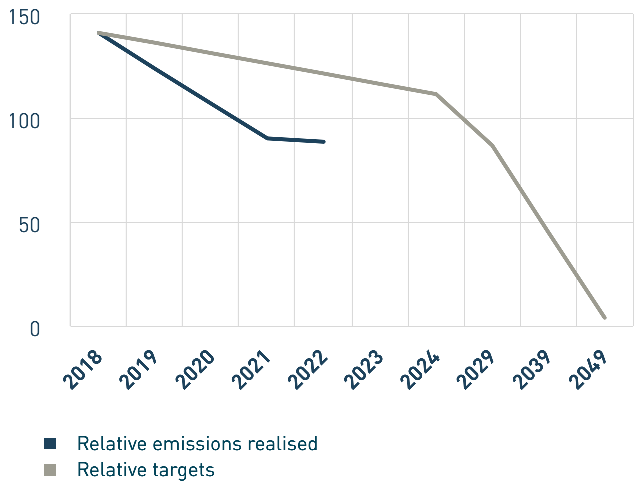
WATER AUTHORITIES

	COVERAGE RATE (%)	LOAN PORTFOLIO (x € million)	EMISSION INTENSITY (in tonnes CO_2e/€ million)
2022	**100%**	**7,699**	**88.7**
2021	100%	7,977	90.3
2018	100%	6,327	141.0

The climate impact of water authorities stills shows a declining trend. The absolute climate impact in tonnes of CO_2-equivalent and the relative climate impact in tonnes of CO_2-equivalent per €1 million financed continued to decrease in 2022[1], though less rapidly than in previous years. The absolute climate impact in 2022 was 683 kilotonnes of CO_2-equivalent (2021: 720 kilotonnes of CO_2-equivalent) and the emission intensity was 88.7 tonnes CO_2-e per €1 million (2021: 90 tonnes of CO_2-e per €1 million). The sector is operating well within the margins of the climate impact reduction path that we set out in our climate action plan. In addition, fossil energy consumption is decreasing and renewable energy production is increasing. More importantly, the sector, led by the Association of Dutch Water Authorities, has well-founded and ambitious climate and energy targets. As part of these targets, the water authorities are aiming to reduce their emissions of methane and nitrous oxide by 80% and 50% respectively by 2030 compared to 2021. On this basis, we have recalibrated our own reduction target for the water authorities. The client discussions we had with the water authorities in 2023 confirmed their commitment to continue developing the sector in a robust and responsible way and continue to enhance sustainability.

ACHIEVED RELATIVE EMISSIONS OF WATER AUTHORITIES

in tonnes CO_2e emissions per €1 million



In addition to climate measures, the water authorities are active in biodiversity conservation and restoration. They are working on biodiversity restoration within a legal framework that includes the Water Framework Directive (WFD) and national nature legislation. The water authorities believe they have both a social responsibility and a unique position to strengthen biodiversity. Last year, they developed the Biodiversity Framework, which provides guidelines on how to restore biodiversity and contains indicators that focus on policy, action and impact. The water authorities are also active partners of the Delta Plan for Biodiversity Recovery.

As far as we are concerned, the water authorities are setting a good example with their sustainability approach. They are trying to make water and soil the steering force behind the development of the Netherlands, and are therefore looking at the design of our country in an integrated way. The demissionary government has also adopted this approach.

Drinking water companies

Drinking water companies have traditionally been clients of our bank. Their task of providing consumers and other clients with sufficient volumes of high-quality drinking water is laid down in the Drinking Water Act. The Drinking Water Act precludes the privatisation of drinking water companies, making them an integral part of the public sector. The Act also protects drinking water activities and regulates the tariffs and related capital costs. The legal requirements and standards for drinking water are laid down in the Drinking Water Decree. This also includes the standards to be met by groundwater and surface water. In addition to providing drinking water, water utility companies often also supply industrial water.

In 2023, we provided €114 million in long-term financing to drinking water companies (2022: €190 million). This enabled us to further increase our market share in this sector. The total volume of our outstanding financing

1) As a reminder, we use the previous year's loan portfolio to calculate the climate impact, as the relevant figures are available. This means that now, in the 2023 Annual Report, we are reporting the climate impact of the loan portfolio as it was at the end of 2022.

to drinking water companies at the end of 2023 was €1,214 million (2022: €1,134 million).

Greater demand, fewer resources

Drinking water companies are facing major challenges. Demand for drinking water is increasing, while the availability and quality of sources is decreasing. The decline in drinking water sources is due to drought and salinisation caused by climate change, and the decline in drinking water quality due to emerging substances such as pyrazole, PFOA and GenX, pharmaceutical residues and micro-organisms. At the same time, demand for drinking water is increasing due to population growth, climate change and economic developments. In addition, developments in cybersecurity, the energy transition, and the increasing use of land and subsoil require attention.

To secure the future of drinking water supplies, drinking water companies expect a sharp increase in the necessary investments in drinking water infrastructure and nature management in the coming years. They will finance these investments with revenues from the supply of drinking water, but will also seek external financing, including from our bank. To accommodate the drinking water companies, the Ministry of Infrastructure and Water Management in 2021 slightly increased the regulated maximum weighted average cost of capital (WACC) for the period 2022-2024. The ministry consulted our bank, as one of the main financiers of the drinking water industry, on this topic.

Climate impact of drinking water companies

DRINKING WATER COMPANIES

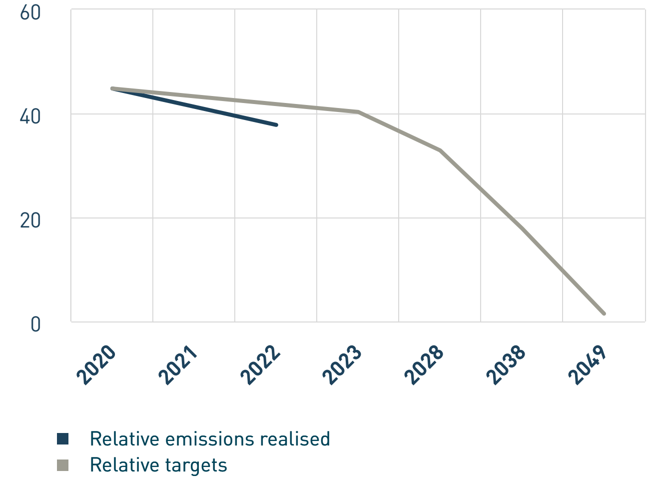
	COVERAGE RATE (%)	LOAN PORTFOLIO (x € million)	EMISSION INTENSITY (in tonnes CO_2e/€ million)
2022	**98.8%**	**1,134**	**37.8**
2021	98.2%	936	41.3

We have in view the climate footprint for 98.8% of our lending to drinking water companies, which was 42 kilotonnes of CO_2 equivalent in 2022 (2021: 38 kilotonnes of CO_2 equivalent). This corresponds to an emission intensity of 37.8 tonnes of CO_2equivalent per €1 million (2021: 41.3 tonnes of CO_2 equivalent per €1 million).

While absolute emissions increased slightly, the relative impact of financing water companies decreased by around 9.4% in terms of tonnes of CO_2e per €1 million financed. The sector is therefore operating in line with the climate impact reduction path set out in our climate action plan and has significantly reduced fossil fuel electricity consumption. We note that water companies are aware of their impact, and a number of them have set ambitious targets and developed a strategy to achieve them.

ACHIEVED RELATIVE EMISSIONS DRINKING WATER COMPANIES

in tonnes CO_2e emissions per €1 million



CASE: BANK OF AND FOR THE PUBLIC WATER SECTOR

Transaction
Multiple loans worth a total of €80 million

Key figures De Stichtse Rijnlanden Water Authority

- 83,000 hectares of land
- 900,000 inhabitants
- 55 kilometres of primary flood defences
- 10,368 kilometres of water courses
- 173 pumping stations and outflow sluices
- 16 sewage treatment plants

Tanja van Gurp
group controller
De Stichtse Rijnlanden

Gerwin Roest
business controller
De Stichtse Rijnlanden

Water management in Central Netherlands

SUSTAINABLY ENSURING CLEAN WATER AND DRY FEET

De Stichtse Rijnlanden Water Authority is facing significant challenges. The reinforcement of the Lek dike and the renewal of the wastewater treatment plants require major investments in the short term. For these important and large-scale activities in the central part of the Netherlands, the water authority has drawn up a financing plan with a strong focus on sustainability.

De Stichtse Rijnlanden covers the southern part of the province of Utrecht and a small part of South Holland. On the Lekdijk, the water authority is facing the daunting task of reinforcing 55 kilometres of dike – from Amerongen to Schoonhoven. "This is very important, because if the Lekdijk were to give way, a large part of the Randstad could be flooded, all the way to Amsterdam," says group controller Tanja van Gurp. To finance these and other tasks, the water authority took out several loans from NWB Bank in 2023, including a sustainability-linked loan.

Multiple tasks

Tanja explains the importance of the financing. "The reinforcement of the Lekdijk is part of the national flood protection programme. Some of the money will come from the Dutch state, but the water authority will also have to invest in it and as of now we already need to spend to make expenditures. We also have many other tasks.

One major project is the replacement of the wastewater treatment plants, where we are making great strides towards sustainability. We will get rid of gas, install solar panels, choose sustainable building materials and create a site with herbal vegetation and as little asphalt as possible."

Less interest rate risk

The water authority took out eight loans with NWB Bank in 2023. These are loans with deferred payments of one to several years. "This allows us to reduce the interest rate risk," explains business controller Gerwin Roest. He is pleased with the pleasant collaboration with NWB Bank. He is enthusiastic about the joint efforts for the sustainability-linked loan. "NWB Bank encouraged us to take out the loan in this form. The initiative dovetails perfectly with our sustainability ambitions, and the bank has helped us to set up measurable performance indicators."

Reducing CO_2e

NWB Bank aims to further promote sustainability among its clients with the sustainability-linked loans. Clients receive a five-year discount on the loan interest if they achieve the agreed sustainability targets. The Zuiderzeeland Water Authority was the first to take out this loan in 2022. De Stichtse Rijnlanden is now the second, and it has admirable targets for climate adaptation, energy saving, biodiversity and social diversity. The preparation went very well, say Hielke van der Aa and Sander Bosman of NWB Bank. Hielke: "We were able to build on our experience with Zuiderzeeland. De Stichtse Rijnlanden also has a lot of in-house knowledge, for example about CO_2 reduction. Together, we came up with a target for the water authority to achieve a CO_2 reduction of more than 45% in the period 2022-2028." "This target dovetails well with the joint objective of the water authorities to be climate neutral by 2035," Gerwin adds.

Sending out a message

"When NWB Bank came up with the sustainability-linked loan proposal, everyone at the water authority was immediately enthusiastic," says Tanja. "The board of the water authority, which was newly appointed in 2023, has sustainability at the top of its agenda. We were aware of the additional time that the loan would require, but we quickly decided to go for it. Not so much because of the discount, but mainly because of the message it sends out." In the words Nanda van Zoelen, in charge of the water authority's finance: "We like to be a figurehead for sustainability."

Reusing raw material from toilet paper

Together with governments and market players, De Stichtse Rijnlanden is working on many sustainability initiatives. One example is the reuse of cellulose, a raw material from toilet paper. This raw material finds its way into new markets, such as road construction, where the cellulose is used in asphalt and traffic barriers. At the Leidsche Rijn sewage treatment plant in Utrecht, the cellulose factory is running at full capacity. "A unique initiative," says Tanja proudly.

An increasinlgy coordinating role

Sustainability is a hot topic nationwide, and the water authority is increasingly taking on a coordinating role. How can we use the living space in the Netherlands sustainably? Together with the provinces, farmers and other organisations, the water authority is working on solutions. At the time of this interview, it was still all hands on deck dealing with measures against floods resulting from the wet autumn of 2023. While outside the dikes are being inspected, inside the financial specialists are working on the investment estimates. Driven by their own specialism, everyone is working towards safe dikes, sufficient water and healthy, clean surface water.

CASE: BANK OF AND FOR THE PUBLIC WATER SECTOR

Transaction

€40 million loan

Key figures North Water

- 25 employees
- 45 affiliated companies
- €14 million turnover
- €1.8 billion result
- Client of NWB Bank for 1 year

Perry van der Marel

managing director

North Water

Aard Kluck

account manager Specialised

Finance NWB Bank

From the purest water

SUSTAINABLE INDUSTRIAL WATER SYSTEM IN DELFZIJL

We are spoiled: turn on the tap and high-quality drinking water flows out. But open the newspaper and you will read that even in the Netherlands water is becoming scarce. All the more reason to be aware of this basic necessity. As a consumer, but also in industry. Perry van der Marel from North Water: “The production and supply of industrial water is sustainable and reduces the pressure on drinking water capacity.”

In the north of the country, Evides Industriewater and Waterbedrijf Groningen joined forces to form the North Water joint venture, which started in 2006 with the construction of a saltwater treatment plant. In addition to tailor-made solutions in the field of industrial wastewater for companies, North Water produces and supplies industrial water with surface water as its source. In Garmerwolde, this has been done since 2021 from an industrial water treatment plant (IWTP) with the Eems canal as its source. Initially for the port of Eemshaven, the water will now be supplied to the port of Delfzijl as well.

Water transition

"Drinking water is becoming scarcer and cleaning it is becoming increasingly difficult," says Perry, a water technologist who has been managing director of North Water for four years. "That's why drinking water companies are looking at alternatives for businesses that are large users of drinking water." The energy transition needs to be followed by a water transition, where drinking water is supplied where it is needed and industrial water is supplied where possible. Google recognised this and joined forces with North Water to develop the IWTP to supply industrial water instead of drinking water in Eemshaven, which is used as cooling water. More customers are now benefitting from this.

External financing

Demand is also rising in the Oosterhorn industrial estate, to the south-east of Delfzijl. This is why North Water is now implementing the Delfzijl Sustainable Water Supply (DSWS) project, with the aim of supplying water from the IWTP there as well. As a result, the amount of industrial wastewater is increasing, which is why a second wastewater treatment plant is being built. "Building an industrial water infrastructure and wastewater treatment plant is capital intensive," says Perry. "While Google previously co-invested in the IWTP, we are relying on external financing for the DSWS. This is being provided by NWB Bank. Aard Kluck, Account Manager Specialised Finance: "Evides and Waterbedrijf Groningen were already clients of NWB."

Good for the business climate

North Water is attracting new industry with its services. "In addition to relieving the pressure on Groningen's limited drinking water capacity, industrial water treatment, like wastewater treatment, contributes to the economic and sustainable development of the region," says Aard. Perry: "It's certainly good for the business climate in the north of the Netherlands. We operate a multi-client system with two types of water. A company that uses residual products or biomass as raw material does not need drinking water for rinsing in the first steps of the process. On the other hand, we also supply demineralised water, which contains even less salt than drinking water, for example to produce hydrogen."

Towards a green port

The vision for the port of Delfzijl in 2030 is: economic growth = green. The chemical and recycling industry at this green port will be completely bio-based in six years' time. "As a company, you're then entering a biobased, circular economy," says Perry of newcomers to the region. "Apart from the fact that reducing the use of drinking water in industry is already sustainable, we're contributing to this green vision by making industrial water more circular. We're achieving this through the Regain research project, in which we and our partners are investigating whether treated wastewater in Garmerwolde can be used as a source of industrial water. We'll also be reusing water on the industrial estate in Delfzijl. This approach has another advantage. "Part of the wastewater treatment is carried out with microorganisms. This method produces biogas as a useful by-product, which can be used as a raw material for green chemistry or as an energy source, for example."

Efficient use of energy and chemicals

The membrane bioreactor has even more environmental benefits. Perry: "It also uses microorganisms, but with aeration. In addition, a filtration step removes the remaining contaminants from the water, making it clean enough to be discharged into surface water or reused. Finally, these central plants are more efficient in terms of energy and chemical use and the production of residuals compared to decentralised systems where each company does this individually."

Win-win situation

The forecast for Delfzijl is around five million cubic metres of industrial water per year in the future. "Part of this will be used to replace existing industrial drinking water use with industrial water," Perry predicts. A win-win situation, says Aard. "While you reduce the pressure on the drinking water supply, the companies can count on a tailor-made solution at a favourable price". Another win-win situation. Perry: "With the IWTP, the supply to Eemshaven and now also the supply and purification to and in Delfzijl, is creating a collective, sustainable system for industrial water."

NWB Fund

PROMOTING CLIMATE-PROOF WATER MANAGEMENT

Core capital
€20.5 million

Available annually
€800,000

The NWB Fund was established in 2006 by NWB Bank and is independent of the bank. The fund helps water authorities to meet the demand for their expertise in solving global water problems. NWB Bank has provided core capital through donations, and the (fixed) interest on this core capital, approximately €800,000 per year, is used to finance the international projects of the water authorities. Following is an impression of the fund's activities and developments in 2023.

The NWB Fund has a clear focus that contributes to the water authorities' shared water ambition and the UN Sustainable Development Goals. Many projects provide business cases that enable follow-on funding. The fund thus provides the leverage to move from a promising idea to successful implementation.

Smart reforestation

Last year's projects included reforestation. Reforestation is an important measure to combat erosion, retain water and increase agricultural productivity. It can also help keep regions liveable as they face increasing drought due to climate change. But reforestation needs to be done smartly. In Tanzania, a digital tool has been developed to determine the right mix of local trees and crops to provide farmers with short- and long-term income and avoid depleting soil and water. This watershed reforestation tool is being developed together with the Wageningen-based start-up FarmTree. The first version of the tool is ready and will be applied and further developed in Peru and Ethiopia.

A pilot project was carried out in Burkina Faso to plant trees that add nutrients to the soil, known as fertiliser trees. Together with the University of Ouagadougou, the results are being monitored and look promising. Water consumption has been halved and crop productivity doubled! Planting trees can generate carbon credits. In Ghana, research has been carried out into these carbon credits. In fact, many companies are interested in

A visible plus for climate adaptation

Bert van Boggelen, Director of the NWB Fund: "The fund acts as an outboard engine for the water authorities' international projects. We aim to make distinct positive impact on climate adaptation, which is the most pressing challenge in water management. We achieve this by co-financing projects and by training a rapid response force of climate experts who can be serve as advisors, as in the case of underground drip irrigation in Eswatini."

offsetting their carbon emissions and are willing to make investments that can benefit poor regions. This research shows that there is indeed an interesting business case for reforestation.

'Social search' in Kenya

Collaboration between stakeholders such as farmers, businesses and local people is often the key to solving problems. In Kenya, the 'social search' approach was used to develop an comprehensive plan for the Thika River. This approach involves restoring relationships between people and with nature. Stakeholders spent three days camping together, sharing stories, ideas and traditional rituals. As a result, there is now a supported vision for the future and a commitment to implement it. The Kenyan government wants to extend this successful approach to the Nairobi River.

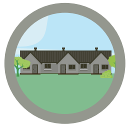
KIWI as a kick-starter

To prepare the staff of Dutch water authorities for international work, the NWB Fund launched the KIWI initiative: Knowledge and Introduction Programme Water Authorities International. This training programme is a kick-starter for 20 water authority employees for international work. Water management abroad is very different from water management in the Netherlands, due to differences in culture, land use and governance. The current training programme, Climate Game Changers, focuses on climate adaptation and promoting initiatives to make water management more climate-resilient. KIWI participants Joyce Tentij and Ingo van Lohuizen are working in Eswatini, a mountainous country in southern Africa. They are working with the existing water authority team and their foreign partners. Ingo: "We first do an area scan to determine the impact of climate change. Then we do an in-depth study to understand the problems."

Climate-smart agriculture in Eswatini

KIWI participants are halfway through the programme, but some are making rapid progress with their climate adaptation plan and have already applied to the NWB Fund, such as Eswatini. Joyce says: "The north of Eswatini has traditionally produced a lot of food for the country, but the drought is making this increasingly difficult. Sub-surface drip irrigation can ensure efficient use of water, but small farmers can't afford to install such a system on their own." "That's why we've come up with a plan to help them," says Ingo. "We want to help them not only by building irrigation systems, but also by securing sufficient water supplies, installing solar panels for the pumps, looking after ecosystem services and setting up a service organisation." The Joint River Basin Authority, a government organisation in Eswatini, is enthusiastic and wants to implement the plan.

For more information about the NWB Fund, see: www.nwbfonds.nl.



KEY PLAYER IN THE FINANCING OF THE DUTCH PUBLIC SECTOR

NWB Bank serves the broader Dutch public sector. From the outset, the water authorities also opened our bank to other public and semi-public organisations, such as municipalities, healthcare institutions and housing associations, but also local sports clubs with a financial guarantee from their municipality. Over the years, we have become a key financier in the public domain. We promote a discerning, diverse and innovative playing field in which public funds are handled efficiently and effectively. In the past 10 years, we have provided loans totalling almost €80 billion and, with a balance sheet total in excess of €76 billion, we are the fifth-largest bank in the Netherlands.

In 2023, we succeeded in consolidating our significant and substantial market share in the (semi) public sector, ensuring the availability and affordability of funding for all our customers. Our loan portfolio grew to a record €53.9 billion. By catering efficiently to our clients' financing needs and by virtue of our high creditworthiness and financial expertise, we can raise affordable financing with relatively long maturities in the international money and capital markets. Even during difficult times, such as during the credit crisis and the COVID-19 pandemic, we have repeatedly demonstrated that, as a promotional bank, we are always available to our clients.

Affordable and appropriate financing

We ensure that our lending is and remains affordable. We do not pursue profit maximisation and always look for the cheapest way to finance ourselves and pass on the benefit to our clients. One example is the issuance of ESG bonds, a distinctive part of our business. The issuance of these sustainable bonds tends to be more favourable than the issuance of traditional bonds and we also pass on that advantage to the bank's clients.

We believe it is important for our financing to be not only available and affordable for the public sector, but also appropriate to their needs. Therefore, we always tailor our products and services to our client's specific needs and knowledge, taking into account the nature of the sector, the investment profile and the vision of the relevant supervisory authority. Financial products are subject to an internal product approval process before being offered to clients. This includes an assessment of the suitability of a product for a specific client group. This process plays a central role in our product responsibility and involves all of our bank's relevant departments. Products and services that have been approved are reviewed annually by the bank's Asset & Liability Committee (ALCO).

Dilemma: New products

When addressing a client's need, situations may arise where we need to determine whether or not to introduce a new product. Our product approval process involves weighing the risks of a product, both from the client's and the bank's perspective. If there are undesirable risks associated with a product, we may decide not to offer the product. This is a dilemma because we want to assist our clients at all times while also adhering to our prudent policy and low risk appetite.

Client validation

Before a loan is provided, each new client is subject to the Customer Due Diligence (CDD) policy, i.e. the client validation process. Existing clients are periodically reviewed, and the credit management team within the Public Finance department and the Specialised Finance department play an important role. Strengthening client validation has been intensified in recent years due to changing regulations.

Once a client has been validated and a loan has been taken out, we give the client all the attention they need, regardless of size or volume of lending. For instance, we essentially always respond to requests for face-to-face meetings – digital if need be – and, if requested, are prepared at all times to consider bespoke arrangements. Requests for bespoke repayment schedules and early repayments are a good example of this. We think along proactively with our clients in finding ways to optimise their loan portfolios. In light of the higher interest rates on the capital markets, we did not grant as many maturity extensions last year.

Sustainability-linked loans

A special form of appropriate financing is the sustainability-linked loan (SLL). With this type of loan, we agree with the client in advance on a number of sustainability performance indicators to be achieved, and the client receives a discount on the interest rate if these are met. In this way, we aim to positively stimulate and help accelerate our clients' (further) sustainability efforts. Incidentally, sustainability is an important factor in all new lending and in the assessment of existing clients, not just SLLs. Since 2022, we have assessed all lending on the basis of our climate action plan. In it, we have set CO_2e reduction targets, which we discuss with our clients. Where appropriate, we remind clients of their own sustainability responsibilities. All this should ensure that the CO_2e emissions from our loan portfolio decrease every year and ultimately, on balance, to zero by 2050 at the latest.

Dilemma: Sustainability-linked loans

We encourage our clients to be sustainable with sustainability-linked loans. However, as we do not seek to maximise our profits, our margins are limited and therefore the scope for a discount. Therefore, the incentive may not be as great, but we are not letting that deter us.

Housing associations

The largest portion of our funding continued to go to housing associations in 2023. This is not surprising, as they have the largest financing needs volume of all our client groups in the Dutch public sector. We provided €5.3 billion in loans to housing associations (2022: €6.3 billion). This amount consists of the primary loan demand in combination with the revision of credit spreads on existing loans. Housing associations are expected to borrow more in the coming years due to the huge sustainability challenge and housing shortages. Between 2023 and 2030, housing associations expect to invest more than €50 billion in total in the existing social housing stock. This will include the insulation of 675,000 homes, the decommissioning of 450,000 homes and the upgrading of 250,000 homes with E, F and G energy labels. In addition, the government has mandated housing associations to build 250,000 new homes for social rent by 2030. These agreements and commitments are set out in the national performance agreements for social housing signed by Minister of Housing and Spatial Planning Hugo de Jonge with Aedes, Woonbond and the Association of Netherlands Municipalities (VNG).

At the end of 2023, we had €33 billion in outstanding loans to housing associations. (2022: €31 billion). In mid-2023, the Social Housing Guarantee Fund (Waarborgfonds Sociale Woningbouw – WSW) has secured loans to housing associations in the Netherlands in the amount of €88.5 billion. Our bank thus finances around 37% of the outstanding guaranteed debt of housing associations, mostly for the long term, and, thanks to the WSW guarantee, at attractive interest rates and conditions. The long maturities fit well with the depreciation period of the associations' assets (housing), which is typically around 40 to 50 years.

NWB Bank only finances the portion of housing associations' debt that falls under the guarantee provided by the WSW. This concerns the financing of SGEI activities (Services of General Economic Interest). This ensures that all our lending to housing associations helps create added value for society. Housing associations provide good and affordable housing for people who need it. In many cases, these are households with modest incomes. Moreover, housing associations pay special attention to people who are unable to find a place to live for social, medical or psychological reasons, as well as to 'status holders' (refugees granted residence permits). Housing associations also work expressly to create a healthy and safe living environment.

Leading role in sustainability

All in all, housing associations manage approximately 2.3 million rental homes in which 4 million people live. This accounts for approximately 28% of the Dutch housing stock. Due to the scale of their housing stock, as well as the social role they fulfil, housing associations are expected to play a leading role in the field of sustainability. Sustainability is an increasingly important aspect of the policy of housing associations, with which they contribute to the climate goals of the Paris Climate Agreement.

Dilemma: Non-guaranteed financing

Our Articles of Association stipulate that we can only finance housing associations and healthcare institutions guaranteed by the Social Housing Guarantee Fund (WSW) and the Healthcare Sector Guarantee Fund (WFZ), respectively, academic hospitals being the exception. In the current market, where there is a severe shortage of housing with a particularly high demand for mid-range rental properties, these clients may find it difficult or costly to obtain this part of their financing requirement. While we understand the sector's desire, we do not consider non-guaranteed financing to be within our risk appetite.

Achieving CO_2e neutrality by 2050 will require major investments. For example, to make existing homes more sustainable through insulation, smart lighting and smart meters and the installation of renewable energy systems. Houses that are yet to be built should meet the latest environmental requirements and be circular and sustainably built.

These adaptations and additional requirements cost extra money and require large budgets. The landlord levy (*verhuurdersheffing*) was abolished on 1 January 2023, freeing up around €1.7 billion a year for housing associations to invest. This is offset by binding performance agreements to double the production of social rental housing and introduce far-reaching sustainability, rent moderation and rent reduction measures for the lowest incomes. In addition, the associations must invest in home improvement. The starting point is that the measures to make homes more sustainable, must be affordable for both the associations and the tenants.

Climate impact of housing associations

We have an almost complete picture of the climate impact of our lending to housing associations. By the end of 2022, this amounted to 336 kilotonnes of CO_2 -equivalent (2021: 356 kilotonnes). This gives an emissions intensity of 11.1 ton CO_2 equivalent per €1 million (2021: 11.9 kilotonnes).

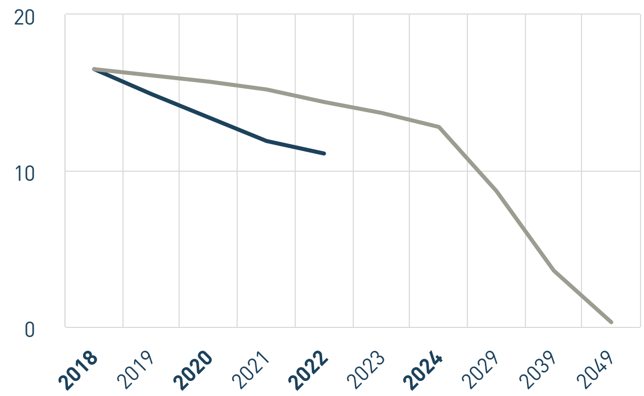
Both the absolute climate impact in tonnes of CO_2e and the relative impact in tonnes of CO_2e per €1 million financed have decreased for the housing associations compared to the previous year. The sector is thus operating well within the climate reduction path that we have set out. We set out this pathway for housing associations using the Science-based Target Setting Tool version 2.0 for residential buildings. This brings targets in line with the 1.5-degree scenario at least until 2035. From 2035 to 2050, we will continue on a linear reduction pathway.

HOUSING ASSOCIATIONS

	COVERAGE RATE (%)	LOAN PORTFOLIO (x € million)	EMISSION INTENSITY (in tonnes CO_2e/€ million)
2022	**97.6%**	**31,015**	**11.1**
2021	97.6%	30,586	11.9
2018	97.1%	30,265	16.5

ACHIEVED RELATIVE EMISSIONS OF HOUSING ASSOCIATIONS

in tonnes CO_2e emissions per €1 million



- Relative emissions realised
- Relative targets

Municipalities

In 2023, we provided municipalities with €105 million in loans (2022: €460 million), in addition to €39 million to finance joint schemes (2022: €130 million). Local authorities regularly collaborate with each other in a growing number of areas, usually concerning tasks they can perform more effectively or efficiently together. Partnerships are sometimes prescribed by law, such as in the case of security regions, but cooperation is usually voluntary. At the end of 2023, we had a total of €5,901 million in financing outstanding with municipalities, and including joint schemes, this was €6,871 million. At the end of 2022, this was €6,445 million and €7,455 million respectively.

Trends and developments

Municipalities are at the heart of society. Close to the people, at the local level, they carry out a wide range of government tasks. Since 2015, a considerable number of social tasks have been decentralised to municipalities. This has made them responsible for organising a large part of the care and support for their residents. The many tasks require funding, and it is also important to put the municipalities' finances in order structurally. They receive about 60% of their income from the state, and a large part of this comes from the municipal fund of the government. While municipalities have on average been in good financial health in recent years, the outlook is less certain due to rising budget deficits and impending cuts from central government. From 2026, there may be significantly less money available from the municipal fund due to a change in the central government's system for determining the size of the municipal fund. There are also large differences between municipalities in terms of their financial position.

Climate impact of municipalities

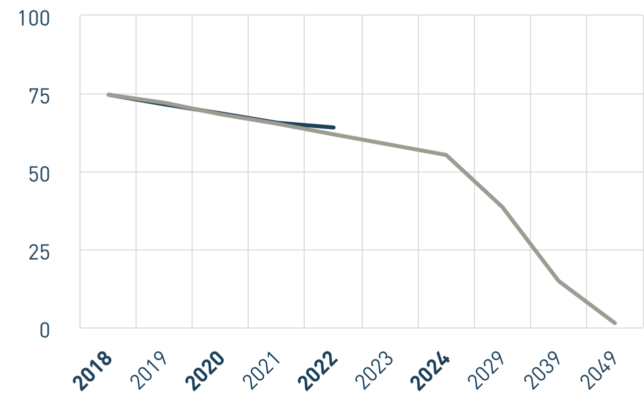
We have a complete picture of the climate impact of our lending to municipalities. At the end of 2022, this amounted to 413 kilotonnes of CO_2 equivalent (2021: 442 kilotonnes). This gives an emission intensity of 64.1 tonnes of CO_2 equivalent per €1 million (2021: 65.6 kilotonnes).

MUNICIPALITIES

	COVERAGE RATE (%)	LOAN PORTFOLIO (x € million)	EMISSION INTENSITY (in tonnes CO_2e/€ million)
2022	**100%**	**6,445**	**64.1**
2021	100%	6,740	65.6
2018	100%	6,583	74.6

ACHIEVED RELATIVE EMISSIONS OF MUNICIPALITIES

in tonnes of CO_2e emissions per €1 million



- Relative emissions realised
- Relative targets

Thus, both the absolute climate impact in tonnes of CO_2e and the relative impact in tonnes of CO_2e per €1 million financed decreased in 2022 compared to the previous year at the municipalities as well. However, the rate of decline is slower than in previous years and we have to conclude that the reduction of CO_2e emissions by municipalities is even slightly behind the climate impact reduction pathway that we have set out. We will discuss this with the individual municipalities that are our clients and preferably also with the Association of Netherlands Municipalities (VNG)

Dilemma: Rebound clause for municipalities

Some of the loan agreements of some (mostly smaller) municipalities with their principal bank, contain a rebound clause. A rebound implies that the principal bank is always given an opportunity to issue a second, better quotation when competing for a loan. We believe this clause is detrimental to a fair and transparent tender process. That is why we refrain from submitting a quotation on a tender in processes of this type. The rebound results in three dilemmas. First and foremost, we seek to provide financing to our clients at all times but cannot do so if we do not submit a quotation. In addition, clients should request a minimum of two quotations, in line with their own statutes and, in some cases, according to legislation. When other financiers refrain from offering quotations because they know a rebound is involved, those clients will often turn to us anyway. Finally, clients are not always aware of the negative effects of the rebound, a situation that is perpetuated if clients always receive a quotation.

Healthcare

As a key player in the financing of the Dutch public sector, we also count healthcare institutions among our clients. In 2023, we provided €281 million in loans to healthcare institutions secured by the Healthcare Sector Guarantee Fund (Waarborgfonds voor de Zorgsector – WfZ) (2022: €200 million). The WfZ guarantee is similar to the the Social Housing Guarantee Fund and contributes to affordable and accessible healthcare in the Netherlands. In addition, the bank also finances academic hospitals (UMCs) without WfZ guarantee. We provided a total of €281 million in financing to healthcare institutions in 2023 (2022: € 314 million).

Our total outstanding loan portfolio in healthcare, including UMCs, stood at €1,925 million at the end of 2023, where at the end of 2022 this figure was €1,871 million. The total volume of outstanding financing with UMCs, including loans with a future deposit date, was €320 million at the end of 2023 (2022: €336 million).

Trends and developments

Demand for healthcare is growing, mainly due to an ageing population and increasing life expectancy. As a result, healthcare costs are expected to continue to rise. At the same time, the sector is facing a shortage of human resources, and it is difficult to attract and retain sufficiently qualified healthcare professionals. Financial uncertainty caused by macroeconomic developments is having a negative impact on the investment climate. Energy prices continue to rise, as do prices for all kinds of products and services needed by healthcare organisations.

HEALTHCARE

	COVERAGE RATE (%)	LOAN PORTFOLIO (x € million)	EMISSION INTENSITY (in tonnes CO_2e/€ million)
2022	**94.6%**	**1,871**	**36.9**
2021	93.0%	1,811	42.4
2018	89.4%	2,119	49.1

Health insurers, as well as citizens paying premiums, are struggling to keep up with cost increases. Healthcare organisations, together with their care networks, will have to make the transition to appropriate care, with innovation leading the way. The goal is to keep care affordable and accessible.

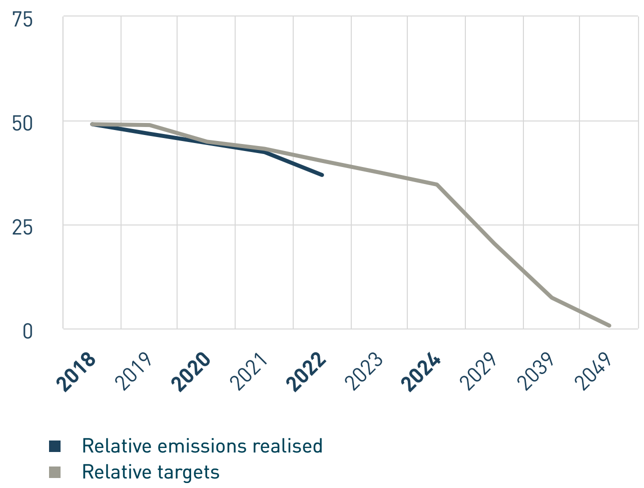
The healthcare sector in the Netherlands is responsible for 7% of the country's footprint and 4% of its waste. By providing care, the sector is thus contributing to the climate crisis, the environmental crisis and the growing demand for care. In 2022, healthcare providers worked with the government to launch the third Green Deal Sustainable Care. This includes agreements to make the sector more sustainable, including by reducing CO_2 emissions. The Green Deal Sustainable Care is an elaboration of the ambitions of the climate agreement and the United Nations Sustainable Development Goals on healthcare. In 2024, we plan to also sign this Green Deal as a bank.

Climate impact of healthcare

We have in view the climate impact for almost 95% of our healthcare lending. Relatively speaking, hospitals cause a great deal of pollution. Some of this is due to the treatments they provide, such as the use of radiation and chemicals. But we see that there is also a lot to be gained, and as a bank we are particularly focused on making university medical centres more sustainable. At the end of 2022, the absolute emissions by healthcare institutions was 71 kilotonnes of CO_2 equivalent (2021: 93 kilotonnes). This gives an emission intensity of 36.9 tonnes of CO_2 equivalent per €1 million (2021: 42,4 kilotonnes). Based on these achieved emissions from healthcare institutions per €1 million financed, they are operating in line with our climate impact reduction pathway. For healthcare, as for housing, we have set reduction targets based on the Science-based Target Setting Tool. The targets are consistent with the 1.5 degree scenario.

ACHIEVED RELATIVE EMISSIONS HEALTHCARE

in tonnes CO_2e emission per €1 million



Government-backed loans

Foundations, associations and other legal entities that avail of a financial guarantee from a municipality or other (local) government can also apply to NWB Bank for financing. In addition to large players, we regularly deal with clients with relatively limited financing requirements, such as amateur sports clubs or schools that want to make their facilities more sustainable and/or renovate them. In 2023, we provided government-backed financing totalling €101 million (2022: €163 million).

Dilemma: Client groups with limited funding needs

The public domain also includes client groups with limited financing needs, such as amateur sports clubs (with a financial guarantee from their municipality) and vocational schools. Our compact organisation makes it difficult to provide these clients with efficient service. The amount of time involved in analysing the sector and the individual clients is often disproportionate to the size of the loan. If we allocated all the costs incurred for a sound analysis to the credit spread, it would lead to higher costs. Due to our social role, we continue to serve these small clients with attractive financing terms.

NHG RMBS

As a promotional bank, we also contribute indirectly to financing private residential mortgages and ensuring they remain affordable. We do this by investing in 'pass-through NHG RMBS bonds'. These are residential mortgage-backed securities based on mortgages with a National Mortgage Guarantee provided by a Dutch bank.

In 2023, we invested a total of €409 million in NHG RMBS bonds (2022: €950 million). The mortgages involved in these investments have longer maturities, in line with market needs. There is a favourable rate for the portion of the mortgage used to make a home more sustainable. At year-end, our portfolio amounted to €2,638 million (2022: €2,230 million). In the coming years, we aim to continue contributing in this way to the affordability and sustainability of owner-occupied homes, especially for first-time buyers and those with lower incomes.

In 2023, we looked at the climate impact of NHG RMBS bonds for the first time. Based on the data we received from the mortgage bank, the PON & Telos research institute was able to estimate the fossil electricity and gas consumption of the homes, which means that we now have in view almost 90% of the climate impact or our investments in pass-through NHG RMBS bonds.

The climate impact of our investments in NHG RMBS bonds was 23 kilotonnes of CO_2 equivalent and the emissions intensity was 11.4 tonnes of CO_2 equivalent per €1 million.

CASE: KEY PLAYER IN PUBLIC SECTOR FINANCING

Transaction

Loans totalling €491 million

Key figures De Woonplaats

- 260 employees
- 19,000 rental units and 30,000 residents
- 50% energy B or higher
- 600 new homes in 2024
- €150 million turnover
- €3 billion total balance

Erwin Hofhuis

Finance manager

De Woonplaats

Wikash Gokoel

account manager Public Finance

NWB Bank

From contraction to expansion

FLEXIBILITY AND INNOVATION IN HOUSING CONSTRUCTION

Build, build, build - that is the motto of our time. It goes hand in hand with major challenges in terms of space, nitrogen problems and sustainability. De Woonplaats, a housing association that operates mainly in the municipalities of Enschede, Aalten, Oost Gelre and Winterswijk, is everything in its power to help those seeking homes as effectively and efficiently as possible.

Housing association De Woonplaats and NWB Bank have a relationship that goes back decades. And with good reason. "We can always count on NWB Bank, with its favourable interest rates," says Michiel Bulters, Financial Steering team leader. Erwin Hofhuis, finance manager, adds: "It's a stable factor. A reliable stronghold of the (semi-) public sector, where maximising profits is not the raison d'être. "As a sector bank, we limit ourselves to borrowing and lending, nothing more," explains account manager Public Finance Wikash Gokoel. "Thanks to our AAA rating, we are able to issue bonds at very competitive rates, which benefits our clients."

Good insulation

Although NWB Bank was founded by water authorities, housing associations are its largest client group in terms of outstanding loan volume. As the client base has grown, so has the knowledge base. Erwin: "They're willing to think about sector-specific problems. Everyone plays their part in providing expert solutions to challenges such as the energy transition and sustainability. Of course, De Woonplaats also has houses that need to be made more sustainable. "We've been working on this for decades, so we're making good progress. We always start with the shell: the exterior. There's much to be gained from good insulation."

Innovative approach

In its quest for climate-neutral houses, De Woonplaats is not afraid to experiment. "We value innovation," says Erwin. "For example, we did a pilot project with hydrogen heating. It turned out that the cost of producing the hydrogen was too high, and the system was not yet profitable. A few years ago we started building circular houses combined with climate-adapted gardens. We're doing an experiment with a manageable number of houses, and we'll only go ahead with it if the experiment succeeds. You shouldn't introduce new technologies on a large scale too early, when they're still expensive and can quickly become obsolete. There's no such risk with our jeans campaign, Michiel explains. "We have a collection area for jeans in the office. They're used to make floor insulation for our apartments. This kind of a collection point creates awareness among employees."

Balancing the cash flow

Of course, residents have to agree to make their homes more sustainable, but the benefits are usually compelling enough. "If you only tackle the shell, it doesn't mean much to the residents," says Erwin. "That's why we combine it with a new bathroom, kitchen and toilet wherever possible." Some of these costs have to be recovered, even though De Woonplaats has no profit motive. "We could increase the rent, but that would be disproportionate to the investment. No, you're not in it to make a profit - actually, we're making a loss on it." De Woonplaats rents out around 19,000 units, with a mix of new and old. This still balances the cash flow.

Rapid construction

Enschede may be a city with well-known housing problems, but the East Netherlands region was actually heading for a population decline. But the tide has turned. "The situation has changed very quickly, so the waiting time for a house is also increasing here," says Michiel. It is still less than a year, which is nothing compared to the Randstad, but it is reason enough to double the investment volume in the coming years. Erwin: "This will require extra effort in view of the difficult labour market, capacity problems with suppliers and lengthy procedures. In Enschede, we sat down with the municipality to speed up construction. The result was four sites for a total of 200 partly modular houses. Thanks to the commitment and courage of everyone involved, the time to completion was cut in half. Michiel: "These houses will be up in one and a half to two years. There are objectors and bat colonies in the eastern part of the country too, but there are fallback options. "If a new construction project is delayed, we turn to other projects where we can actually speed things up," he says.

Digitalisation drive

It is a flexibility inherent in the organisation, says Erwin. "The world is changing rapidly, and the question is how we, as De Woonplaats, can evolve to continue to fulfil our role in society. Take artificial intelligence and robotics: they can take away dull and repetitive work, but then you have to allay fears of job losses. We're doing this by introducing our employees to these innovations and getting them excited about them. There has also been a digitalisation drive to provide a better service to house hunters. Michiel: "Together with 13 other housing associations in the region, we now have a website with our joint housing offer."

FINANCING PARTNER FOR ENHANCING SUSTAINABILITY IN THE NETHERLANDS

The coming decades will require major investments to enhance sustainability in the Netherlands. And we see NWB Bank playing an important role in this process. Not only with loans to our long-standing clients – such as water authorities and housing associations – but also by providing favourable financing for sustainable energy projects, such as wind farms and district heating networks. This is how we can make an important contribution to an affordable energy transition in the Netherlands and take concrete steps to help shape our commitment to the Climate Agreement. We have put the financing of renewable energy projects even higher on our own agenda by setting an audacious goal: to have a loan portfolio that is energy positive by 2035, on our way to climate neutral by 2050.

Financing renewable energy projects

We started financing renewable energy projects several years ago. Projects and organisations that are eligible for a subsidy – 'Stimulating Sustainable Energy Production and Climate Transition (SDE++)' – can come to us for financing. The SDE++ is the successor to the SDE+. Where the latter focused on the production of renewable energy, the SDE+ + has focused on CO_2 reduction since its introduction in 2020. In the time since, technologies such as aquathermal energy have become eligible under the subsidy scheme. We can also provide financing if a project has public shareholders or if local authorities provide a guarantee for the loan. Government involvement is an important condition for us as a public sector bank.

Further diversification of loan portfolio

In 2023, we were able to significantly expand and further diversify our loan portfolio with sustainability projects. For example, we reached an agreement with Triodos Groenfonds to acquire part of their sustainability loan portfolio. This included loans to 14 solar and wind farms for a total of €121 million. Another notable transaction was a €27 million loan for the acquisition of the Nij Hiddum-Houw wind farm by Wetterskip Fryslân and the municipality of Súdwest-Fryslân. The €20 million financing of Sunspace is also worth mentioning. This solar park in Marknesse will be built by HVC and is a nice addition to our renewable energy portfolio. Read more in **the interview.**

In 2023, we provided €227 million in financing for renewable energy projects (2022: €47 million). Our total outstanding loan portfolio to renewable energy projects was €1,038 million at the end of 2023 (2022: €909 million).

Audacious goal: energy-positive by 2035

Financing the transition from fossil to renewable energy is a key focus of our bank. In line with our climate action plan, which aims for our loan portfolio to be climate neutral by 2050, in 2022 we set an additional audacious target: our loan portfolio will be energy positive by 2035. By setting this target, we are focusing on a key component of our financing impact: optimising the energy balance of the organisations and projects we finance. On the one hand, we will encourage our clients to save energy, and on the other hand, we will stimulate renewable energy production through appropriate financing. The definition of energy positive is that the production of renewable (climate-neutral) energy by the clients and projects we finance exceeds the consumption of fossil energy by our clients and projects from 2035 onwards. We are focusing on both the heat and electricity transitions. Since the introduction of this audacious goal, it has immediately brought greater focus to our approach to funding and engagement.

Progress against audacious goal

Compared to last year, we have made good progress towards our audacious goal. Our clients and projects produced 2,750 terajoules (TJ) of renewable energy in 2022. Their fossil energy consumption was 7,692 TJ. In 2021, the amount of renewable energy generated by our clients and projects was still 963 TJ, compared to 7,969 TJ of fossil energy consumed. In 2022, one of the district heating networks we financed became operational and five new wind farms were commissioned. In addition, drinking water companies started to produce and distribute more green gas, biogas and electricity themselves. Despite this encouraging increase, we still have a tough challenge ahead of us to make our loan portfolio energy positive by 2035. In particular, we can play a bigger role as a financier in the heat transition and will pay particular attention to this in 2024.

The data we use to monitor this audacious goal, like our climate impact data, is for the 2022 financial year, not 2023 like the rest of our reporting in this Annual Report. And, as with our climate footprint, the energy production and consumption of clients and projects we finance is allocated based on the ratio of outstanding financing to the client's or project's total liabilities. The consumption data comes from the Het Pon & Telos research institute, which includes it in its annual Climate Impact Survey; the production figures for the water authorities come from the engineering company Arcadis, which collects this data in the context of the water authorities' annual Climate Monitor. For renewable energy projects and district heating networks, we collect client-specific data ourselves. This includes looking at reports from technical consultants. So we use some client-specific data and some industry averages. This results in an average data quality score of 3 out of 5 for the audacious target, in line with the PCAF methodology.

Data quality improved

Over the past year, we have improved data quality in a number of ways. For example, an adjustment to the PCAF methodology means that more municipal real estate falls within the scope of the climate impact calculation. This allows us, for example, to include rented properties such as sports halls and theatres in the progress we are making on our audacious target. As a result, we see a significant increase in fossil fuel consumption by municipalities compared to last year. In addition, this time we are assuming that where the origin of electricity consumption is unknown, it is fossil. Last year, we assumed an average market split of 66.8% fossil and the rest renewable. Due to our adjusted approach, in line with the PCAF methodology, our clients' estimate of fossil energy consumption this year is higher than last year and may overestimate actual fossil energy consumption.

CASE: FINANCING PARTNER FOR ENHANCING SUSTAINABILITY

Transaction

Loans totalling €21 million

Key figures HVC

- 864 kiloton CO_2 reduction
- 555,679 households provided with renewable energy
- 6 wind turbines generating 20.7 GWh
- 71 solar energy locations generating 72.1 GWh
- Over 600 megawatt in the development portfolio

Sybrand de Boer
Business developer
Solar & Wind

Peter Borghstijn
Project Finance Manager
NWB Bank

Solar energy for Flevoland

CREATIVELY BUILDING AN ENERGY-NEUTRAL NOORDOOSTPOLDER

In Marknesse in the Noordoostpolder, HVC is making all the preparations for the Sunspace solar park. 74,000 solar panels will generate around 43 million kilowatt hours of solar energy there per year. "The construction of the park is progressing well, also thanks to the pleasant cooperation with NWB Bank for the financing."

Speaking to us enthusiastically about the solar park project is Sybrand de Boer of the sustainable energy and waste management company HVC. "HVC has 52 municipalities and eight water authorities as shareholders. Based on our expertise in renewable energy, we want to make an active contribution to accelerating the energy transition in our shareholders' areas. Together with Stichting Energieneutraal Noordelijk Flevoland, we are working on this solar park to help residents and businesses in the municipality of Noordoostpolder to become energy neutral."

18,000 tonnes of CO_2 reduction

The development of the solar park is a comprehensive project, with NWB Bank celebrating a milestone in autumn 2023: the installation of the first solar panel. This is the first step towards a large park that will open in the spring of 2024. The 74,000 solar panels will then generate enough electricity each year to supply 17,000 households with renewable energy. It is a great prospect, because it also means an annual reduction of over 18,000 tonnes of CO_2 emissions.

Creative solution

HVC has extensive experience with solar and wind projects. Sunspace has been preceded by about 80 projects. The company also focuses on more difficult projects, such as building wind farms on dikes. The Sunspace solar farm was also a challenge. "We ran into grid congestion," explains Sybrand. "As the grid in the region is already very full, we had to be creative. The solar farm will use the existing grid connection on the site of the Netherlands Aerospace Centre. From a legal point of view, it took quite some doing, but it also has a major advantage: the grid operator doesn't have to lay new cables in the ground. This saves a lot of time and money."

Dynamic financing process

To finance the solar farm, HVC took out a loan from NWB Bank. This was a dynamic process, says Sybrand. "We have a lot in common in terms of ambitions and working methods. Not least because HVC and NWB Bank have some of the same shareholders. Of course, financial conditions are important to us, but we also want to work with an organisation that shares our commitment to a sustainable society. We have also been customers of NWB Bank for a long time. Both NWB Bank and HVC have a pragmatic approach. So we're a good match in that respect too."

Good case study

"We've enjoyed working together for many years, and for us, too, the project fits seamlessly into our sustainability strategy," says Peter Borghstijn of NWB Bank. "We're committed to a loan portfolio that will have net zero CO_2 emissions by 2050, and we're also aiming for an energy positive portfolio by 2035. The solar farm is an excellent contribution to this goal. It's also unique in that, for the first time, we're the only external lender providing non-guaranteed project finance. For us, it's a good case study for future project financing in the energy transition."

Testing phase

The wet autumn has not made things easy, but the construction of the solar park is progressing well. Installation of the panels is in full swing, and work is also underway on the grid connection and a new transformer. After all the connections undergo thorough testing, the park is expected to be fully operational around May 2024. "Even during this operational phase, NWB Bank will remain closely involved," says Peter.

Community involvement

HVC is happy with NWB Bank's involvement and is also investing in cooperation in other areas. For example, they are involving local residents to ensure that they get the maximum benefit from the farm. "The solar park is making an annual contribution to the sustainability fund of the Noordoostpolder municipality," Sybrand says. "Residents can also invest in the solar farm through fixed-interest bonds. And if the solar farm makes a profit, part of it will go to the Energieneutraal Noordelijk Flevoland Foundation."

Geothermal energy

Sybrand is hoping for a sunny spring for Sunspace and is enthusiastic about the future. "We're also working on many other sustainability projects; solar and wind projects, but also geothermal and electricity storage." These are developments that NWB Bank is following with interest. "As a financing partner for enhancing sustainability in the Netherlands, we're happy to help make these projects possible," concludes Peter.

SUSTAINABLE, EFFICIENT AND SOCIALLY ENGAGED ORGANISATION

We can only fulfil our role in financing the Dutch public sector if we are well equipped to do so as an organisation. This is the foundation of our strategy. We are one of the most cost-efficient and best-capitalised banks on a risk-weighted basis supervised by the European Central Bank. Our employees are motivated and qualified to serve the public cause interest in their own, individual way. We also lead by example in terms of sustainability and social engagement.

One key strength of our organisation is its compact and flat structure. Although we grew substantially again last year – from 107 employees at the end of 2022 to 131 employees at the end of 2023 – we have maintained our compact organisational model and open culture as much as possible. The growth in staff numbers last year is a result of our ambitions in the area of sustainability, the further diversification of our lending activities and ongoing investment in becoming a more professional and effective organisation.

Secure, stable and efficient bank

NWB Bank was again in the top 10 of the world's safest banks, ranked sixth to be precise. This stability is reflected in our capital and liquidity ratios, and in our credit and ESG ratings. It is important to keep investing in knowledge, personnel and systems. At the same time, we try to keep our costs under control and maintain the lowest possible cost/income ratio.

Capital ratios

Our bank's Tier 1 equity capital, including hybrid capital, amounted to €2,235 million at the end of 2023 compared to €2,155 million at the end of 2022. The level of risk-weighted assets reached €4,659 million compared to €4,792 million at the end of 2022. This decrease is due to the fact that, after extensive analysis, we have concluded that drinking water companies and regional grid operators qualify as public sector entities under banking regulations and are therefore eligible for a lower risk weighting. This is also reflected in our capital ratios. The Tier 1 ratio was 48% at the end of 2023, compared with 45% at the end of 2022, and the core Tier 1 capital ratio (CET1 ratio) was 41.1% at the end of last year, compared with 38.3% at the end of 2022.

Capital requirement

The capital ratios are well above the minimum requirements. Based on its annual Supervisory Review and Evaluation Process (SREP), the ECB has set the bank-specific Pillar 2 capital requirement at 2.25%. The total SREP capital requirement for our bank is now 10.25%, an aggregate of the total Pillar 1 capital requirement of 8.00%, and the Pillar 2 capital requirement of 2.25%. The required capital conservation buffer of 2.50% together with the countercyclical capital buffer of 1.02%, brings the total capital requirement for NWB Bank to 13.77%.

Leverage ratio

The leverage ratio, unlike the Tier 1 and CET1 ratios, is a risk-unweighted ratio, and it is derived from the capital requirements under Basel III. This means that its calculation does not take into account the risk profile (expressed as a risk weighting) of a bank's assets.
The leverage ratio is defined in the European Capital Regulation CRR II, which entered into force on 27 June 2019. It has been enforced since 28 June 2021. Under CRR II, we, like other promotional banks, are permitted to exclude our public sector lending from the calculation of the leverage ratio. As of 31 December, our leverage ratio was 20.6%. This is higher than the 18.9% ratio published at the end of 2022, and thus well above the 3% minimum requirement in force since 28 June 2021. Even if we did not

adjust the leverage ratio for our promotional assets, we met the 3% minimum requirement at the end of 2023.

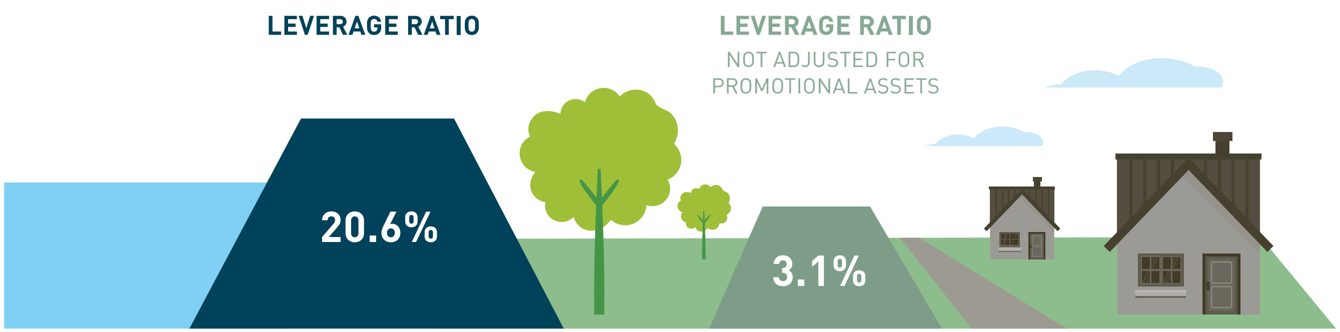
Liquidity ratios

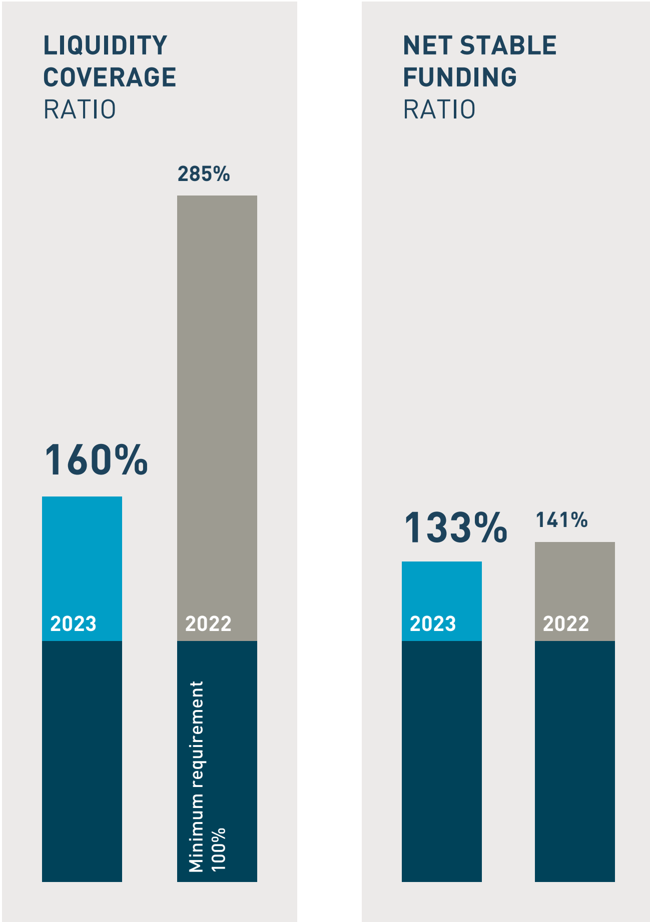
The purpose of the Liquidity Coverage Ratio (LCR) is to ensure that institutions hold sufficient liquid assets to withstand any net liquidity outflow under severe stress conditions over a 30-day period. Our bank's LCR at the end of 2023 stood at 160% (2022: 285%), which is well above the minimum requirement of 100%.

When the CRR II/CRD V entered into force on 27 June 2019, so did the Net Stable Funding Ratio (NSFR). For NWB Bank, this NSFR amounted to 133% at the end of 2023 (2022: 141%). This is also well above the minimum requirement of 100% that has been in place since 28 June 2021. The NSFR is also a liquidity ratio and focuses on the availability of liquid assets in the longer term. The internal liquidity requirements are determined in part through the Internal Liquidity Adequacy Assessment Process (ILAAP), and these were again comfortably met by our bank last year.

Credit ratings

Retaining our bank's high-quality risk profile, as reflected in our credit ratings, is a priority of our long-term strategy. To be able to optimally serve our clients, it is important for our credit ratings to be and remain in line with those of the State of the Netherlands. For years, we have enjoyed the highest possible credit ratings from Standard & Poor's and Moody's: AAA/Aaa.





ESG ratings

We also aspire to a high-quality risk profile in terms of sustainability. Our sustainability policy and its application are assessed by several ESG rating agencies. In general, we have strong sustainability ratings and want to increase them where possible. NWB Bank has ESG ratings from Sustainalytics from, Amsterdam, ISS ESG from Munich (Germany), MSCI ESG Research (US) and Moody's (Vigeo - Eiris) from London (UK). The agencies issue ratings or scores based on their own ESG assessment framework. Further information about their assessment frameworks can be found on their websites. Although no harmonised assessment has yet been made by the rating agencies mentioned above, at most of these rating agencies, NWB Bank's ESG rating is at the top of the peer group.

Costs and organisational development

Operating costs in 2023 were €54 million compared to €44 million in 2022. This increase is largely due to higher personnel costs related to the necessary growth of the organisation. This includes increased capacity to strengthen operational processes, credit analysis, embedding ESG in primary processes and IT management. In addition, we continue to invest in further digitalisation and process improvements, and costs for maintenance contracts and licences increased. We also increased our use of external consultants for various projects.

Staff

Personnel costs are a significant portion of the total costs. These increased from €16.5 million in 2022 to €23 million in 2023. Absolute personnel costs increased due to the fact that our organisation continued to grow in 2023. At the end of 2022, our workforce consisted of 107 employees; at the end of 2023 there were 131. The organisation is expected to continue to grow, at least this year, as evidenced by the strategic workforce planning exercise we undertook last year.

Attracting and retaining skilled and motivated people is and will remain a key focus. We invest heavily in the development of our people, paying particular attention that they feel a sense of belonging, and ensuring that our vision quadrant resonates with everyone. Our vision quadrant clearly sets out why we exist, what we stand for and what we excel at. As the organisation has grown, we have also adapted our internal governance and launched a management development programme for the departmental managers. We recognise that as the organisation continues to grow, even more attention will need to be paid to the onboarding of new employees, appropriate knowledge transfer and accommodation.

Diversity and inclusion

When recruiting new employees, we are open to everyone regardless of gender, age, religious beliefs, cultural background, disability or sexual orientation. We strive for a good mix of talent, development potential and expertise among our employees, and hire professionals who increase this diversity. Diversity and inclusion are enshrined in various laws and regulations, including the Non-Financial Reporting Directive (NFRD). Although we do not officially fall within the scope of this European directive, we do want to comply with it, partly at the request of the Ministry of Finance, one of our shareholders. Furthermore, we are one of the banks participating in the Collective Labour Agreement (CLA) for the Dutch banking industry – the first CLA to include the Charter Diversity of SER Diversity at Work. We signed the

Dilemma: Diversity and inclusion versus privacy

We highly value diversity and inclusion in our workforce. Our aim is for individual employees to complement each other in terms of their knowledge and experience, and collectively ensure a balanced representation of society. At the same time, guaranteeing the privacy of our employees is crucially important. Our small workforce is the reason we are reticent about reporting on diversity and inclusion in detail. Detailed reporting could be traced back to individuals, which would violate their privacy. Nonetheless, we devote a great deal of attention to diversity and inclusion, and awareness of these issues, but refrain from reporting on them in detail for the reasons mentioned above.

charter in the autumn to communicate externally our commitment and the importance of a diverse and inclusive workplace.

Lighthouse change programme

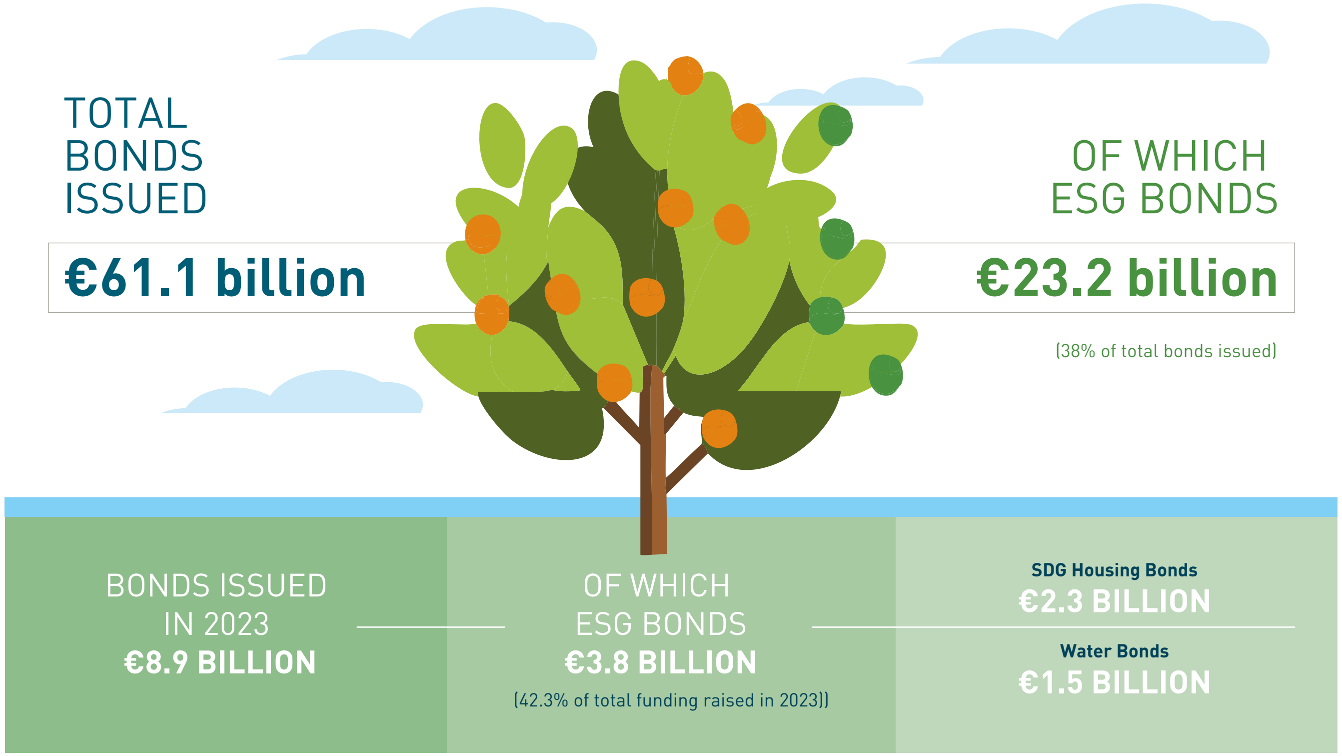
To ensure our organisation is future-proof, we need more than motivated and capable people. In June 2021, we launched the bank-wide Lighthouse change programme, which we successfully completed in March 2023. The programme consisted of three workstreams: 'Stable banking', in which the sustainable strengthening of the lending chain's foundation was key; 'Bank of the future', which focused on the continued digitalisation of our processes and services, as well as the further embedding of ESG in our primary processes; and 'Winning work environment; great place to work', which revolved around the collective effort, culture, internal communication and risk awareness within our organisation. We have used the multiyear, goal-oriented Lighthouse programme to create an overview, make connections between all activities and projects at our bank, and further integrate ESG aspects into our processes and activities, and increase the involvement of all employees. Upon completion of the Lighthouse programme, the coordination of change management within the organisation was transferred to the new Change & Information Management department.

Laws, regulations and supervision

Laws and regulations are increasing both in volume and complexity. Examples include capital requirements and directives, the EU Green taxonomy, the Digital Operational Resilience Act (DORA) and the various guidelines issued by the European Banking Authority (EBA), including those related to subcontracting. The intensity of supervision is also increasing. Supervision costs increased last year from €4.7 million in 2022 to €6.3 million in 2023.

Tax burden

The tax burden for 2023 amounted to €48 million, bringing the effective tax rate to 27.7%. Because we were able to report a leverage ratio of 18.9% in 2022, we did not have to remit anything last year in connection with the minimum capital rule for banks and insurers. This minimum capital

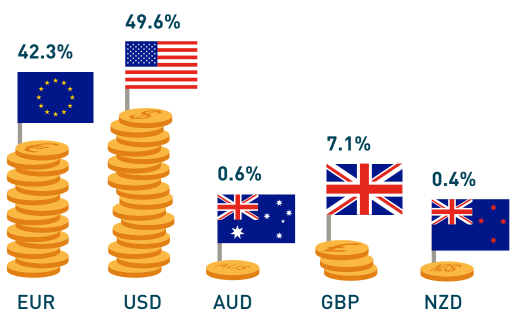


rule, which is also referred to as the 'thin cap rule', came into effect in 2019 and limits the deduction of interest for corporate income tax purposes to the extent that a bank's leverage ratio is lower than 9%. The bank tax in 2023 amounted to €13 million.

ESG bonds

The vast majority of our funding from the international money and capital markets is raised through the issuance of bonds and commercial paper. As a sustainable bank for the public sector, ESG bonds have become an indispensable part of our business operations. In addition to traditional investment considerations, such as investment safety and risk-adjusted returns, investors purchase these bonds because they want to support climate-friendly and social projects within their investment mandates. By issuing ESG bonds, we continue to attract new investors and increase the market reach for these bonds. The issuance of these bonds underscores our role as a robust and sustainable financial partner for the Dutch public sector.

FUNDING RAISED BY CURRENCY



Dilemma: Holders of ESG bonds

We offer our investors the opportunity to invest in ESG bonds. In addition to our traditional investment considerations, such as investment safety and the risk return trade-off, many of our bonds are purchased by investors who want to support sustainable projects. As our bank issues bearer bonds, the precise identity of the holders of those bonds is often unknown. Although order books are scrutinised and the sustainable character of the initial investors screened at the time of issuance, the bonds are tradable without recourse to our bank. As a result, it is possible that the bank's ESG bonds end up in the hands of entities that do not apply sustainable business practices themselves.

Capital market financing

In 2023, we raised €3.8 billion in funding with ESG bonds, out of a total of €8.9 billion. We issued €2.3 billion in SDG Housing Bonds to finance social housing in the Netherlands and €1.5 billion in Water Bonds to finance water authorities. At the end of 2023, we had over €23.2 billion in ESG bonds outstanding. That represented 38% of our total outstanding long-term funding at that time. We are and remain a leading international issuer of ESG bonds within the Sovereigns, Supranationals and Agencies (SSA) group and in the Netherlands, we are also still one of the largest issuers of ESG bonds.

We can fund ourselves as a bank on very favourable terms because of our safe risk profile, corroborated by de AAA/Aaa-ratings AAA/Aaa ratings that are equal to those of the State of the Netherlands. We use the long-term funding we raise through bond issuances to both finance new lending and refinance maturing loans. The average maturity of the funding raised last year was 5.3 years (2022: 6.8 years).

Money market financing

To raise short-term funds, we primarily use commercial paper (CP). We have two programmes for this: a US Commercial Paper (USCP) programme and a Euro Commercial Paper (ECP) programme. Last year, we raised almost 57% of our CP under our USCP programme, which amounts to €80.7 billion in USCP (2022: €181.2 billion), versus €61.5 billion in ECP (2022: €76 billion). These figures offer a cumulative view; expiring CP was refinanced during the year. The outstanding CP amount at the end of 2023 was €5.5 billion (2022: €5.1 billion). The average maturity of the USCP was 0.8 months (2022: 0.5) and that of the ECP was 2.58 months (2022: 1.13).

We use the short-term funds raised through our CP programmes to make cash loans to clients to increase our liquidity buffer and as collateral for the derivative transactions we enter into as a bank to hedge our interest rate and currency risks. In addition to the CP market, which consists of marketable debt with maturities of up to one year, we are also active in short-term US dollar bonds with maturities of up to two years. These bonds, issued under our Medium-Term Note programme, partly replace the issuance of CP. They allow us to lock in favourable interest rates for a longer period.

INTERVIEW: SUSTAINABLE, EFFICIENT AND SOCIALLY ENGAGED

Ismail Aouden

Chair of NWB Bank's Works Council

The bank is experiencing significant change

2023 was a year of change at the bank, and some of it has involved the Works Council. Ismail Aouden, chair of the Works Council, gives us an update.

Key figures

- 28 years years old
- Joined NWB Bank 3.5 years ago
- Works ~ 4 hours a week for the Works Council

How long have you been working for NWB Bank?
“I am 28 years old and have been with the bank for three and a half years. It’s a compact but important bank with an open culture: everyone knows each other and all doors are open, including those of the Managing Board. Two years ago, I became a member of the Works Council and its chair as well."

What did the Works Council's work consist of in 2023?
"We’ve been very busy as a Works Council. Many policy documents on which the Works Council has to give an opinion were improved or revised last year. This is partly due to the Lighthouse programme, the change process that the bank started in 2021 and completed in 2023. As a result, we received many requests for advice and approval in 2023."

"The Works Council has also undergone a transformation as well, and our we further developed our partnership with Managing Board in the past year. This also chimes with the further professionalisation of the bank. At the start of 2023, we made it clear that we wanted to act more as a sparring partner to the Managing Board on relevant issues. This meant more consultation: not only with the Managing Board, but also within the Works Council, with the HR department and sometimes with a delegation from the Supervisory Board."

How much time do you spend on your activities for the Works Council?

"I would estimate that I spend four hours a week as chair. That's not much more than the other Works Council members, and we all do it on top of our regular departmental work. It can be busy at times, but it's a great feeling once we've completed a project. And the extra pressure to keep the focus on it is nice too. There are six of us, and we are a good representation of the bank, with members from almost every department. That means we know what's going on in the departments, and it also gives us the different disciplines and knowledge to do the Works Council's job as effectively as possible. We work well together. Sometimes we have differences of opinion and discussions with good arguments, but we always come to an agreement. There's a lot of knowledge about Works Council issues in HR now as well, which has helped us to become more professional."

How do you look back on 2023?

"We've seen the arrival of many new colleagues this past year to help us face all kinds of challenges. The bank is experiencing significant change to better meet the needs of our clients, but also as a result of new laws and regulations and the further professionalisation we are pursuing. This puts pressure on the organisation and, like other organisations in the Netherlands, NWB Bank's absenteeism increased after COVID-19. We've brought this to the attention of the Managing Board. On the positive side, there is now a prevention officer. This won't immediately solve all of the problems, but there is a special focus on prevention now, including vitality training. Another spearhead is accommodation, especially with all these new colleagues. In addition to the office in The Hague, there are temporary solutions with an additional location in Woerden and also additional meeting rooms 15 minutes' walk from the bank. Of course, there's the possibility of hybrid working, although some days the office is quite busy. We also drew the Managing Board's attention to this in 2023."

"One issue we also dealt with as a Works Council was the appointment of an external confidential advisor. This was fully approved by the works council. We are happy with it, also because we were involved in the process at an early stage. It's important to communicate well internally how to reach the confidential advisor, because often something like this isn't important until you suddenly realise how much you need it. We've also been involved in the new performance management system from the beginning, and it's good to see that something has been done with our input. This is very important in the battle for talent in a tight labour market."

RESPONSIBLE RETURNS AND SOCIETAL IMPACT

As a bank of and for the public sector, we do not seek to maximise profit, but an appropriate profit is necessary to guarantee the continuity of our bank. This does not change the fact that societal impact is at the heart of everything we do as a bank. We want to contribute to climate adaptation, climate mitigation and biodiversity, but our societal impact is broader and we explicitly look at the more social impact that we have through our lending.

Responsible returns

In 2023, we again made a healthy profit: €126 million compared to €143 million in 2022. As expected, profits were slightly lower than in the previous year because we repaid all the TLTRO (targeted longer-term refinancing operations) funds we had raised by the end of 2022. We did this because the ECB, which provided these loans to banks, had adjusted the attractive terms and conditions of the TLTRO. In recent years, our participation in the TLTRO has temporarily had a significant positive impact on our results.

Net interest income amounted to €262 million, compared with €301 million in 2022. In particular, this part of the profit or loss reflects the discontinuation of the TLTRO funding. Following the ECB's decision to adjust the interest conditions of the TLTRO in 2022, it was no longer attractive for us to hold these funds. We have therefore repaid all the TLTRO funds raised by the end of 2022. The ECB had provided the TLTROs, among other things, to support the economy at the time of the COVID-19 pandemic. Market interest rates, which were very volatile last year, had a very limited impact on our net interest income. This is because we use derivatives to manage interest rate risk on both the asset and liability sides of our balance sheet. As a result, the level of interest we charge our clients moves almost one-to-one with the interest we pay ourselves on the funding we raise.

The income is, of course, offset by expenses. The result on financial transactions was negative at €16 million last year, compared with a negative result of €30 million in 2022. The improvement is largely due to the development of the credit valuation adjustment (CVA) for a derivative counterparty. The situation with this counterparty has since improved, resulting in a positive (unrealised) changes in value. Market changes in value in our liquidity portfolio also had a positive impact on the result from financial transactions.

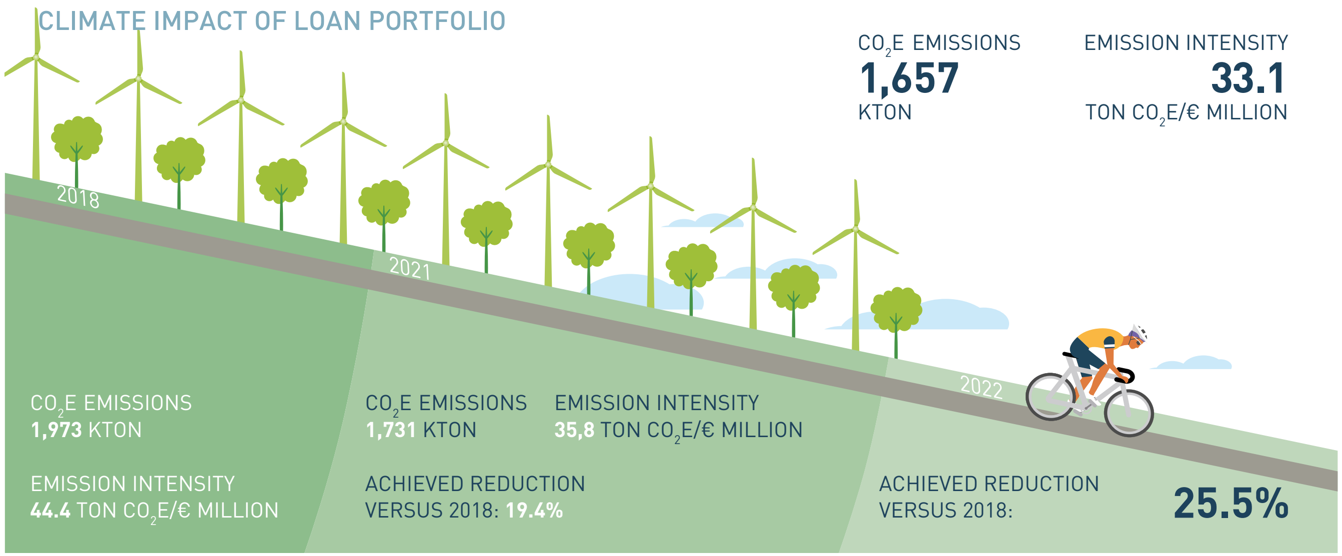
As mentioned in the previous paragraph, last year's operating expenses amounted to €54 million, of which the bank tax and the resolution levy amounted to €18 million. The result from ordinary activities was €174 million. After paying ordinary taxes of € 48 million, the net profit for the year was €126 million. This gives us a return on equity of 6.3% in 2023 (2022: 7.4%). We have agreed a benchmark return on equity with our shareholders. For 2023, as in previous years, this was 3.7%, so we more than met the benchmark return.

Determining the amount available for dividend payment is an annual discretionary power of the Managing Board with the required approval of the Supervisory Board. This decision-making process takes into account the continuity of the bank, as well as the interests of shareholders and other stakeholders. For the 2023 financial year, the Managing Board and Supervisory Board set the profit available for distribution of dividend at €60 million, the same as in 2022. The payout ratio amounts to 48% of the profit (2022: 42%).

Societal impact

We try to make our social impact as measurable as possible and then link targets to it. The most prominent example is the reduction of CO_2e emissions by our clients, as set out in our climate action plan. Since 2022, we have also been trying to make our impact on our chosen Sustainable Development Goals measurable and visible. We are doing this with the help of the Het Pon & Telos research institute.

By far the greatest impact we have is through our lending. By reducing our carbon footprint and financing renewable energy projects, we contribute to climate mitigation to limit the extent and/or speed of global warming. We finance climate adaptation largely through our core clients, including the water authorities and housing associations. The water authorities are the best vehicle for ensuring that the Netherlands remains protected in a changing climate. Maintaining and restoring biodiversity is a daily task for water authorities. Measures to improve water quality also have a positive effect on biodiversity. Healthy nature is a prerequisite for clean water and vice versa. Housing associations, in turn, ensure through the intelligent design of (indoor) gardens that they are not immediately flooded after heavy rainfall. Even if there are no direct funding opportunities, we are committed to these issues, for example, through our membership in working groups in the financial sector and by backing commitments.



Contributing to climate mitigation

Climate mitigation includes the measures taken to reduce the extent or rate of global warming, and is reflected in SDG 13: Climate action. To get an idea of the effect these measures are having, we have been mapping the climate impact of our financing since 2019. We now have in view the climate impact of 91.9% of our total loan portfolio. We use the PCAF methodology to calculate our climate footprint. PCAF (Partnership for Carbon Accounting Financials) provides a framework and harmonised methodology that increases transparency and awareness of CO_2e emissions, and facilitates reporting. Het PON & Telos, affiliated to Tilburg University, helps us to visualise our climate impact and apply the PCAF methodology.

To calculate the climate impact, we use the previous year's loan portfolio because of the availability of figures. This means that in this 2023 Annual Report, we are reporting the climate impact of the loan portfolio as it stood at the end of 2022. The baseline year 2019 refers to emissions from the portfolio in 2018. At the end of 2022, the portfolio represented emissions of 1,656,759 tonnes of CO_2 equivalent. This is 73,911 tonnes or 4.3% less than at the end of 2021. This is an encouraging development, as the loan portfolio increased during the reporting period. The emission intensity (tonnes of CO_2e/million €) decreased from 35.8 at the end of 2021 to 33.1 tonnes per €1 million at the end of 2022. Since 2018, our absolute climate impact has decreased by 16% and the relative impact even by 25.5%.

We are pleased to note that the reduced climate impact of our loan portfolio is in line with the reduction pathway set out in our climate action plan. This means that by 2030 we aim to achieve a reduction of at least 43% in CO_2e compared to the emissions of our loan portfolio in 2018, the first year for which we had in view the climate impact of our financing. The goal is to have a loan portfolio that causes net zero CO_2e emissions by 2050.

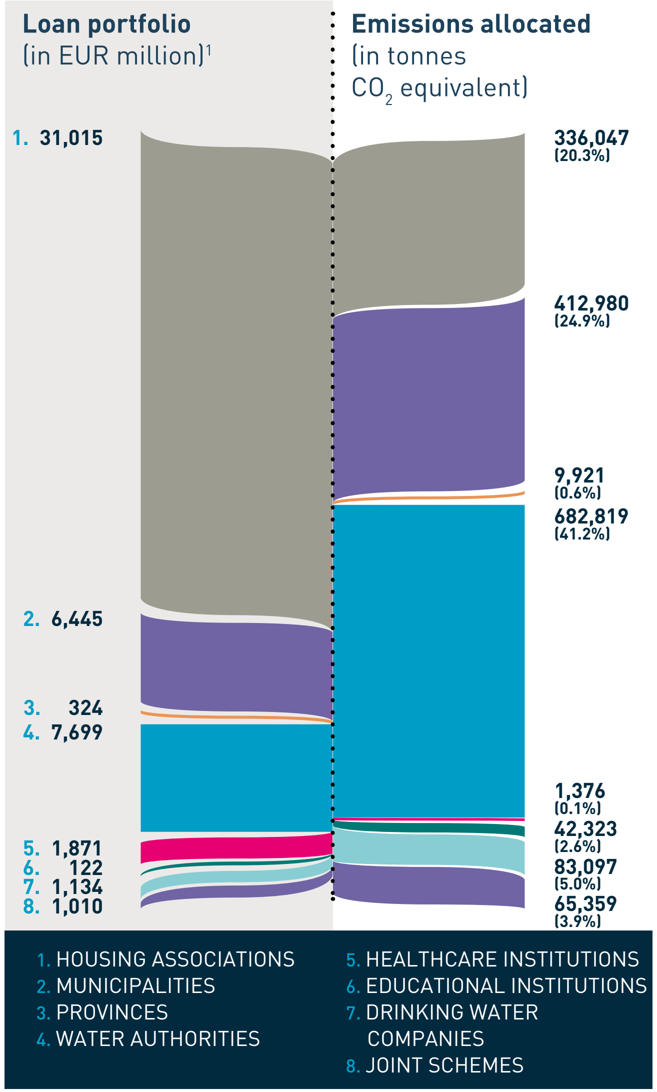
We designed our reduction targets based on the methodology of the Science Based Targets initiative (SBTi), an approach widely recognised in the financial sector for meeting the Paris targets. Currently, we are also having our targets verified by the SBTi, which we have officially joined. After approval from the SBTi, we can say with confidence that we are operating to a net-zero standard.

Our climate action plan sets out what we intend to do in the longer term . Partly as a result of this, we find that climate change is very much on the minds of our employees, and everyone wants to contribute where they can. This is a positive development, but more importantly, the climate action plan is adding an extra dimension to our discussions with our clients. Indeed, we have noticed that climate impact is also a priority for them.

For us, it is also interesting and valuable to exchange ideas with experts in the field of non-financial impacts, in addition to our existing good relationships with our clients' finance departments.

According to our climate action plan, we were going to start conducting a larger scale survey in 2023 to identify the extent to which clients have reduction targets that are in line with the SBTi and enable a climate neutral loan portfolio by 2050. We have made preparations for this, including a survey of a targeted group of clients to find out where they stand, but we have been forced to postpone the actual inventory until 2024.

LOAN PORTFOLIO VS. EMISSIONS GRANTED



[1]This refers to the loan portfolio for which the climate footprint is calculated.

Contributing to climate adaptation

We are doing our utmost to combat global warming. However, we and our clients still need to prepare for it.The process by which societies reduce their vulnerability to climate change, or take advantage of the opportunities a changing climate offers, is called climate adaptation.

There is growing attention for climate adaptation in the financial sector, and in 2022, a special working group was established as part of the Dutch Central Bank's Sustainable Finance Platform, of which we are a member. Within this working group, we are investigating, together with other banks, insurers, investors and governments, how the financial sector can help to build a climate-proof Netherlands. At the end of 2023, the working group submitted the report *Klimaatadaptatie in een stroomversnelling* (Climate adaptation on the fast track) to the Minister of Infrastructure and Water Management. In it, we call for clarity on how to build climate adaptively and where we should and should not build. We also believe it should be made clear where there is room for agriculture and other economic functions in the Netherlands.

Climate adaptation is a key component of **SDG 13: Climate action**. A good example of the interfaces between our bank, society and climate adaptation is the extent to which primary and regional flood defences meet the safety standard set in 2017 by 2050. Under this standard, a barrier is compliant if it achieves a per capita safety of 1 in 100,000 in terms of the probability of death from a flood event. In 2022, almost 93% of flood defences were tested, and 68% already met the new standard.

IMPACT LOANS ON SDG 13

SDG	KPI	Description	**Achievement 2022**	Achievement 2021
13 CLIMATE ACTION	Climate impact loans	Achieved CO_2e reduction compared with 2018 (/million €)	25.5%	16.4%
	Safety of flood defences	Tested	12,176 km	11,132 km
		In line with target	8,972 km	8,680 km

Dilemma: Breaking ties with clients

As part of our climate action plan, we are considering what will happen if our engagement approach proves ineffective or insufficient. For the time being, we are not choosing to say goodbye to clients who are lagging behind on sustainability. All our clients serve the public interest, and we believe we should also ensure that the burden for Dutch citizens is kept as low as possible. However, we are using positive incentives to encourage our clients to become more sustainable

Contributing to biodiversity

For our bank, sustainability goes beyond the climate. Preventing the loss of biodiversity and promoting its restoration are important spearheads of our policy. Nature is being lost at a rapid rate, and species are increasingly threatened with extinction, with all the negative consequences that entails. Biodiversity covers all species of plants, animals and micro-organisms, as well as the enormous genetic variation within them and the variety of ecosystems to which they belong. If we do not act quickly, up to a million species could disappear. Many sectors of our economy depend on the diversity of the world's plants, animals and insects. It is therefore vital for future generations that we invest fully in conserving and restoring biodiversity.

Biodiversity is reflected in **SDG 14: Life below water** and **SDG 15: Life on land**. We monitor our impact on biodiversity on the basis of such things as the natural quality of freshwater in the Netherlands and the surface area of public green spaces in municipalities. The quality of surface waters still leaves much to be desired. None of our surface waters currently meet the standards of the European Water Framework Directive (WFD), which requires surface waters to be clean and healthy by 2027. The WFD deals with all aspects of water: chemistry (pollutants in water), ecology (good conditions for diverse plant and animal life) and, for groundwater, quantity and suitability for drinking water. To achieve the WFD objective, a water body must be 'green' for each parameter, i.e. be classified as 'good'. If this is not the case for one or more parameters, then the water body is deemed to not be in good condition ('one-out-all-out'). The ecological quality of the water is such that none of the surface water bodies meet the requirements of the WFD.

While the biological status shows a slight improvement, the chemical composition of the surface water is worse than last year. The *Vang de watermonsters* citizens' survey showed that 78% of the water bodies measured are of moderate to poor quality. *Vang de watermonsters* is an initiative of Natuur & Milieu and ASN Bank, of which our bank and six water authorities are also partners. The other indicator we use to measure the state of biodiversity is the amount of public green space in the communities we finance. The maps on which this is based are not updated annually, so we cannot report on progress.

To address the importance of biodiversity more broadly in the financial sector, we were asked to set up a working group in 2018, and we have been sponsoring the Biodiversity Working Group of the Dutch Central Bank's Sustainable Finance Platform since 2019. This working group consists of representatives from insurers, asset managers, pension administrators and other banks, and is led by our CEO Lidwin van Velden and our sustainability officer. Over the past year, the group's work has included exploring how macro-biodiversity risks can be incorporated into microsupervision to monitor financial stability over the long term. The group also renewed its commitment to sharing biodiversity knowledge among financial institutions.

As *the* leading sustainable water bank and sponsor of the Biodiversity Working Group of the DNB's Sustainable Finance Platform, we naturally want to set a good example, and we have made significant progress in the area of biodiversity in recent years. For example, both of the sustainability-linked loans we have issued include a biodiversity KPI. We have also joined more than 80 other financial institutions in the Finance for Biodiversity Pledge. Specifically, we pledge to measure our impact on biodiversity by 2024, set targets and report publicly. In this context, we have also joined the Partnership for Biodiversity Accounting Financials (PBAF). PBAF provides a methodology that enables us to calculate our clients' biodiversity footprint. We are also involved as a bank in the *Nature Inclusive Agenda*, an initiative launched by the Ministry of Agriculture, Nature and Food Quality to achieve a nature-inclusive society by 2050.

As part of our climate action plan, we are engaging with our clients on biodiversity. We will broaden these discussions and aim to ensure that by 2030 all our clients have a biodiversity policy that includes targets to address

IMPACT LOANS ON SDGS 14 AND 15

SDG	KPI	Description	**Achievement 2022**	Achievement 2021
14 LIFE BELOW WATER	Quality of surface water	Proportion of surface waters meeting WFD targets	0%	0%
		Ecological	0%	0%
		Biological	14.0%	12.7%
		Chemical	4.1%	10.4%
15 LIFE ON LAND	Volume of nature-inclusive public green areas	Public green surface area that is garden or nature	-	30%

biodiversity loss. We will formalise our own biodiversity policy in 2024, which will include a clear message that we will focus more emphatically on further integrating biodiversity into our risk management, loan proposals and credit analysis.

Contributing to a circular economy

Last year we joined the Circular Economy Working Group. This working group, which is also part of DNB's Sustainable Finance Platform, brings together progressive parties from the financial sector around a common goal: to make circular finance the norm by 2030.

Other kinds of societal impact

Our societal impact is broader and goes beyond the topics of climate mitigation, climate adaptation and biodiversity.

As such, we also aim to have a social impact that engages people, especially those in vulnerable situations. This is most evident in our selected SDG 11: Sustainable cities and communities. We also want to have as much impact as possible on our other selected SDGs. These include SDG 6: Clean water and sanitation, and SDG 7: Affordable and clean energy.

The water authorities and drinking water companies play a key role when it comes to **SDG 6: Clean water and sanitation**. To measure our impact, we look at the quality of wastewater and drinking water, for which the water authorities and drinking water companies are responsible respectively. These indicators have a major impact on the quality of the water we all use every day. The water authorities keep a close eye on whether the water discharged from wastewater treatment plants meets the legal standards. Compared to 2022, there has been a slight improvement, with 98.7% of discharges now in compliance. Fortunately, drinking water in the Netherlands also meets the standards set by the Environmental and Transport Inspectorate (ILT) in 99.9% of cases. In 2022, only 502 out of almost 600,000 measurements were classified as insufficient, and 90% of the exceedances were for substances that do not pose a direct risk to public health.

IMPACT LOANS ON SDG 6

SDG	KPI	Description	**Achievement 2022**	Achievement 2021
6 CLEAN WATER AND SANITATION	Quality of wastewater	Percentage of discharges that meet the set standards	98.7%	98.3%
	Quality of drinking water	Percentage of drinking water samples that meet the set standards	99.9%	99.9%

SDG 7: Affordable and clean energy is crucial for all our clients. We started financing renewable energy projects in 2019, and have taken a clear stance by setting an audacious goal: our loan portfolio will be energy positive by 2035, on our way to being climate neutral by 2050. In other words, by 2035 we want the renewable energy projects we finance to generate more renewable energy than the rest of our portfolio consumes in fossil fuels. This is quite an ambitious goal in which we are making great strides.

In 2022, the portfolio's fossil fuel consumption was reduced by almost 280,000 gigajoules, while subsidised renewable energy production tripled. The energy transition is also a major challenge for housing associations. To prepare their tenants for the future, they need to make their housing stock more sustainable. Aedes, the sector's trade association, has set a target that by 2028 no member-owned home will have an energy label lower than D.

IMPACT LOANS ON SDG 7

SDG	KPI	Description	**Achievement 2022**	Achievement 2021
	Acceleration of energy transition	Proportion loan portfolio energy neutral	35.8%	12%
	Energy performance of housing associations	Energy-intensity social housing	184.6 kWh/m^2	194.7 kWh/m^2

We measure the improvement in the energy performance of housing associations by energy intensity, expressed in kWh per m2 per year. Between 2021 and 2022, it fell by 10.1 kWh/m^2, a significant decrease of 5.2%.

SDG 11, finally, is about sustainable cities and communities. In particular, our client groups of municipalities and housing associations determine our impact on this SDG. Municipalities help determine who qualifies for social housing.

To determine our impact, we look at the number of rental homes allocated per year within the income limits of the housing associations we finance. Housing associations must allocate at least 85% of vacant social housing (with a rent of up to €808.06 per month, price level 2023, also known as SGEB housing) to their target groups.

The main target group of housing associations are households with an income below the so-called SGEB income threshold. For single-person households, this income threshold is €47,699 per annum (price level 2024). For multiperson households, the SGEB income threshold is set at € 52,671 per annum (price level 2024) for a period of three years (until 2025). Between 2021 and 2023, no significant progress was made in terms of allocations. With a rate of 70.5%, there is still a long way to go to reach the target of at least 85%.

IMPACT LOANS ON SDG 11

SDG	KPI	Description	**Achievement 2022/2023**	Achievement 2021
11 SUSTAINABLE CITIES AND COMMUNITIES	Allocation social housing	Social housing allocated per year within income limits	70.5%	70.7%
	Humber of social housing dwellings	Net number of social housing units built (adjusted for demolition)	7,300	7,612
	Quality of hospital buildings and grounds	Total investment in hospital buildings and grounds	t.b.d.	€624 million
	Volume of municipal solid waste	Total amount of municipal solid waste generated by financed municipalities	2,244 kilotonnes	2,542 kilotonnes

In addition to the issue of allocation, housing associations face a major challenge in tackling the shortage in the housing market. After years of stagnation, the sector now has a target to build 300,000 homes between 2022 and 2030, of which 250,000 are within the SGEB limit, which equates to 33,000 homes per year. In 2022, the companies in our portfolio added 7,300 homes to the housing stock, slightly less than the previous year (7,612).

To monitor the impact of our financing on healthcare, we look at the quality of hospital buildings and their grounds. In the healthcare sector, sustainability issues are also driving up the cost of and demand for investment in real estate. Due to the time it takes to compile this data, the indicator reporting is delayed by one year and the latest figures refer to 2021. In 2021, €624 million will have been invested in hospital buildings and grounds, an increase of over €30 million and 5.3% on the previous year.

To measure the impact of our financing on communities, we use the amount of municipal solid waste as an indicator. Looking at the municipalities we finance, the total amount of municipal solid waste fell by almost 12% in 2022 compared to 2021.

CLIMATE ACTION PLAN TIMELINE

ON THE ROAD TO PARIS!

2018
We define our 'sustainable water bank' strategy.

We become co-sponsor of the Water Authorities' Climate Monitor.

2019
We commit ourselves towards the national Climate Agreement.

We join the Partnership for Carbon Accounting Financials (PCAF) and, for the first time, have in scope the climate impact of our loan portfolio.

We become chair of the Biodiversity Working Group, which is part of DNB's Sustainable Finance Platform.

We successfully enter the market for funding renewable energy projects.

We are the first party in the Netherlands to break through the €10 billion barrier of ESG bonds issued.

2020
The climate footprint of ourloan portfolio **decreases by 6.6%** compared to 2018.

We join the Delta Plan for Biodiversity Recovery and endorse the Finance for Biodiversity Pledge.

2021
The relative climate footprint (/€ mln) of our loan portfolio **decreases by 16.4%** compared to 2018.

We develop our own climate action plan, including reduction targets.

We join the Partnership for Biodiversity AccountingFinancials (PBAF) and are able, for the first time, to calculate one of our clients' biodiversity impact.

2022
The relative climate footprint (/€ mln) of our loan portfolio **decreases by 25.5%** compared to 2018.

We develop a dashboard for assessing our customers' climate performance.

We provide our first sustainability-linked loan.

We formulate an audacious goal to make our sustainable ambitions even stronger.

We start measuring our impact on the SDGs, including biodiversity.

2023
We fine-tune our engagement policy and engage with clients we believe are lagging behind and/or have the greatest reduction potential.

We expand our biodiversity impact measurement.

2024
We expand engagement conversations with clients who we believe are lagging behind and/or have high reduction potential.

We assess whether our clients' reduction targets align with science-based targets.

We set targets to reduce the biodiversity impact of our loan portfolio.

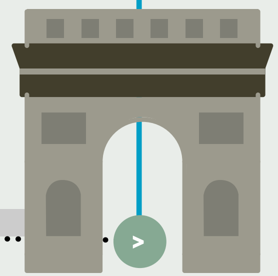
2026
The climate impact of our loan portfolio is at least **28% lower** than in 2018.

We engage with all clients who do not yet have reduction targets that are in line with science-based targets.

2030
The climate impact of our loan portfolio is at least **43% lower** than in 2018.

All our clients have reduction targets that are in line with science-based targets.

2035
Our loan portfolio is energy positive: the energy produced by renewable energy projects financed by us is more than the fossil fuel energy consumed by all our clients combined.



2050
Our loan portfolio is climate neutral.

OUTLOOK 2024

We will continue to provide the Dutch public sector with appropriate and affordable financing in a socially responsible and sustainable manner in 2024. In particular, the demand for financing from the water authorities, drinking water companies and housing associations is expected to increase in the coming years due to the major transition tasks they are facing. As a result, we expect our loan portfolio to grow even further. We are cautious about our net profit forecast for 2024. Partly because of the higher bank tax and also because of the ECB's decision to stop paying interest on the minimum reserve requirements that banks must hold with the central bank, net profit is probably going to be lower than last year.

GOVERNANCE

3

MANAGING BOARD

Lidwin van Velden (1964)

Chair of the Managing Board, CEO

Year of first appointment
2010

Term of office ends on
1 January 2026

Portfolio
Strategy, communication, legal & corporate affairs, internal audit, human resource management, change & information management

Relevant other positions
President of the European Association of Public Banks, Member of the Supervisory Board of Centraal Beheer Algemeen Pensioenfonds, Member of the Supervisory Board of PharmAccess Group Foundation, Member of the Board of Impact Economy Foundation

Frenk van der Vliet (1967)

Member of the Managing Board, CCO

Year of first appointment
2012

Term of office ends on
1 January 2026

Portfolio
Lending, funding & investor relations, asset & liability management and corporate social responsibility

Relevant other positions
None

Ard van Eijl (1973)

Member of the Managing Board, CRO

Year of first appointment
2018

Term of office ends on
14 April 2026

Portfolio
Risk management (financial and non-financial), compliance and security management

Relevant other positions
None

SUPERVISORY BOARD

Joanne Kellermann (1960)

Chair

Committees
Member of the Audit Committee, interim member of the Risk Committee (since 20 March 2023), member of the Remuneration and Appointment Committee

Year of first appointment
2020

Term of office ends in
2024

Principal position
Chair of Pension Fund Zorg en Welzijn (resigned Aug-Dec 2023); Director a.i. Panta Holdings B.V. (Aug-Dec 2023)

Relevant other positions
Chair of the Supervisory Board at Aflatoun International, Member Council of State expert group, Member of the Committee for European Integration at the Advisory Board for International Affairs (until October 2023), Member of the Advisory Board PRIME Finance (until June 2023), Member of the Supervisory Board Veerstichting (until July 2023), Member of the Willem F. Duisenberg Fellowship Stichting, Director at KellerCo B.V.

Toon van der Klugt (1956)

Vice-chair

Committees
Member of the Remuneration and Appointment Committee

Year of first appointment
2017

Term of office ends on
2026

Principal position
Chair of the Water Authority of Schieland and Krimpenerwaard

Relevant other positions
Deputy chair and secretary of Stichting Administratiekantoor Vreugdenhil-Klugt Beheer, Chair of joint scheme De Regionale Belastinggroep (RBG), Chair Association of South Holland Water Authorities

André ten Damme (1964)

Committees
Chair of the Audit Committee, member of the Risk Committee

Year of first appointment
1 December 2023

Term of office ends on
2028

Principal position
Board member of Pension Fund Zorg en Welzijn

Relevant other positions
Member of the Supervisory Board at Diabetesfonds (chair as of 2024), Member of the Supervisory Board and chair of the Audit Committee of education group CVOG, Member of the Advisory Board of The Cronos Group

Frida van den Maagdenberg (1961)

Committees
Member of the Audit Committee (since 20 March 2023, acting chair until 1 December 2023), Member of the Risk Committee

Year of first appointment
2017

Term of office ends on
2025

Principal position
Member of the Executive Board at the Leiden University Medical Center

Relevant other positions
Member of the Supervisory Board and chair of the Audit Committee at Nederlandse Loterij (Dutch Lottery, Member of the Central Planning Committee at CPB, Member/ Vice-chair of the Supervisory Board at Nivel (the Netherlands Institute for Healthcare Research)

Caroline Oosterloo (1965)

Committees
Chair of the Risk Committee, member of the Audit Committee

Year of first appointment
2023

Term of office ends on
2027

Principal position
Head of Central Risk Management ABN AMRO Bank N.V.

Relevant other positions
None

Annette Ottolini (1958)

Committees
Chair of the Remuneration and Appointment Committee

Year of first appointment
2019

Term of office ends on
2027

Principal position
General Director and Board Member at Evides Waterbedrijf

Relevant other positions
Chair of the Supervisory Board at Vebego Group B.V., Member of the Supervisory Board at Delfluent B.V., Board member at Deltalinqs, Member of the Board at VEI, Member of the Board at Water for Life Foundation

Manfred Schepers (1960)

Committees
Member of the Audit Committee, member of the Risk Committee

Year of first appointment
2016

Term of office ends on
2024

Principal position
CEO ILX Management B.V.

Relevant other positions
Member of the Supervisory Board and chair of the Risk Committee at Van Lanschot Kempen, Chair Stichting Het Compagnie Fonds at Het Scheepvaart Museum

Petra van Hoeken (1961)

Petra van Hoeken was a member of the Supervisory Board since 23 April 2015. Following the separation of the Audit and Risk Committees, she became chair of the Risk Committee and a member of the Audit Committee from May 2016. Petra stepped down at the Annual General Meeting on 20 April 2023 (having reached the maximum term of office) and has been succeeded by Caroline Oosterloo.

Lex van Overmeire (1956 - 2023†)

Lex van Overmeire was a member of the Supervisory Board from 2021 until his death in April 2023. With great expertise and commitment, Lex played an important role at the bank, including as chair of the Audit Committee and member of the Risk Committee. Lex van Overmeire's successor, André ten Damme, took office on 1 December 2023.

Interview

Joanne Kellermann

Chair of the Supervisory Board

"The organisation accomplished a great deal in this challenging year"

Challenges such as new laws and regulations, the growth of the organisation and ambitious sustainability goals demand a great deal from NWB Bank. "After a period of rather intensive supervision, the Supervisory Board can now take a step back," says Joanne Kellermann, Chairman of the Supervisory Board.

How do you look back on the past year? What kind of year was it for the Supervisory Board?

"A great deal happened this year. First of all, the passing away of our Supervisory Board member Lex van Overmeire had a huge impact. Lex died in harness and we will miss him as an extremely knowledgeable and committed colleague and good friend. As a board, we also had to search for a new CFO for the bank. Together with the Managing Board, we decided to appoint an interim CFO until we could find a permanent candidate. We initially found this interim CFO in the capable and pleasant person of Constant Korthout. In mid-November, as the search took a little longer than expected, John Reichardt took over from Constant. I'm pleased to have so much experience on board. In addition, of course, our regular supervisory work required attention. Challenges such as new laws and regulations, the growing organisation and ambitious sustainability goals are demanding a great deal from NWB Bank."

Is the Supervisory Board satisfied with NWB Bank's results in 2023?

"We're definitely satisfied. The organisation accomplished a great deal in this challenging year and achieved good financial results. It posted a net profit of €126 million and its loan portfolio grew to €54 billion. Given the global turmoil, the roller-coaster financial markets and the internal challenges, this is an excellent achievement. Stability and growth are extremely important because of NWB Bank's important social role. The extremely high water levels last autumn forced us to face the facts: we cannot postpone investments in sustainability. Indeed, this task poses enormous challenges for the bank's shareholders and clients. Thanks to its solid position, NWB Bank can continue to meet the financing needs of water authorities and all public sector clients."

So NWB Bank is on the right track?
"In September, the Supervisory Board and the Managing Board took a close look at the strategy and came to the conclusion that the 'sustainable water bank' strategy has become even more relevant than we could have anticipated a few years ago. Consider the energy transition, the increasing focus on biodiversity, and the urgency of climate adaptation and mitigation. In this context, it's also important to ensure that ESG risks are properly integrated into the bank's risk management. Consider the risks of financing housing projects in low-lying areas, but also the opportunities, such as financing projects such as dike reinforcements and solar and wind farms."

As part of the Lighthouse programme, NWB Bank has focused in recent years on strengthening its operational processes and culture. How do you look back on this? Are you moving in the right direction?
"The Lighthouse programme has brought a lot to the organisation. We're satisfied at all levels with the way we've strengthened the internal organisation. The organisation is growing, which calls for measures such as reinforcing internal controls and introducing more safeguards for a truly shared culture that also creates space for diversity.

Good measures have been taken and new tools developed. A good example is the vision quadrant, which clearly shows what the organisation stands for, what it aims to achieve and what its core values are.

In a short space of time, NWB Bank has welcomed around 40 new employees, and integrating the vision quadrant into all operational processes keeps everyone on their toes. It's an important tool for recruiting and onboarding new employees, but also for keeping all other employees involved. It also gives us, as a Supervisory Board, a foundation for our supervision."

"In a short space of time, NWB Bank has welcomed around 40 new employees; integrating the vision quadrant into all operational processes keeps everyone on their toes"

Every year, the Supervisory Board visits a water authority. Which one did you visit in 2023?
"Last year we visited the Hoogheemraadschap van Rijnland in Leiden, which is responsible for water management in part of North and South Holland. It was inspiring to learn more about their work. Unfortunately, family circumstances prevented me from attending this work visit myself.

We also organised a second work visit to the Berenplaat drinking water treatment plant in Spijkenisse, which belongs to the drinking water company Evides, where we were received by our colleague Annette Ottolini. The Berenplaat is the largest water treatment plant in the Netherlands. The building, designed by architect Wim Quist and commonly known as the 'Water Cathedral', is fascinating. Not only was the building itself impressive, but also the sustainability of the treatment plant."

Those are commendable advancements by the water companies. Shifting focus to the progress of NWB Bank and the Supervisory Board, what are your expectations and wishes for 2024?
"I expect calmer times and more stability following the changes in the Managing Board and Supervisory Board. In the Supervisory Board, we welcomed two new board members in 2023. Petra van Hoeken has stepped down, having completed her maximum term of eight years. We are very grateful for her excellent work and happy to have found a good successor in Caroline Oosterloo.

In addition, following the passing away of Lex van Overmeire, we have found a good successor in André ten Damme. With the new Supervisory Board in place, we're now taking more time to get to know each other and set priorities. One important development, for example, is the new European legislation on cyber resilience.

The Digital Operational Resilience Act, or DORA for short, sets strict requirements for financial institutions but we should take a close at the potential benefits of IT. For example, what opportunities does artificial intelligence offer the bank? I'm once again looking forward to exchanging views on such topics within the Supervisory Board and the Managing Board."

"We also want to take a close look at the potential benefits of IT. For example, what opportunities does artificial intelligence offer the bank?"

REPORT OF THE SUPERVISORY BOARD

As the Supervisory Board, we are the supervisor, advisor and employer of NWB Bank's Managing Board. We operate in accordance with the letter and spirit of Dutch and European laws, regulations, directives and codes.

SUPERVISION

In line with our *Supervision Vision 2021-2024*, in 2023 we operated independently and with a proactive, positive and critical attitude based on trust. We used our own knowledge and experience to create long-term value. As usual, we have developed the supervisory vision into a supervisory agenda for 2023, with a good balance between supervisory tasks, advisory tasks and the role of employer.

Supervisory Board activities

The Supervisory Board met seven times in 2002 for formal consultations with the Managing Board, including a strategy day. We also held consultations with shareholders, the ECB Joint Supervisory Team and the Works Council. We made two working visits: to the water company Evides and to the Hoogheemraadschap van Rijnland.

Meetings

During the past year, a number of issues required special attention and we intensified our supervision.

Composition of the Supervisory Board and Managing Board

The first half of 2023 was marked by the sad passing away of Lex van Overmeire in early April. As a consequence, there was a sudden vacancy. Lex's role as Chair of the Audit Committee was taken over by Frida van den Maagdenberg. As Petra van Hoeken reached the maximum term of office and resigned on 20 April, there were two vacancies on the Supervisory Board last year. Petra van Hoeken was immediately succeeded by Caroline Oosterloo at the Annual General Meeting on 20 April 2023. Lex van Overmeire was replaced by André ten Damme, who was appointed at an Extraordinary General Meeting of Shareholders on 1 December 2023. In the second half of the year, we also started to recruit a new Supervisory Board member to replace Manfred Schepers, who himself will reach his maximum term of office in 2024.

The position of Chief Financial Officer became vacant last year following Melchior de Bruijne stepping down at the Annual General Meeting in April. In consultation with the Managing Board, and in the interest of the bank's continuity, it was decided to fill this vacancy on an interim basis last year. We are pleased that the bank found experienced people in Constant Korthout and John Reichardt, and we thank them both for their contribution.

Strengthening internal controls

In addition to organisational matters, much attention was paid in 2023 to strengthening internal controls within the bank. The Supervisory Board highlighted the need for further process improvements and intensified its oversight of the crucial strengthening of all three 'Lines of Defence'. The Audit Committee held additional meetings, and interim consultations between the members of the Supervisory Board and Managing Board were more frequent. In addition to the bank-wide Lighthouse change programme, which was completed in March 2023, we identified a number of improvement opportunities that needed to be addressed more quickly. A number of improvement opportunities suggested by the ECB were included in this process, and the action plan to address the improvement opportunities was shared with them.

The improvements included better understanding the root cause of certain incidents and ensuring that the organisation learns from them. In addition, the first-line monitoring and second-line testing of key controls was further implemented using specific tools and reported in an integrated manner to the Risk Committee.

The improvements made by the organisation gave us such confidence that we decided to return to the regular monitoring regime before the summer of 2023. Nevertheless, strengthening internal controls remained on the agenda for the remainder of the year.

Strategic workforce planning

Due to the rapid growth of the organisation, we have had many discussions with the Managing Board about strategic workforce planning. We emphasised the importance of the onboarding process for the many new employees and the need to ensure risk awareness in this process. It is good to see that the organisation is working hard on this. The vision quadrant, a result of the Lighthouse programme, is an important new tool in this respect.

Internal governance

Outside the regular meetings, we had a session with an external consultant on the bank's internal governance, in particular the position of managers within the bank and the management of the organisation. The proposed change in internal governance was designed to increase the involvement of managers in bank-wide decisions and to reduce the burden on the Managing Board, allowing it to focus more on strategic tasks. We agree that this is an important change.

ECB supervision

ECB supervision is a permanent item on the Supervisory Board's agenda. In the past year, we paid particular attention to the supervisory authority's on-site inspections and the follow-up to the recommendations resulting from these inspections. Although NWB Bank is a very stable and safe bank, we again found that the ECB's intensive supervision places a heavy burden on the organisation.

Other topics

Other recurring topics on the agenda were market developments, political developments in The Hague and Brussels, the financial results, developments in risk management including risk appetite, integration of ESG into core processes, digitalisation and the need for cost control.

Approach to meetings

Before each regular meeting, we held a closed session without the Managing Board present. The purpose of the closed session is to ensure the independence of the Supervisory Board. It is used to exchange views on external developments, share observations from individual Supervisory Board members and discuss personnel matters. We also set the objectives for the meeting.

In addition to the usual functional coordination meetings, the chair of the Supervisory Board held fortnightly telephone consultations with the chair of the Managing Board. The chair of the Risk Committee and the chief risk officer, and the chair of the Audit Committee and the chief financial officer, also had fortnightly consultations. Due to the vacancy in the Managing Board, additional coordination was required.

Strategy session

At a separate meeting in September, we discussed the bank's strategy in detail with the Managing Board. The strategy and objectives have not changed since the 2021 mid-term review. The Supervisory Board still considers the ‘sustainable water bank’ stratehy to be appropriate, especially given the urgency of climate adaptation, mitigation and nature conservation, and the increasing investment needs of the public water sector and housing associations. Following a presentation of the current strategic dashboard, we discussed the bank's strategic objectives and assumptions, such as the ratio of guaranteed to unguaranteed lending. Following a request from shareholders at the Annual General Meeting, we also discussed the dividend policy. This was discussed further with shareholders in the autumn and it was concluded that the principles of the dividend policy remain appropriate, a result with which the Supervisory Board is satisfied.

ATTENDANCE OF SUPERVISORY BOARD MEETINGS AND RELEVANT COMMITTEES IN 2023

	Joanne Kellermann[1]	André ten Damme[2]	Petra van Hoeken[3]	Toon van der Klugt	Frida van den Maagdenberg[4]	Annette Ottolini	Caroline Oosterloo[5]	Lex van Overmeire[6]	Manfred Schepers
Supervisory Board (7)	86%	100%	100%	100%	100%	86%	100%	-	100%
Audit Committee (7)	43%		100%		100%		100%	-	100%
Risk Committee (6)	50%		100%		100%		100%	-	100%
Remuneration and Appointment Committee (4)	100%			100%		100%			
Total	**67%**	**100%**	**100%**	**100%**	**100%**	**91%**	**100%**	**-**	**100%**

1) Standing invitation for Risk Committee meetings, from 20 March 2023 interim member of Risk Committee
2) Supervisory Board member from 1 December 2023
3) Risk Committee member until 20 April 2023
4) Interim chair Audit Committee as of 19 January 2023
5) Risk Committee member as of 20 April 2023
6) Risk Committee member until 4 April 2023 † (due to illness, Lex van Overmeire was unable to attend meetings any longer in 2023)

The guest speaker at the strategy meeting was Jo van Kalsbeek, director of the Social Housing Guarantee Fund (WSW). As a guarantee institution, the WSW has an important relationship with NWB Bank. Jo van Kalsbeek talked about the latest developments in the social housing sector, including the National Performance Agreements. We then discussed the need for investments in new housing and the role of sustainability in the housing sector. We also discussed sustainability and the integration of ESG into risk management in detail, including how to translate the many long-term ESG risks into the shorter term. As there is not yet a widely accepted standard methodology for ESG risk management, we – as the Supervisory Board – suggested that dilemmas be well documented and discussed at future meetings. We share the Managing Board's view that it is particularly important for NWB Bank to always consider risks and impacts at a macro level. Together with the Managing Board, we discussed some dilemmas in the area of sustainability. We also discussed what would be a good balance in the future between the importance of investing in sustainability and the financial eturn we make as a bank. As the Supervisory Board, we argued that the bank thrives when it has a positive impact on society. It is important that shareholders are properly involved in the choices the bank has to make.

Dialogue with shareholders

As is customary, we also engaged in dialogue with our shareholders outside the official Annual General Meetings. We met twice with the Department for State-owned Enterprises of the Ministry of Finance and once with the representatives of the shareholder water authorities. The main topics of discussion were the recruitment and selection of the new CFO and two new supervisory board members. We also discussed with the Ministry of Finance a change in the Policy Document on State-Owned Enterprises (Nota Deelnemingenbeleid Rijksoverheid), reducing the maximum term of appointment for members of the Managing Board. This change was also discussed with the other shareholders and is somewhat at odds with their desire to ensure the stability and continuity of the bank. We also discussed the dividend policy with the water authorities.

We are satisfied with the discussions held with shareholders, find them generally to be very constructive and look forward to continuing the engagement in 2024.

Dialogue with the supervisory body

In early 2023 we held the regular supervisory dialogue meeting with the ECB's Joint Supervisory Team (JST). Among other things, we discussed the results of the annual Supervisory Review and Evaluation Process (SREP). During the year, the chair of the Supervisory Board, the acting chair of the Audit Committee and the chair of the Risk Committee also had several regular discussions with the JST, including on the follow-up of recommendations on operational risk management, changes in the Supervisory Board and the recruitment of a new CFO.

We consider our contact with the supervisory body to be constructive.

Dialogue with the Works Council

Representatives of the Supervisory Board met twice with the Works Council last year. Among other things, we discussed the follow-up to the Risk Inventory and Evaluation (RI&E). Both the Works Council and Managing Board are aware of the issue of workload within the bank. We also discussed the impact of the new pension law on the bank's pension scheme.

We appreciate the work of the Works Council and are satisfied with the regular joint consultations.

Committees

The Supervisory Board has three committees: the Audit Committee, the Risk Committee and the Remuneration and Appointment Committee. The members of the Supervisory Board who are not members of a committee have a standing invitation to attend committee meetings.

In accordance with their own charters, the committees prepare decision-making and advise the Supervisory Board on various subjects.

Audit Committee

During the year, the Audit Committee paid particular attention to the internal control framework and IT organisation, partly as a result of which seven regular meetings were held instead of four. As usual, the Audit Committee discussed financial and operational developments on the basis of the quarterly reports from the Managing Board and the internal auditor. A particular focus was on cost control, especially in relation to IT, cybersecurity and IT risk management. The Audit Committee also prepared for the requirements of the Corporate Sustainability Reporting Directive (CSRD).

The Audit Committee was chaired last year by Frida van den Maagdenberg due to the illness and subsequent passing away of Lex van Overmeire. Petra van Hoeken was a member of the Audit Committee until her resignation on 20 April 2023. She was replaced on the same date by Caroline Oosterloo. Joanne Kellermann was also a member of the Audit Committee. Other members of the Supervisory Board regularly made use of their standing invitation. The regular meetings of the Audit Committee were also attended, as is customary, by the Managing Board/Executive Committee members and the internal and external auditors. In preparation, the chair of the Audit Committee consulted with the internal auditor, the external auditor and the bank's CFO.

Risk Committee

As usual, the Risk Committee reviewed the risk management framework and the extent to which the organisation is able to operate within it. The committee reviewed in detail the annual update of the risk appetite statement, taking into account, among other things, the volatility of the financial and energy markets. Operational risk management and reporting was high on the agenda during the year, in the context of the strengthening of internal controls mentioned above. The committee discussed ESG risks using a materiality analysis and the ESG-specific stress tests developed by the bank. The committee also considered how ESG should be further integrated into the bank's risk management in the future. The Risk Committee commended the organisation for its pioneering work on ESG risk mapping.

In the first half of the year, the Risk Committee paid particular attention to the collapse of Silicon Valley Bank and the subsequent turmoil in the financial markets, which, among other things, led to the acquisition of Credit Suisse by UBS. Although NWB Bank was only marginally affected by this turbulence, the committee welcomed the way in which the bank proactively monitored developments.

Other recurring items on the agenda were the annual audit, the supervisory authority's thematic inspections and the follow-up to the results of these inspections.

At the beginning of the year, the Risk Committee was made up of Petra van Hoeken (chair), Frida van den Maagdenberg, Lex van Overmeire and Manfred Schepers. As explained, Lex van Overmeire was no longer able to participate. Following the resignation of Petra van Hoeken, Caroline Oosterloo took over the chairmanship of the Risk Committee. The other members of the Supervisory Board made use of their standing invitation on several occasions. The Risk Committee met six times last year, with the presence of the Managing Board/Executive Committee, the head of IAD, the head of Compliance and the external auditor. This is more frequent than usual. In addition, the chair of the Risk Committee met regularly with the CRO and the head of Compliance.

Remuneration and Appointment Committee

The Remuneration and Appointments Committee (RAC) focused in particular on the onboarding of new employees (especially within the departments), absenteeism and workload in the organisation, as well as the process of (re)appointing members of the Managing Board and succession planning. In addition, the search for a new CFO and the temporary division of responsibilities between members of the Managing Board were discussed.

The Remuneration and Appointment Committee (RAC) consists of Annette Ottolini (chair), Toon van der Klugt and Joanne Kellermann. The committee met four times during the year, with the CEO and the head of HR & Facility in attendance. In the second half of the year, the committee also dealt with the recruitment and selection of the new CFO and Supervisory Board members. The committee did this together with a selection committee, which is set up separately for each vacancy and is composed of members of the Supervisory Board who are not necessarily members of the Remuneration and Appointment Committee.

COMPOSITION OF THE SUPERVISORY BOARD

The composition and personal details of NWB Bank's Supervisory Board are shown at the beginning of this chapter (see: Personal details). The composition of the Supervisory Board takes into account the complementarity of the team in terms of knowledge and experience. The Supervisory Board consists of seven members, four of whom are women and three men. The Supervisory Board thus meets the desired and required gender diversity. Further information on the diversity and independence of the Supervisory Board can be found in the section **Corporate governance** .

QUALITY ASSURANCE OF SUPERVISION

To ensure the quality of supervision, we carry out an annual self-assessment and engage in continuous professional development.

Self-assessment

For the annual self-assessment, we use an online assessment tool. Every three years, we conduct a self-evaluation under the guidance of an independent external party. The most recent self-evaluation, at the end of 2022, showed that the Supervisory Board and its committees are functioning well. This was reported in the last annual report. In 2023, we took up the points for improvement from this assessment. For example, it became clear that there was a need for more, including informal, interim contact between Supervisory Board members and Managing Board members, to add colour to the formal provision of information and to provide sufficient opportunity for feedback. Arrangements were then made to provide this. In addition, monthly informal meetings were initiated in 2023 as an additional opportunity to exchange views on topics outside the agenda. Some other findings from the 2022 evaluation related to the provision of information during meetings, where there was a need to make a clearer distinction between key issues. This has been addressed in the preparation of meetings. As a result of the assessment, we planned to identify the top three strategic issues for the coming years. We will follow up on this.

The 2023 self-assessment was carried out at the beginning of 2024. The Supervisory Board is generally satisfied with its performance, but at the same time sees opportunities to further increase its effectiveness. These will be discussed in detail and translated into action during the year.

DISTRIBUTION OF AREAS OF EXPERTISE ON SUPERVISORY BOARD

AREAS OF EXPERTISE	Joanne Kellermann	Toon van der Klugt	Frida van den Maagdenberg	Annette Ottolini	Manfred Schepers	Caroline Oosterloo	André ten Damme
Banking/financial markets	X				X	X	X
Finance/accounting/risk management			X		X	X	X
Regulation	X				X	X	
ICT/cybersecurity		X	X	X			X
HR/Remuneration policy		X	X	X			
Corporate governance	X					X	
Socio-political environment	X			X	X		
Water authorities/semi-public sector		X	X	X			
Environmental, Social and Governance	X	X		X	X	X	
Business operations/outsourcing		X	X				X
Communication	X			X			

Lifelong learning

Lifelong learning is used to continuously strengthen the expertise and environmental awareness of the Supervisory Board. In the year under review, internal and external experts gave presentations to members of the Supervisory Board and the Managing Board on the following topics:

- Biodiversity;
- Social housing sector developments;
- Digital Operations Resilience Act (DORA).

WORD OF THANKS

It has been a turbulent year in terms of personnel changes on the Supervisory Board and the Managing Board. There was close and good cooperation, and the bank achieved good results both internally and externally. The Lighthouse change programme, which strengthened the internal organisation in a broad sense, was completed at the beginning of the year. Further steps were then taken in the area of internal control, partly in dialogue with the Supervisory Board. Looking ahead, it remains important to highlight the added value of the bank's business model and strategy, both in The Hague and in Brussels.

Finally, in this context, we congratulate the bank on its excellent fourth place in the Transparency Benchmark ranking of the 500 largest Dutch companies. This can be seen as recognition of the bank's ambition and efforts to provide insight into how the bank puts long-term value creation into practice.

The Hague, 21 March 2024

Supervisory Board

Joanne Kellermann, chair
Toon van der Klugt, vice-chair
André ten Damme
Frida van den Maagdenberg
Caroline Oosterloo
Annette Ottolini
Manfred Schepers

REMUNERATION REPORT

Our remuneration policy reflects our social role as a bank of and for the Dutch public sector. We opt for a moderate and sustainable remuneration policy that is consistent with our bank's strategy, low risk profile and risk appetite. As a result, our remuneration policy contributes to the achievement of our objectives, which are focused on sustainable long-term value creation. Our policy is clear and transparent, and is designed to attract and retain qualified and knowledgeable staff.

MANAGING BOARD REMUNERATION POLICY

The remuneration policy for our Managing Board was last revised at the 2020 Annual General Meeting. This remuneration policy is almost identical to the remuneration policy adopted in 2015, with the main change being the removal of the possibility of variable remuneration.

Fixed remuneration

Statutory members of the Managing Board appointed on or after 16 April 2020 may receive a maximum salary of € 305,887 . This amount includes a conversion of the variable remuneration abolished on 1 January 2019. This conversion to a fixed supplement is 11.1% and applies to all members of the Managing Board.

The maximum salary is indexed annually in accordance with the structural salary adjustment as stated in the Collective Labour Agreement (CLA) for the banking industry.[2] In formulating the 2020 remuneration policy, the views of the members of the Managing Board on the amount and structure of their own remuneration were taken into account. They all indicated back then that they agreed with the principles of the new remuneration policy. The Managing Board members to whom an earlier version of the remuneration policy applied have therefore voluntarily and retroactively waived receiving variable remuneration from 1 January 2019, on the understanding that they too are entitled to the conversion of the variable remuneration into a fixed allowance.

Pensions

Our Managing Board members participate, as do our employees, in a group pension plan. The plan has been administered by a premium pension institution (PPI) as of 1 January 2020.

As of that date, a new five-year contract has been concluded whereby the old defined benefit scheme has been replaced by a defined contribution plan. For this, we pay, as an employer, a monthly premium to the administrator with which the employee saves for a pension benefit on the date of retirement. We have agreed on compensation for the non-contributory entitlements of employees determined as at 31 December 2019, which will not change in the future. The new pension plan requires participants to make a contribution, as was the case in the previous scheme. For salaries above € 128,810 (being the pensionable income ceiling of € 100,000) indexed since 2015), we offer as an employer a net pension scheme. The employer's pension contribution above the ceiling of € 128,810 is based on an age-dependent graduated scale over the pensionable salary. In addition, a 3% employee contribution is deducted.

2) In 2023, an indexation of 3.5% took place on 1 January 2023 and 1% on 1 July, which corresponds to the structural income adjustment based on the Collective Labour Agreement. Taking into account the conversion of the variable remuneration into a fixed supplement of 11.1%, this amount will be €304,458 as of 1 January 2023 (including indexation 2023: €305,887). For the other members of the Managing Board of (i.e. not the chair), a maximum of 85% of this amount applies: €258,789 on 1 January 2023 (including indexation in 2023: €260,004).

Other terms and conditions of employment

Managing Board members are entitled to an electric car or, if they do not wish to use one, are granted an allowance as part of the bank's car scheme. The bank will pay all costs related to the purchase and use of an electric car. The additional tax liability is carried by the Managing Board members themselves. All other terms of employment for members of the Managing Board are in line with what is made available to other employees. This is at the discretion of the chair of the Remuneration and Appointment Committee.

REMUNERATION MANAGING BOARD

Fixed remuneration

Lidwin van Velden, who was appointed as a member of the Managing Board on 1 January 2010 and has been its chair since 19 April 2018, has been subject to the remuneration policy established in 2015 since 19 April 2018. Melchior de Bruijne, who was appointed as a member of the Managing Board on 1 December 2018, was also subject to this policy until 20 April 2023. Under this policy, a maximum salary, including variable remuneration (thus waived in practice), of €272,000 applies to the chair of the Managing Board.

Ard van Eijl was appointed as a member of the Managing Board at the Annual General Meeting of Shareholders on 14 April 2022. The 2020 remuneration policy therefore applies to him. The salaries in this version of the remuneration policy are the same as those in the

OVERVIEW REMUNERATION OF MANAGING BOARD MEMBERS

(in thousands of euros)	Fixed remuneration	Pension contribution	Other	Total
2023				
Lidwin van Velden	306	45	68	419
Frenk van der Vliet	274	45	61	380
Melchior de Bruijne[1)]	151	22	197	370
Ard van Eijl	260	40	47	347
Total	**991**	**152**	**373**	**1,516**

1) The employment contract of Melchior de Bruijne was terminated on 1 August 2023. He resigned as a statutory member of the Managing Board and CFO on 20 April 2023 and received a severance payment of €175,000.

(in thousands of euros)	Fixed remuneration	Pension contribution	Other	Total
2022				
Lidwin van Velden	293	41	66	400
Frenk van der Vliet	262	39	56	357
Melchior de Bruijne	249	35	38	322
Ard van Eijl[1)]	177	25	32	234
Total	**981**	**140**	**192**	**1,313**

1) Ard van Eijl has been a statutory member of the Managing Board since 14 April 2022.

remuneration policy adopted in 2015. Ard was already a member of the Executive Committee as of 1 December 2018, but that was a non-statutory appointment and thus the remuneration policy for Managing Board members did not apply to him at that time.

Frenk van der Vliet, who has been employed as a member of the Managing Board since 1 January 2012, is still subject by the remuneration policy applicable before 2015. Under this old policy, a maximum total (fixed and variable) remuneration of €280,000 applies to the chair of the Managing Board and a maximum of 85% of this amount to the other members of the Managing Board. After processing the conversion of the variable remuneration into a fixed allowance, this amount is €272,426 as at 1 January 2023 (including indexation 2023: €273,703).

The 'pension contribution' includes the defined contribution compensation in 2020. In 2023, it was €5,000 (2022: €5,000) for Lidwin van Velden, €6,000 (2022: €6,000) for Frenk van der Vliet, €4,000 (2022: €6,000) for Melchior de Bruijne and €8,000 (2022: €7,000) for Ard van Eijl.

Other

'Other' includes the following remaining remuneration:

1. a partially taxed expense allowance of €2,800 (2022: €2,800);
2. an allowance under the staff mortgage interest discount plan: for Lidwin van Velden €3,000 (2022: €3,000), for Frenk van der Vliet nil (2022: nil), for Melchior de Bruijne €3,000 (2022: €6,000) and for Ard van Eijl €4,000 (2022: €2,000);
3. contribution to the net pension scheme: for Lidwin van Velden €33,000 (2022: €33,000), for Frenk van der Vliet €26,000 (2022: €23,000), for Melchior de Bruijne €10,000 (2022: €18,000) and for Ard van Eijl €17,000 (2022: €13,000);
4. compensation for the harmonisation of the pension plan as of 1 January 2015: for Lidwin van Velden €9,000 (2022: €9,000), for Frenk van der Vliet €11,000 (2022: €11,000), for Melchior de Bruijne nil (2022: nil) and for Ard van Eijl €3,000 (2022: €2,000);
5. as of 31 December 2019, compensation has been granted for certain non-contributory entitlements of Managing Board members, which will not change in the future. In 2023, for Lidwin van Velden this amounts to €14,000 (2022: €14,000), Frenk van der Vliet €9,000 (2022: €8,000), Melchior de Bruijne €6,000 (2022: €9,000) and for Ard van Eijl €7,000 (2022: €5,000);
6. for Lidwin van de Vedlden, the flat-rate contribution based on the tax addition for cars amounts to €3,000 (2022: €3,000), for Frenk van der Vliet €11,000 (2022: €11,000), for Melchior de Bruijne €1,000 (2022: €2,000) and Ard van Eijl receives a cash contribution of €12,000 (2022: €9,000);
7. a one-off payment of €1,000 following the CLA to all employees employed on 1 January 2023.

EMPLOYEE REMUNERATION POLICY

The employee remuneration policy applies in full to all of our employees, irrespective of their positions or job scales. As an employer, we apply the Collective Labour Agreement for the Dutch banking industry. The fixed remuneration for our employees comprises 12 monthly salaries, 8% holiday allowance and a 13th month's salary payment. Indexation occurs in line with the structural salary adjustments laid down in the CLA for the banking industry. Employees also receive an allowance of 10.745% in addition to their salaries in connection with the abolished variable remuneration. This allowance is not pensionable.

The bank has a gender-neutral remuneration policy and aims to pay employees working in similar positions equally. In 2022, we conducted a survey on possible gender pay differences. The results showed that the bank rewards men and women equally. Attention to equal pay remains important and therefore has our ongoing focus.

In 2020, the employee remuneration policy was reviewed. The new employee remuneration policy incorporates the change in the pension scheme as of 2020 and also shifts the period of evaluation from two to five years. This is in line with the five-yearly evaluation of the remuneration policy for our Managing Board and Supervisory Board.

Pensions

The group pension plan for employees is similar to that for Managing Board members and is described on page . The pension costs consist of the following components: 'DC plan cost up to €128,810 less employee contribution', 'employer contribution above €128,810 less employee contribution', 'pension contribution (2.8% contribution on pensionable salary in 2022)', 'pension contribution for the harmonisation of the pension plan as of 1 January 2015', 'DC plan compensation' and 'average salary supplement'.

Other terms and conditions of employment

Our employees receive various secondary terms of employment, such as the reimbursement of study expenses, a bicycle plan, a staff mortgage interest discount plan and supplementary disability insurance. Employees whose positions justify participation in our bank's (electric) car scheme may do so or are entitled to an allowance nder the scheme.

Pay ratio

The ratio of the compensation of the chair, as the highest paid employee, to the median of all other employees of our bank is 4.0 for 2023 (2022: 3.9). This ratio is based on the Global Reporting Initiative's G2-21 standard. Total remuneration consists of fixed remuneration and pension costs.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board was reviewed at the Annual General Meeting (AGM) on 20 April. This is done every five years and the last evaluation took place in 2017. Originally, the evaluation was scheduled for the 2022 Annual General Meeting, but for various reasons it was decided to postpone it until last year's meeting.

On the advice of a specially appointed shareholder committee, the Annual General Meeting decided to adjust the remuneration of the Supervisory Board by adopting a ratio that creates a fixed relationship between the remuneration of the chair of the Managing Board and that of the Supervisory Board. The ratio was set at 15% for the chair of the Supervisory Board compared to the maximum remuneration of the chair of the Managing Board and 10% for the members of the Supervisory Board. This adjustment was introduced with retroactive effect from 1 January 2023.

With effect from 1 January 2023, the following remuneration structure will apply to the members of our Supervisory Board, with the amounts being indexed to the structural income adjustment in accordance with the Collective Labour Agreement (1% from 1 July 2023, 3.5% from 1 January 2023 and 2.5% from 1 March 2022).

(In thousands of euros)	2023	2022
Chair + committees	46	40
Vice-chair + Remuneration and Appointment Committee	30	25
Member + Audit Committee + Risk Committee	30	25
Member + Remuneration and Appointment Committee	30	25

The above amounts include expense allowances but not travel reimbursement.

There are no variable components or option schemes in the remuneration of our Supervisory Board.

On an individual basis, the remuneration of the members of the Managing Board is pro rata to the period of their appointment:

(In thousands of euros)	2023	2022
Joanne Kellermann	46	40
Toon van der Klugt	31	25
André ten Damme[1)]	3	-
Petra van Hoeken[2)]	9	25
Frida van den Maagdenberg	31	25
Caroline Oosterloo[3)]	21	-
Annette Ottolini	31	25
Lex van Overmeire[4)]	8	25
Manfred Schepers	31	25
Totaal	**211**	**190**

1) André ten Damme joined the Supervisory Board on 1 December 2023.
2) Petra van Hoeken was a member of the Supervisory Board until 20 April 2023.
3) Caroline Oosterloo joined the Supervisory Board on 20 April 2023.
4) Lex van Overmeire was a member of the Supervisory Board until 6 April 2023.

The above amounts do not include travel reimbursement. VAT has not been included since 2021, as a policy rule from 28 April 2021 stipulates that board members do not (no longer) have to charge VAT on the remuneration they receive.

CORPORATE GOVERNANCE

Corporate governance is about the good management of (listed) companies and their supervision. It governs the relationship between administrators, supervisors and shareholders. For NWB Bank, this means sound and transparent corporate governance, focused on long-term value creation and taking into account the interests of all our stakeholders, especially as we have a special societal responsibility as a financial institution of and for the public sector. The Supervisory Board and the Managing Board are jointly responsible for good corporate governance and compliance within the bank. This responsibility is partly laid down in legislation, such as the Financial Supervision Act (Wft), and partly based on self-regulation. In this paragraph, we describe the most important regulations and explain how we apply them.

GUIDELINES

We apply the following guidelines for corporate governance.

Dutch Corporate Governance Code

The Dutch Corporate Governance Code (hereafter: the Code) contains principles and best practice provisions that govern the relationships between the Managing Board, the Supervisory Board and the (General Meeting of) shareholders. The Code applies to Dutch companies whose shares are listed on the stock exchange. Our bank's shares are not listed, which is why we are not required by law to apply the Code. However, we have chosen to apply the code nevertheless, taking account of a specific feature, namely that shares in our bank may only be held by the State of the Netherlands, water authorities and other legal entities governed by public law. The application of the Code is also in line with the Policy Document on State-Owned Enterprises (Nota Deelnemingenbeleid Rijksoverheid).

The updated Dutch Corporate Governance Code (the Code) was published on 20 December 2022. This version came into force on 1 January 2023, which means that in this report we report for the first time on compliance with the updated Code. The main changes to the Code are an emphasis on 'sustainable' long-term value creation and ESG, expanded reporting on diversity and inclusion, an increased focus on behaviour and culture in the evaluation of the Managing Board and the Supervisory Board, and clarification of reporting lines and the evaluation of internal audit. We reviewed the changes and found that in many respects we were already operating in the spirit of the new Code. Nevertheless, we updated the charters of the Supervisory Board, including its committees, and of the Executive Committee at the beginning of 2023 to bring them into line with the new Code. These charters include agreements on composition, allocation of responsibilities and working methods. They also include provisions on conflicts of interest and relations with the Managing Board/Executive Committee and shareholders.

NWB Bank deviates from the Code on the following points:

- Due to our bank's two-tier board and the fact that our shares are not certified, we omit the principles and best practice provisions for the one-tier board and the certification of shares.
- The best practice provisions on disclosure and information to the General Meeting of Shareholders are not fully formalised as we do not have listed shares. As a result, we have not adopted a policy on bilateral contacts with shareholders as part of these provisions.
- As our bank has only registered shares, all shareholders are known. We keep a register with

the names and addresses of our shareholders, the date of acquisition of the shares and the amount paid for each share. We maintain direct contact with our shareholders throughout the year.
- In the absence of variable remuneration, we have not performed scenario analyses for the remuneration policy.

Future-oriented banking
Since its publication in 2014, we adhere to the Future-Oriented Banking package, a set of self-regulation rules from the Dutch Banking Association (NVB). The package consists of three sections: the Social Charter, the Dutch Banking Code and the Code of Conduct. The Social Charter describes the role banks should fulfil in society and the shared values of the banking sector. The Dutch Banking Code safeguards good governance by all Dutch banks and sets out principles for the controlled and ethical conduct of business, effective risk management as well as for the structure of the Managing Board and Supervisory Board. The Code of Conduct provides rules for employees on practising their profession in a prudent and ethical manner. The principles of the package are integrated into our bank's mission, core values and codes of conduct.

In 2014, the Banking Code was supplemented in two ways: by provisions on safeguarding societal interests (Banking Code, page 4) and on the creation of remuneration policies (Banking Code, page 13). We are already putting the first of these into practice: the requirement that stakeholder interests are identified and carefully weighed when formulating strategy, objectives and policies. We have not yet been able to put the second into practice, as a new remuneration policy will not be adopted until 2025.

Other guidelines
In addition to the Dutch Corporate Governance Code and the Future-Oriented Banking package, we apply the following guidelines:
- EBA[3] Guidelines on internal governance;
- EBA Guidelines on sound remuneration policies pursuant to Directive 2013/36/EU;
- ESMA[4] and EBA Guidelines for assessing the suitability of members of the management body and key function holders;
- ECB Guide to fit and proper assessments;
- BIS[5] Guidelines Corporate governance principles for banks.

STRUCTURE
Our corporate governance structure is as follows.

Supervisory Board
Our Supervisory Board independently oversees the bank's strategy and its implementation, with a strong focus on long-term value creation. Its composition is balanced, expert and diverse, and its independence is guaranteed.

Profile
We have a general profile for the composition and appointment of our Supervisory Board members. This was last updated as part of the review of our corporate governance with laws and regulations at the end of 2021. In addition, we draw up an individual profile for each vacancy on the Supervisory Board that fits within the general profile. Supervisory Board members should have an eye for (international) social, economic, political and other developments relevant to NWB Bank. They must also be able to assess these developments.

3) European Banking Authority
4) European Securities and Markets Authority
5) Bank for International Settlements

Composition

At the end of 2023, the Supervisory Board consisted of seven members, three men and four women, i.e. 43% men and 57% women. Each member of the Supervisory Board has a specific expertise and background required to fulfil his or her role on the Supervisory Board. This is in line with our own diversity and inclusion policy. Our Supervisory Board aims to be at least 30% male and 30% female, with a diversity of skills, backgrounds and experience.

The distribution of expertise on the Supervisory Board is currently as follows. Supervisory Board members Joanne Kellermann (chair), Caroline Oosterloo and Manfred Schepers have extensive financial expertise, a banking background, knowledge of international money and capital markets, experience in prudential supervision and knowledge of risk management. André ten Damme has broad expertise in financial services, financial management and IT management. He is also an experienced supervisor with a broad interest in the financial sector. Toon van der Klugt has broad management experience, extensive knowledge of public policy and a network within the public administration. Frida van den Maagdenberg and Annette Ottolini both have general administrative experience in the semi-public sector and extensive knowledge of ICT. Frida brings additional financial knowledge and Annette has additional experience in a commercial environment. The two vacancies that arose in 2023 have been filled in such a way that the composition and distribution of the Supervisory Board members' committee memberships comply with the requirements set out in the Articles of Association. An overview of the areas of expertise can be found in the **Report of the Supervisory Board**.

The composition of the Supervisory Board is such that its members are able to act independently and critically towards each other and the Managing Board. The requirements for independence are therefore standard in the general profile for the composition of the Supervisory Board and the appointment of its members.

As part of the annual review of the bank's corporate governance in relation to laws, regulations and guidelines, the charters of the Managing Board, the Supervisory Board, the Audit Committee, the Risk Committee and the Remuneration and Appointment Committee were amended in respect of minor points in early 2023. These adjustments included refinements related to the adherence to the latest Corporate Governance Code in December 2022.

Managing Board/Executive Committee

The management of our bank is in the hands of the Managing Board/Executive Committee. We use the term Executive Committee when the Managing Board is being expanded with one or more non-statutory members. The Annual General Meeting appoints the statutory members of the Managing Board for a period of four years on the recommendation of the Supervisory Board. In principle, the Managing Board consists of four members. For most of last year, however, it consisted of three members, namely Lidwin van Velden (CEO), Ard van Eijl (CRO) and Frenk van der Vliet (CCO). Following the resignation of Melchior de Bruijne as CFO and statutory member on 20 April, there was a vacancy on the Managing Board. In this context, the Managing Board was supported on an interim basis by Constant Korthout (1 March 2023 to 1 December 2023; from 20 April to 1 October as non-statutory member when in effect there was an Executive Committee) and John Reichardt (from 20 November 2023).

The Managing Board/Executive Committee operates in accordance with the Executive Committee Charter, which contains rules on the division of responsibilities, working methods and decision-making, rules on conduct and culture, interaction with and information for the Supervisory Board, remuneration policy and conflicts of interest. As with the Supervisory Board, the composition of the Managing Board/Executive Committee should be in line with the Bank's Diversity and Inclusion Policy. We aim for a balanced and mixed composition, including diversity of gender, knowledge and experience. For the Managing Board/Executive Committee and senior management, we aim for a composition of at least 30% men and at least 30% women. With the current temporary composition of the statutory Managing Board, which consists of three people due to a vacancy, this target is met. The Managing Board and the Supervisory Board aim to maintain this with the appointment of a new CFO. An individual profile is drawn up for each vacancy on the Managing Board, setting out the knowledge and skills required. Each member of the Managing Board must have knowledge of the financial sector in general and the banking sector in particular, the Bank's role in society and the interests of all stakeholders.

Works Council

Our bank has a six-member Works Council. It operates in accordance with the Works Council regulations, which contain rules on its composition, term of office, election and procedures. The council meets monthly to discuss staff interests and exchange information with the HR department. In addition to these meetings, there were five consultations between the WC and the chair of the Managing Board during the year, two of which were attended by a delegation from the Supervisory Board (in accordance with Section 24(2) of the Works Councils Act).

Internal auditor

The internal auditor function within our bank is performed by the Internal Audit Department (IAD). This department conducts a risk-based audit programme that provides assurance, recommendations and insight. The IAD systematically, independently and objectively assesses the effectiveness of governance, risk management and risk control and makes recommendations for improvement. At the request of the Managing Board/Executive Committee, the head of IAD may participate as a non-voting member in steering committees for projects of strategic importance to the bank. The mandate of the IAD is set out in the Internal Audit Charter approved by the Supervisory Board. The head of IAD reports the results of his investigations to the Managing Board/Executive Committee and the Audit Committee, and attends meetings of the Audit Committee and the Risk Committee. They discuss the progress of the audit programme and its results on a quarterly basis. In addition, the head of IAD may attend the Asset & Liability Committee, the Credit Committee and the Non-Financial Risk Committee as an observer.

In 2023, the IAD had several meetings with the external auditor and separately with the regulators of the European Central Bank and De Nederlandsche Bank. During these meetings, they exchanged views on risk analysis, findings and the audit plan. The IAD operates in accordance with the rules of professional conduct of the Royal Netherlands Institute of Chartered Accountants and the International Professional Practices Framework of the Institute of Internal Auditors. Internally, we have developed these rules further in a quality management system.

Gathering information

The Supervisory Board has the option of obtaining information from external experts if the performance of its duties so requires. This was not used in the year under review. In addition, the SB consults internal experts and obtains information internally by attending discussions between the Managing Board and the Works Council.

External auditor

Like the internal auditor, the external auditor (EY) attended all meetings of the Audit Committee and the Risk Committee in 2023. The external auditor also attended the March meeting of the Supervisory Board at which the annual accounts were discussed. The Audit Committee held two separate meetings with the external auditor in 2023. As in 2022, EY audited the bank's financial statements in 2023.

CONTROLLED AND ETHICAL CONDUCT OF BUSINESS

We ensure controlled and sound business operations in the following ways.

Long-term value creation

Sustainable long-term value creation is embedded in the strategy of 'the sustainable water bank'. More information on this strategy and its implementation in 2023 can be found in the **Strategy and value creation** section.

Risk policy

The policy on the management of financial and non-financial risks and its application in 2023 can be found in the **Risk management** section.

Conduct and culture

The organisation has grown rapidly over the past year. As a result, in 2023 we were committed to spreading, strengthening and experiencing our culture of openness, connection and collaboration. The 'vision quadrant' is the foundation on which we build when it comes to topics such as leadership, diversity and inclusion, development and safety. In this way, we enable our employees to work together to achieve NWB Bank's mission: to invest together in a water-conscious and sustainable society.

A management development programme was launched for managers in 2023. In addition, the Managing Board and employees enjoyed participating in the successful second edition of the 'NWB Bank Together Days'. These two days focused on dialogue and experience with the vision quadrant. The vision quadrant makes it clear who we are as NWB Bank, what we stand for and where we want to go. We have also focused a great deal on internal communication, and this, together with the organisation of a series of town hall meetings, has helped to ensure that all employees are aware of the bank's goals and results.

Banking oath and rules of conduct

All our employees take the banking oath upon commencement of employment. External advisers working for the bank for more than three months also take the banking oath. Taking and signing the banking oath subjects them to the disciplinary rules of the banking sector. The banking oath is integrated into the bank's rules of conduct. This Code of Conduct was updated in 2023 in a joint effort by HR and Compliance. Among other things, the bank's vision quadrant was incorporated into the document. The new Code of Conduct was approved by the Works Council at the beginning of 2024 and then given final approval by the Managing Board. The new Code of Conduct has since been communicated to all colleagues within the bank.

Compliance and integrity

In line with the Three Lines of Defence-model, where each line has a specific role and responsibilities, the bank has placed the compliance function in the second line. The Compliance department's responsibilities are set out in the Compliance Charter, which we update annually. The compliance function focuses on promoting and enforcing compliance with laws, regulations, internal procedures and codes of conduct that are relevant to the integrity and reputation of the organisation. Compliance acts independently and is not involved in the execution of front-line activities. Organisationally, the Compliance department reports to the chief risk officer and has a direct reporting line to the Managing Board/Executive Committee and an escalation line to the Supervisory Board. Compliance reports regularly to the Risk Committee.

A thorough Systematic Integrity Risk Analysis (SIRA) process was carried out again in 2023. The results of the analysis provide a clear and detailed insight into the integrity risks to which the organisation may be exposed. This enables the Managing Board/Executive Committee and the Supervisory Board to focus on the management of integrity risks within the bank. Managers and their relevant team members have been and continue to be closely involved in the implementation of the SIRA.

A further strengthening of 'control monitoring & testing' activities was implemented in 2023. This involves the periodic monitoring and testing of key control measures for compliance risks, such as Customer Due Diligence (CDD). These short monitoring and testing cycles show how effectively controls are being applied and where improvements can be made. The results are also used in the SIRA to assess the extent to which identified integrity risks are controlled.

Compliance updated the Customer Due Diligence (CDD) policy in 2023. It also updated the whistle-blower policy in response to the Whistle-blower Protection Act, which came into force in 2023. Compliance also monitored the bank's insider regulations.

As in previous years, Compliance provided internal training in 2023 on various topics, including CDD and transaction monitoring. During Integrity Week, an integrity show was organised to which all the bank's colleagues were invited. Colleagues from Public Finance, Specialised Finance and Treasury, as well as the Managing Board, also participated in an e-learning session on market abuse. A training course called 'Getting to grips with regulations' was organised for colleagues from various departments who have to deal with with laws and regulations in their day-to-day work, and Compliance organised onboarding sessions for new colleagues at the bank with Operational Risk Management. Of course, sufficient attention was also paid to the training of the Compliance team members themselves.

Disclosure of conflicts of interest

The members of the Supervisory Board and the Managing Board have disclosed all their relevant outside activities to the bank. These are disclosed elsewhere in this report. In Supervisory Board discussions where there is a potential conflict of interest in relation to a Supervisory Board member's principal and/or secondary position, the Supervisory Board member concerned does not take part in the discussion or decision. Since the end of 2021, the reporting of potential conflicts of interest has been a standard agenda item at Supervisory Board and committee meetings. There were no reports of (potential) conflicts of interest in 2023.

Diversity and inclusion

As an employer, NWB Bank strives for a balanced composition of employees who complement each other because of the importance of 'diversity of thought' and avoiding tunnel vision. To underline this, we signed the SER Diversity at Work charter in 2023. In this way, we also communicate externally our commitment and the importance of a diverse and inclusive workplace.

The targets described above for the Managing Board/ Executive Committee and the Supervisory Board (at least 30% women and 30% men) also apply to the bank's senior management. In this group, we achieved the target in 2023, with 69% men and 31% women. We achieve this balance by giving preference to candidates who contribute to diversity and inclusion when filling vacancies of equal merit. For more information on our activities to promote a diverse, open and inclusive culture, please see the ESG Facts & Figures appendix [link].

Remuneration policy

The remuneration policy and its application in 2023 can be found in the **Remuneration report**.

RISK MANAGEMENT

Our strategy sets high demands on our risk management and internal controls. For this purpose, we use an organisation-wide approach. This chapter provides insights into our bank's risk taxonomy and how these risks may manifest themselves. The taxonomy is divided into financial risks, non-financial risks and other risks. We review this taxonomy annually based on workshops in the field of risk identification and materiality.

Financial risks include credit risk, interest rate risk, market risk and liquidity risk. The only non-financial risk is operational risk. Other risks include strategic risk, ESG risk (Environmental, Social and Governance) and reputational risk. We try to continuously improve our understanding and management of the risks.

CREDIT RISK

We define credit risk as the potential impact on earnings/capital due to a deterioration in the creditworthiness of debtors/counterparties. Our risk appetite for this risk is low.

Our policy is to maintain the very high creditworthiness of our loan portfolio. We grant loans to client groups in the Dutch public sector. This mainly concerns loans to (local) governments or loans guaranteed by them, both directly and indirectly. In addition to local governments, our clients are primarily housing associations, healthcare institutions, drinking water companies, renewable energy projects and we finance public-private partnership projects in which the government acts as a principal. We also grant loans to university medical centres and regional grid operators.

For our liquidity portfolio, we purchase bonds to a limited extend. These are interest-bearing securities including bonds issued by, or guaranteed by, Dutch authorities, bonds of international organisations and multilateral development banks and covered bonds of Dutch banks. We apply the same quality requirements to these bonds as we do to lending in the Dutch public sector. Finally, we enter into derivative transactions (currency and interest rate swaps) with banks and pension funds, which give rise to counterparty credit risk and CVA risk, which are hedged by collateral.

As in all previous years, we did not experience a credit loss in 2023. Due to both the public nature and related solvency of the vast majority of our bank's credit relationships, the credit risk of the loan portfolio is limited. This is also reflected in our robust capital ratios.

We use derivatives to manage interest rate and currency risk. To minimise the counterparty credit risk of these derivatives, we only transact with counterparties with at least a single-A rating. This applies if these derivatives are not centrally cleared. We have also put restrictions in place to diversify and maximise risk per counterparty in relation to derivatives.

CREDIT RISK CAN BE DIVIDED INTO THE FOLLOWING SUBTYPES

Subtype	Definition
Credit default risk	Possible impact on profit/capital due to debtors defaulting on their obligations.
Credit migration risk	Possible impact on profit/capital due to deterioration of creditworthiness based on internal/external ratings of debtors or guarantors.
Counterparty credit risk	Possible impact on profit/capital due to counterparties not fulfilling their obligations in derivative transactions.
CVA risk	Possible impact on profit/capital by mark-to-market losses in Credit Valuation Adjustments (CVA) on bilateral derivative transactions.
Settlement risk	Possible impact on profit/capital if, during the settlement of a transaction, the counterparty does not fulfil its obligations while the institution has fulfilled its obligations.
Credit concentration risk	Possible impact on profit/capital as a result of credit loss arising from a concentration of exposures on a small group of clients, a group of clients with similar default characteristics or financial assets with high levels of correlation.

We make agreements with counterparties within the framework of the International Swaps and Derivatives Association (ISDA). These agreements concern at least ISDA schedules, and CSAs for which, on the one hand, netting agreements are applicable, and on the other hand Credit Support Annexes (CSAs), by which the derivatives are hedged. For the most part, these CSAs are without any thresholds and with a daily exchange of mainly cash as collateral. The remaining counterparty risk relates mainly to an uncollateralised exposure of €120 million arising from long-term derivative contracts and related CSA. There is no longer any trading under this agreement, so the exposure will expire over time.

The sectors served by the bank are stable, with sustainability across the portfolio a common challenge. Worth noting are the challenging outlook in the healthcare sector and the current market conditions in the renewable energy market.

Renewable energy projects are performing well financially. Due to high energy prices, we see solid financial performance at the project level. However, major suppliers of wind turbine generators (WTGs) are facing significant financial challenges. The main reasons for this are 1) higher material costs, 2) supply chain issues, 3) increased interest costs, 4) slow decision-making in the awarding of new sites and 5) high price competition in tenders. We expect further consolidation in this market. At the debtor level, however, this is expected to have little or no impact on the bank.

The Dutch healthcare sector is facing major challenges. Demand for care is rising due to an ageing population. Unchanged policies make it very difficult to finance and maintain a high quality of care and create a high workload. More money alone will not solve the problems of care. The tight labour market and the affordability of care require reforms. The pressure on care is already widening inequalities. Operationally, the pressure on the care sector remains high, with record levels of absenteeism, staff shortages and the use of external staff. We are closely monitoring developments in the sector. With the exception of a few academic hospitals, we only finance health institutions with a full, unconditional and irrevocable guarantee from the Healthcare Sector Guarantee Fund (WfZ).

Sustainability is an increasingly important issue in the healthcare sector. With the new Green Deal for Sustainable Care, the sector is setting more concrete targets for stakeholders in the healthcare sector to work towards, the most important of which are the following:

- increase awareness and knowledge of the impact of healthcare on the climate and the environment;
- 55% less CO_2 emissions in 2030 compared to 2016 and climate neutrality by 2050;
- 50% reduction in the use of primary raw materials in 2030 compared to 2016 and maximum circularity in care by 2050;
- reduce the environmental impact of medicines (use), thereby reducing pharmaceutical residues in wastewater.

This Green Deal Sustainable Care 3.0 is valid from 2023 to 2026, and we decided to sign it in early 2024.

INTEREST RATE RISK

We define interest rate risk as the current or future risk to both earnings and the economic value of an institution stemming from adverse interest rate movements affecting interest rate-sensitive instruments. This risk is also referred to as Interest Rate Risk in the Banking Book (IRRBB). Our risk appetite for this risk is medium.

Risks due to fluctuations in interest rates arise from differences in the interest rates and maturity terms of funds lent and borrowed. We maintain a prudent policy with regard to these risks. We manage the interest rate risk by concluding interest rate derivatives for both the asset and liability sides of the balance sheet. In doing so, we commit ourselves to, at predetermined moments, exchange the difference between the fixed and variable interest rates, which are calculated on the basis of an agreed principal amount.

As a bank, we are prepared to take a strategic interest rate risk position, if this helps us to achieve a result aimed at realising the standard return on equity as agreed upon with our shareholders. This benchmark return on equity is based on the yield of a 10-year rolling investment in a 10-year Dutch government bond, plus a surcharge appropriate to NWB Bank's profile with a minimum of 3%. Our Fund Transfer Pricing model for pricing new lending is based on this benchmark return. The strategic interest rate position is determined on a quarterly basis, independent of any view on interest rates. The basis for calculating, monitoring and controlling interest rate risks sound policy, supplemented by a management system that takes into account the effective interest rate of the financial instruments. The Asset & Liability Committee (ALCO) determines the extent of the risks within the set frameworks. For management purposes, we use an interest rate gap analysis, risk measures such as (spread) DV01, Earnings at Risk and scenario analyses. We subsequently analyse the outcomes of positions taken using profit forecasts, interest margin analysis and performance analysis. This management information is also important for the decision-making processes and the monitoring by the ALCO.

Part of interest rate risk involves refinancing risk. This risk stems from one of the most important characteristics of a traditional banking business: maturity transformation. In our case, public sector clients mainly ask for funding with a relatively long maturity. This is related to the long-term investments they make. Although our bank is in a position to attract funding with long maturity as well, we do recognise the impact of

INTEREST RATE RISK IS SUBDIVIDED INTO THE FOLLOWING SUBTYPES

Subtype	Definition
Gap risk	The risk arising from the term structure of interest-rate-sensitive instruments due to differences in the timing of their interest rate changes; think, for example, of changes in the term structure of interest rates that occur consistently across the yield curve (parallel risk) or differ periodically (non-parallel risk).
Basis risk	The risk arising from relative changes in interest rates on interest-sensitive instruments that have similar maturities but are priced on the basis of different interest rate indices. Basis risk results from incomplete correlation in the matching of interest earned and paid on different interest rate-sensitive instruments, with otherwise similar characteristics with respect to interest rate changes.
Option risk	The risk arising from embedded and explicit options, where the institution or its client can change the level and timing of their cash flow. In particular, this relates to the risk arising from interest rate-sensitive instruments where the holder is almost certain to exercise the option when it is in their financial interest. It also relates to the risk arising from flexibility implicit in or provided by the terms and conditions of interest rate-sensitive instruments where changes in interest rates can lead to a change in the client's behaviour.
Credit spread risk from non-trading book activities (CSRBB)	The risk arising from changes in the market's perception of the price of credit risk, liquidity premium and possibly other components; consider changes leading to fluctuations in price that are not explained by IRRBB or expected default risk.
Refinancing risk	The risk that an increase in the refinancing costs of the liabilities when they become repayable is not offset by corresponding asset income.

a potential increase in the funding spread on interest income if there is a maturity mismatch between funding and lending, which may increase the funding spread (and its impact on interest income) when refinancing in the future. We apply a limit system for this, which is described in more detail in the financial statements.

MARKET RISK

We define market risk as the risk of losses in 'on' or 'off' balance sheet positions resulting from an adverse change in market prices. Our risk appetite for this risk is low.

MARKET RISK RECOGNISES THE FOLLOWING SUBTYPE

Subtype	Definition
FX risk	The possible impact on profit/capital due to changes in exchange rates.

Our policy is aimed at structurally covering exchange rate risks for both issued and withdrawn funds. Managing the currency risk only plays a role with the funds that we have attracted. Partly in light of diversifying our funding, we largely attract funds in foreign currencies. The resulting currency risks are immediately covered in full by currency swaps.

LIQUIDITY RISK

We define liquidity risk in terms of the potential impact on profit/capital if repayment obligations cannot be met. Our risk appetite for this risk is low.

LIQUIDITY RISK RECOGNISES THE FOLLOWING SUBTYPES

Subtype	Definition
Funding liquidity risk	The risk that we cannot meet our repayment obligations. This risk also explicitly covers liquidity concentration risk (e.g. concentration of liquidity sources), client withdrawal risk and liquidity risk arising from margin requirements (and movements therein).
Market liquidity risk	The risk of not being able to trade on the market at a reasonable price with immediate effect.

Our bank has an AAA/Aaa credit status, which is equal to that of the State of the Netherlands. With this credit status, we are more than able to meet current and future market liquidity needs under normal circumstances. These liquidity needs are almost entirely covered by the international money and capital markets and we do not attract deposits from retail clients. When raising funds, we take into account diversification across geographical markets, investors, currencies, funding programmes and instruments. In the unlikely event of a stagnation in the money and capital markets, we always have ample and sufficient opportunities to repay maturing bonds and to finance new loans. We have an ample liquidity buffer, including a liquidity portfolio consisting of interest-bearing securities, including bonds issued or guaranteed by the Dutch government, bonds issued by international organisations and multilateral development banks, and covered bonds issued by Dutch banks. In addition, a large part of our loan portfolio is eligible at De Nederlandsche Bank.

The failure of a number of banks in the United States has heightened liquidity risk concerns among regulators and others. Given our strong liquidity position, the impact is mainly concentrated on a new weekly reporting requirement. Tighter regulation in the future is a possibility.

OPERATIONAL RISK

We define operational risk as the risk of loss resulting from inadequate or failed processes, losses caused by people and systems or external events. Our risk appetite for this risk is low. Integrity risk is embedded in this risk.

OPERATIONAL RISK RECOGNISES THE FOLLOWING SUBTYPES

Subtype	Definition
Human capital risk	The risk of not being able to attract, develop, retain and appropriately reward competent employees, including talent to shape and build the bank's business.
Business continuity & physical security risk	The risk to the continuity of (critical) business processes or the safety of (people or assets in) business operations due to internal or external events (threats) such as accidents, malice, revenge, terrorism and the like or natural disasters.
Business operations / Transaction processing risk	The risk of inadequate, circumvented, incomplete, untimely or failing internal processes.
IT / Information security risk	The risk of disruption to (IT) business systems or applications due to inadequate or failing IT systems, processes or infrastructure.
Regulatory compliance risk	The risk of failing (intentionally or negligently) to comply in a timely manner with laws, regulations and other rules that apply to the bank, its business activities, employees and products or services.
Conduct risk	The risk arising from inadvertent or negligent failure to comply with professional obligations, conflicts of interest and/or improper business or market practices and/or improper governance structures and/or inappropriate, unethical or unlawful behaviour by management or employees (socially unacceptable behaviour).
Model risk	The risk of inappropriate decision-making, primarily based on model output, due to errors in the development, implementation or use of such models.
Financial crime risk	The risk of involvement in crimes related to money laundering, terrorist financing and sanctions evasion, corruption and bribery, tax integrity and market abuse (including insider trading). This risk often arises from a failure to comply with requirements to prevent and detect these crimes. Factors such as products, channels, clients, countries, employees and third parties can play a role in this risk.
Outsourcing and third party risk	The risk that an (important) outsourcing or third party will fail to meet its (contractual) obligations, including but not limited to operational (risk) management, adequate (digital) resilience and/or adequate security.
Legal risk	The risk that agreements, claims or disclosures could potentially result in damage to NWB Bank's brand and reputation, legal sanctions or liability resulting in financial loss.
Financial, regulatory reporting & tax risk	The risk of inaccuracies in the reported (financial, regulatory) information; the risk that the bank's (future) reported profits change without changing the (economic) value of NWB Bank; and the risk of not complying with tax laws in a timely and effective manner, resulting in fines (penalties), interest and legal costs imposed by the tax authorities on taxes arising from the bank's activities.

OPERATIONAL RISK RECOGNISES THE FOLLOWING SUBTYPES (CONTINUED)

Subtype	Definition
Data management risk	The risk of inappropriate decision-making based on inaccurate and/or incomplete data resulting from the failure to effectively and efficiently manage data, data quality and/or data knowledge throughout the data life cycle, including when data is obtained, created, processed, used, shared, accessed, retained and/or deleted.
Fraud risk	The risk arising from (1) acts of fraud, misappropriation of assets or circumvention of regulations, laws or company policies involving internal parties and/or third parties and/or (2) exceeding authority in entering into, authorising or failing to report a transaction or deliberately misrepresenting functions and/or (3) deliberate damage to systems (hardware and/or software) by internal personnel through acts or omissions, theft of data.

Integrity risk is included in operational risk and is embedded in the sub-risks of fraud, conduct (conflicts of interest and socially unacceptable behaviour) and financial crime (money laundering, terrorist financing, sanctions evasion, corruption and bribery, tax integrity and market abuse (including insider trading)).

As we aim to be a robust and sustainable public sector bank, our risk appetite for operational risk is low. Our internal organisation, processes and systems are designed to minimise operational incidents and associated losses.

The bank's operational risk management (ORM) is structured according to the Three Lines of Defence principle, with the first line responsible for controlling operational risks in our primary processes. The first line consists of Treasury, Public Finance, Specialised Finance, Back Office, ICT, Legal & Corporate Affairs, Finance & Control and HR. The second line supports the first line and monitors the effectiveness of risk management by setting frameworks, providing advice and monitoring. This second line consists of the Compliance and (Operational) Risk Management departments, which together report to the Non-Financial Risk Committee (NFRC) and, where appropriate, to the Managing Board/ Executive Committee and the Risk Committee of the Supervisory Board.

ORM and Compliance manage, among others, the following instruments:

- Risk control self-assessments: the first line conducts an annual self-assessment of risks and the effectiveness of processes and controls, including a systematic integrity risk analysis;
- Key-risk-indicators: for various sub-categories of operational risk, we have established indicators to assess our risk management;
- Incident register and reporting: we record incidents and report them to the Non-Financial Risk Committee, which discusses the incidents and any measures to prevent similar incidents;
- Administrative organisation and internal control (AO/ IC): we have defined the processes, risks and associated key controls in a risk and control framework and review them annually. The aim is to achieve continuous improvement and the first line is actively supported in this;
- Non-financial risk report: we provide an integrated non-financial risk report to the NFRC and the management team.

The third line is the Internal Audit Department (IAD), which has an independent role within the Bank. IAD assesses the management of first and second line risks associated with our business. The IAD also advises on the structure and implementation of risk management.

Fraud assessment

We assess fraud risk as part of the operational risk framework. This assessment takes place in the context of the Systematic Integrity Risk Analysis (SIRA) based on risk scenarios. This analysis takes place annually.

Product Approval and Review Process

The Product Approval and Review Process (PARP) is the procedure we undergo to decide whether to enter a new market, and/or to handle or distribute a certain new product, in terms of both our own business and risk levels, and those of our clients. We do not bring new products to market or enter new markets without carefully considering the risks and relevant aspects. Our Managing Board/Executive Committee is responsible for the proper functioning of this process. Each PARP is submitted to the Supervisory Board for information, and if there is a material impact on the bank's risk profile or result, it is submitted for approval. Based on the annual risk analysis, the IAD checks whether the process is effective and informs the Managing Board/Executive Committee and the Supervisory Board about the results.

Information provision

To prevent failures in the provision of information, we continuously invest in improving our systems. Key words here are security, integrity, manageability and continuity. With a well-organised infrastructure and ICT organisation, and an optimal security of ICT components, we want to limit the consequences of possible operational failures as much as possible. To this end, we have adequate service and maintenance contracts for all hardware and software in use, and our IT staff attends training activities and seminars, and we have contracts with external parties for back-up, recovery and fall-back options. In the event of an emergency, we have an external location at which we can continue our core activities. Our bank's information security policy has been drawn up in accordance with the Cybersecurity Framework van National Institute of Standards and Technology (NIST) and complies with the internationally recognised ISO-27002 code for information security of the Royal Netherlands Standardization Institute NEN.

We have a fully integrated and reliable Management Information System (MIS). We monitor, validate and reconcile the data quality of the MIS with the financial administration. To minimise operational risks, we have fully automated all internal and external reporting. Adjustments to the system landscape and information provision are approved by the Change Advisory Board and implemented via a controlled change process.

We have outsourced our payment traffic for clients, as well as the related supporting IT activities. This means that certain services take place outside the bank. Therefore, agreements have been made with service providers concerning management measures.

Compliance

We take our reputation as a solid bank with integrity seriously. Compliance and integrity are therefore important areas of attention within our bank. We want to leave our clients and investors feeling absolutely certain that they can use our services, or store their funds with us, safely and with peace of mind.

Supervisory Board members, members of the Managing Board and employees have taken the bank oath (which comes with related rules of conduct and disciplinary rules), in accordance with the official rules on oaths and commitments within the financial sector, as well as the Banking Code. We also have a **Code of Conduct (in Dutch)** that forms part of the employment contracts for our employees.

We have a second-line compliance function with two core tasks: promoting and monitoring compliance with laws and regulations (both internal and external), and promoting integrity. The compliance function reports directly to the chief risk officer and has direct access to the chair of the Supervisory Board.

Laws and regulations are increasing in both volume and complexity. And the number of rules and requirements set by regulators is also increasing. This increases the pressure on managing compliance risks. We have a regulatory team to identify developments in laws and regulations, share information about that and take appropriate measures. The compliance function plays a coordinating role within the regulatory team.

In recent years we have further strengthened the compliance function and optimised a number of processes, including Customer Due Diligence and transaction monitoring. This confirms how seriously we take compliance work.

Legal

Like any other banking organisation, we run legal risks. Our bank's fundamental aim is to provide solid, high-quality financial services. By using standard contracts wherever possible, we aim to limit the legal risks for both ourselves and our clients. To further reduce these risks, we have completely revised our loan documentation and drafted general credit terms and conditions. If necessary, we engage external advisors to address legal issues and assess transaction documentation.

STRATEGIC RISK

We define strategic risk as the risk of not achieving the strategic objectives we have formulated. Strategic risk may arise from the pursuit of inadequate objectives, making mistakes, under-implementation of decisions, inadequate allocation of resources or from failure to respond adequately to changes in the business environment. Our risk appetite for this risk is low.

The Managing Board and the Supervisory Board have formulated a number of strategic frameworks within which the bank must operate in order to create value for our clients, shareholders and other stakeholders. If necessary, the Managing Board/Executive Committee makes timely adjustments to our strategy. As a promotional bank dedicated to the Dutch public sector, it is important to respond proactively to the public sector's changing needs. If government policy regarding the financing of the Dutch public sector were to change, then that would also have an impact on us. We maintain continuous, constructive dialogue with our stakeholders on this issue. Finally, the rapidly changing legislation and regulations for financial institution is another important focus area. The Managing Board/Executive Committee is responsible for the management of strategic risks.

ESG RISK

ESG stands for Environmental, Social en Governance. We define ESG risk, including climate risk, as the risk that ESG factors negatively affect the strategic goals, the capital position and/or profit of our bank. The concept of double materiality is part of this definition, which means that we not only consider the impact of ESG risks on the bank, but also explicitly consider the impact of our lending on people and the environment, which in turn may have an impact on the bank. ESG factors manifest themselves in both financial and non-financial risks.

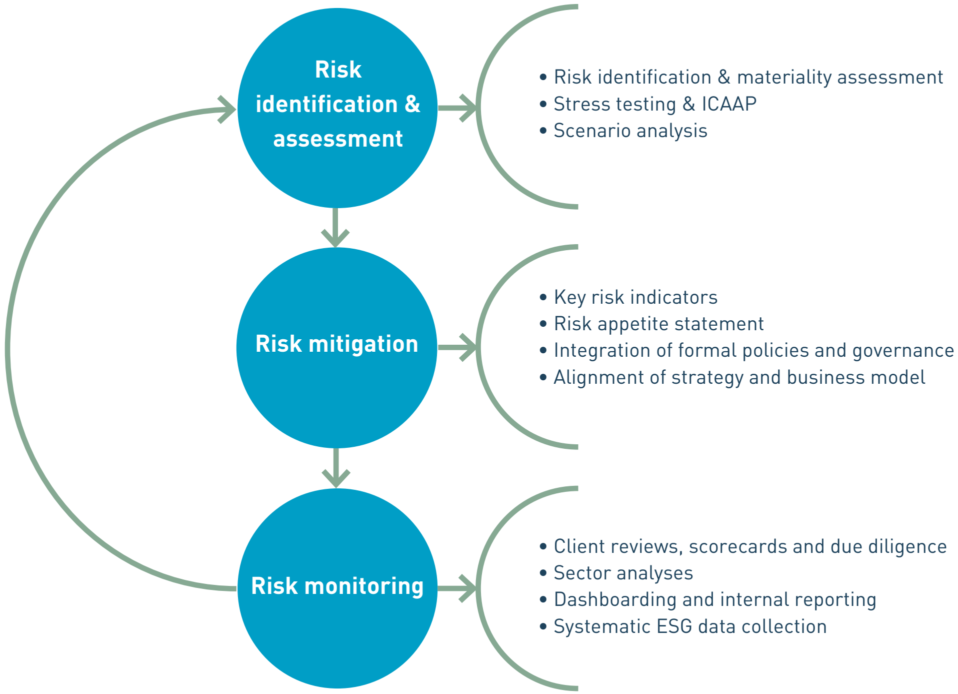
Governance

We embed all ESG risk management functions within the Three Lines of Defence-model. Responsibility for setting frameworks, policies and monitoring ESG risk management falls explicitly within the second line. The first line is responsible for analysis, customer due diligence and engagement, and monitoring of sustainability targets, reporting and disclosure. The third line conducts independent reviews and assessments.

Decision-making on ESG risks takes place at Managing Board/Executive Committee level and in existing committees, including the Credit Committee, the Asset & Liability Committee and the Non-Financial Risk Committee.

The Sustainability Advisory Board focuses on providing strategic advice on various sustainability issues. The bank-wide ESG Accelerator working group also acts as a think-tank and collaborative body to align cross-functional sustainability issues and ESG data needs.

ESG RISK MANAGEMENT CYCLE



Strategy

As *the* sustainable water bank, sustainability is in NWB Bank's DNA. By financing key sectors such as water authorities and drinking water companies, we have been contributing to climate adaptation and mitigation since our establishment 70 years ago. From a social perspective, our financing of housing associations contributes to the availability of affordable housing for Dutch society. In addition to the targets in the climate action plan, the bank's sustainability strategy is regularly reviewed, which in 2022 led to the formulation of our audacious goal: our loan portfolio will be energy positive by 2035, on our way to climate neutral by 2050. The bank's strategy which focuses at sustainability feeds directly into its ESG risk strategy, with the bank opting for a macroeconomic or systemic view and, for example, financing drinking water companies being seen as an important mitigation of climate risks for housing associations. In particular, ESG risk considerations are integrated into sustainability objectives through the formulation of key risk indicators for key sectors. Engagement with clients is essential in both the implementation of climate action plans and the mitigation of ESG risks.

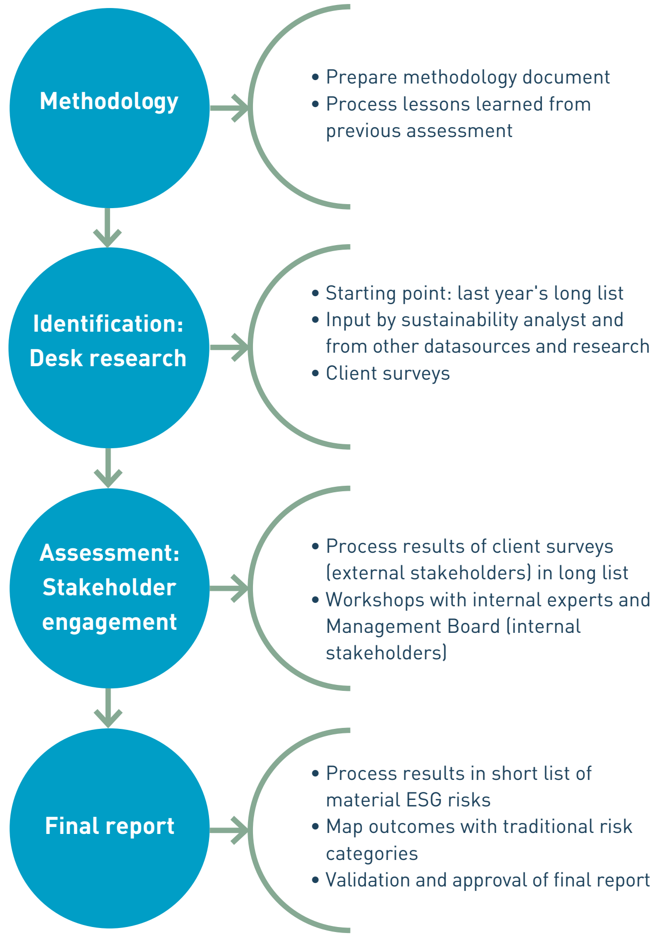
Risk management

The annual ESG risk management cycle starts with the ESG risk identification and materiality assessment (see figure below). In this process we identify the material ESG risks for the bank. Input is being used from academic sources, collected ESG data, clients (external stakeholders) and we organise workshops with internal experts. The assessment leads to the identification of material ESG risk factors (drivers) in the short, medium and long term, with a subsequent assessment of the impact on the bank's traditional risk categories through the so-called transmission channels. We foresee a material impact on strategic risk, operational risk, credit risk and interest rate risk.

Material ESG risk drivers, which we identify based on our ESG Risk Materiality Assessment (RMA), include short-term (<3 years) physical risks such as flood risk, drought, heat stress, more extreme weather conditions, and the quality and availability of drinking water. In terms of short-term transition risks, we have identified obligations related to property energy labelling, increasing energy demand, nitrogen emissions, WFD targets, and housing shortage and affordability. In the medium term (>3-10 years), we have identified physical risks such as drought, biodiversity loss, and the quality and availability of drinking water. Transition risks identified for the medium term include energy shortages, grid availability and surface water quality. For the long term (>10 years), we foresee physical risks including resource scarcity, drought and heat stress, biodiversity loss, the use and availability of land, the quality and availability of water, and extreme weather events. Transition risks identified by us for the long term include energy transition, an accessible and affordable healthcare system, affordable and available housing, labour shortages and the further regulation of the supply chain management of economic activities.

Material ESG risks are included in the double materiality analysis and further managed through the risk management cycle. A key part of this is the collection of ESG data, which we use to further quantify and monitor ESG risks. We further assess material ESG risks through quantitative stress testing (focused on the short term) and qualitative scenario analysis (focused on the medium and long term). We develop scenarios based on scientific reports from the Network for Greening the Financial System (NGFS), the Intergovernmental Panel on Climate Change (IPCC) and the Royal Netherlands Meteorological Institute (KNMI).

ESG RISK IDENTIFICATION & MATERIALITY ASSESSMENT



To monitor the above risk drivers, we have defined a set of ESG Key Risk Indicators (KRIs), which are reported and discussed in the various committees within the bank. The KRIs relate to the overall CO_2 reduction of the loan portfolio, energy labelling in the portfolios of housing associations, nature in municipalities and various targets set by the water authorities. The KRIs are assessed every year against the RMA and adjusted and/or expanded as necessary. The KRIs enable us to monitor our clients' performance and take action in the form of engagement where necessary. At the client level, we have incorporated ESG risks into the scorecards for the different client groups, where a credit risk score is determined for an individual client. In addition, potential ESG risks are explained and assessed in credit analyses and reviews.

REPUTATIONAL RISK

Reputational risk is the risk of damage to our bank's reputation resulting from an incident. Reputational risk can result from any kind of event, which means that this type of risk needs to be managed in the context of all other risks. Reputational risk may result in a loss of our ability to meet our (strategic) objectives because we no longer meet the expectations of our clients, regulators, rating agencies, investors or other stakeholders. Our Managing Board/Executive Committee is responsible for managing reputation risk. Our appetite for this risk is low as well.

RISK MANAGEMENT FRAMEWORK

We have set out how we have organised our risk management, also known as risk governance, in the risk management framework below. This framework brings together various elements that play a role in our bank's risk management.

Risk governance

Our strategy places high demands on risk management and internal controls. We apply an organisation-wide approach to risk management and control. The Managing Board/Executive Committee defines the risk management framework and, within this framework, the Asset & Liability Committee, Credit Committee and Non-Financial Risk Committee take decisions about the bank's risks. The Supervisory Board, and in particular its Risk Committee, evaluates the management of risks. This is an important part of its supervisory task.

Framework

Strategy

Risk Appetite Framework

Risk Governance
Risk Appetite Statement
Risk Materiality Assessment

Risk types

Strategic risk

Financial risk				Non-Financial risk
Credit risk	**Interest rate risk**	**Market risk**	**Liquidity risk**	**Operational risk**
- Credit default risk - Credit migration risk - Counterparty credit risk - CVA risk - Settlement risk - Credit concentration risk	- Gap risk - Basis risk - Option risk - Credit spread risk from non-trading book activities - Refinancing risk	- FX risk	- Funding liquidity risk - Market liquidity risk	- Human capital risk - Business continuity & physical security risk - Business operations/transaction processing risk - IT / Information security risk - Regulatory compliance risk
				Integrity risk - Conduct risk - Fraud risk - Financial crime risk
				- Outsourcing and third party risk - Legal risk - Financial, regulatory & tax risk - Data management risk

which interact with **ESG risk**

and/or could result in **Reputational risk**

Internal governance

Credit Committee	Asset & Liability Committee	NFR Committee	Model Committee
Credit Committee Charter	ALCO Charter	NFRC Charter	Model Committee Charter

Assessments

ICAAP	ILAAP	ICAAP & ILAAP
ICAAP & ILAAP Policy		ICAAP Policy

Recovery Plan	Business Continuity Plan
Recovery Playbook Recovery Runbook	

Risk assessments

We conduct two types of risk assessment.

Internal Capital Adequacy Assessment Process

The Internal Capital Adequacy Assessment Process (ICAAP) is used to determine minimum capital requirements. In this process, we assesses our bank's capital adequacy for each type of risk on a quarterly basis. It is therefore an important activity in the bank's capital management. Part of the ICAAP is to perform stress tests to assess the robustness of our capitalisation.

Internal Liquidity Adequacy Assessment Process

In the Internal Liquidity Adequacy Assessment Process (ILAAP), we internally assess the adequacy of the liquidity position and liquidity risk management. This determines our internal liquidity requirements.

Recovery Plan

Starting in 2024, we will update our Recovery Plan every two years and submit it to the European Central Bank and the Dutch Central Bank. This Recovery Plan sets out the measures a bank can take in a severe stress situation, and how it can recover afterwards. A key part of the Recovery Plan is the set of recovery triggers that may prompt the bank to take action. These recovery triggers are consistent with our risk appetite.

STATEMENT OF THE MANAGING BOARD

The Managing Board is responsible for establishing and maintaining adequate internal risk management and control systems within NWB Bank. The effective functioning of these systems is a constant focus of the Managing Board's attention.

The Annual Report provides sufficient insight into the functioning of the internal risk management and control systems and any deficiencies. These systems provide reasonable degree of certainty that the financial reporting does not contain material inaccuracies. It should be noted that any risk management and control system has inherent limitations and therefore cannot prevent all inaccuracies.

There are no material risks and uncertainties that are relevant to the expectation of the continuity of the bank for a period of 12 months after the report has been prepared. The Managing Board therefore considers that the going concern basis for the financial statements is appropriate.

The Managing Board declares that, to the best of its knowledge, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the bank. The Managing Board also declares that the Annual Report gives a true and fair view of the position of the bank on the balance sheet date and of the course of business during the financial year, and that the Annual Report describes the principal risks to which the bank is exposed.

The Hague, 21 March 2024

Managing Board
Lidwin van Velden
Ard van Eijl
Frenk van der Vliet

FINANCIAL STATEMENTS

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STATEMENT OF INCOME

for the year ending on 31 December 2023

(in millions of euros)	Note	**2023**	2022
Interest and similar income		7,071	2,799
Interest and similar expenses		6,810	2,497
Net interest income	1	**261**	**302**
Results from financial transactions	2	-16	-30
Other operating income		-	-
Total operating income		**245**	**272**
Employee benefits expense	3	23	17
Other administrative expenses	4	26	24
Employee benefits and other expenses		**49**	**41**
Depreciation, amortisation and value adjustments of tangible and intangible assets	5	4	4
Bank tax and resolution levy	6	18	28
Depreciation of receivables and provisions for liabilities included in the balance sheet	7	-	-
Total operating expenses		**71**	**73**
Profit from ordinary operations before tax		**174**	**199**
Tax on profit from ordinary operations	8	48	56
Net profit		**126**	**143**

BALANCE SHEET

as at 31 December 2023 before profit appropriation

(in millions of euros)	Note	**2023**	2022
Assets			
Cash, cash equivalents and deposits at the Central Bank	9	7,476	8,617
Banks	10	3,687	3,606
Loans and receivables	11	55,264	51,437
Interest-bearing securities	12	5,032	4,312
Intangible assets	13	10	8
Tangible assets	14	5	6
Other assets	15	57	42
Derivative assets	16	4,363	5,245
Prepayments	17	15	12
Total assets		**75,909**	**73,285**

(in millions of euros)	Note	**2023**	2022
Liabilities			
Banks	18	1,789	1,651
Funds entrusted	19	7,080	6,838
Debt securities	20	60,556	57,991
Other liabilities	21	34	48
Derivative liabilities	22	4,035	4,410
Income tax	23	7	7
Accruals	24	10	6
Provisions	25	12	13
		73,523	**70,964**
Subordinated debt	26	**326**	**326**
Paid-up and called-up share capital	27	7	7
Revaluation reserves	28	-	-
Other reserves	29	1,927	1,845
Unappropriated profit for the year	30	126	143
Equity		**2,060**	**1,995**
Total liabilities		**75,909**	**73,285**
Irrevocable commitments	31	4,726	4,819

STATEMENT OF COMPREHENSIVE INCOME

for the year ending on 31 December 2023

(in millions of euros)	Note	**2023**	2022
Net changes in the revaluation reserves	28	-	-
Net changes in other reserves (Changes in value as part of the pension provision before income tax)	29	-1	-
Income tax on income and expenses recognised directly in equity		-	-
Income and expenses recognised directly in equity		**-1**	**-**
Net profit		126	143
Comprehensive income		**125**	**143**

STATEMENT OF CHANGES IN EQUITY

for the year ending on 31 December 2023

(in millions of euros)	Paid-up share capital	Revaluation reserves	Other reserves	Unappropriated profit for the year	**Total**
As at 1 January 2021	**7**	**-**	**1,774**	**121**	**1,902**
Profit appropriation of previous year	-	-	121	-121	-
Dividend	-	-	-50	-	-50
Direct change in the value of equity	-	-	-	-	-
Profit for the year	-	-	-	143	143
As at 31 December 2021	**7**	**-**	**1,845**	**143**	**1,995**
As at 1 January 2022	**7**	**-**	**1,845**	**143**	**1,995**
Profit appropriation of previous year	-	-	143	-143	-
Dividend	-	-	-60	-	-60
Direct change in the value of equity	-	-	-1	-	-1
Profit for the year	-	-	-	126	126
As at 31 December 2022	**7**	**-**	**1,927**	**126**	**2,060**

STATEMENT OF CASH FLOWS

for the year ending on 31 December 2023

(in millions of euros)	Note	2023	2022
Profit before income tax		174	199
Adjusted for:			
Depreciation, amortisation and value adjustments of tangible and intangible assets		4	4
Unrealised change in the value of assets and liabilities for fair value hedge accounting		-28	-75
Change in bank loans and receivables not available on demand	10, 18	103	3,030
Change in public sector loans and receivables	11	-1,839	363
Change in Funds entrusted	19	348	-1,546
Change in other assets and liabilities		-354	4,144
Net cash flow from operating/banking activities		**-1,592**	**6,119**
Expenses related to additions to interest-bearing securities	12	-1,458	-1,685
Income related to sale and redemptions of interest-bearing securities	12	1,018	1,557
		-440	**-128**
Expenses related to additions to tangible assets	14	-1	-3
Income related to disposals of tangible assets	14	-	-
		-1	**-3**
Expenses related to additions to intangible assets	13	-5	-4
Net cash flow from investing activities		**-446**	**-135**

(in millions of euros)	Note	2023	2022
Income related to long-term debt securities issued	20	8,679	10,922
Expenses related to redemption of long-term debt securities	20	-8,301	-9,453
Income related to short-term debt securities issued	20	141,955	258,760
Expenses related to redemption of short-term debt securities	20	-141,549	-257,228
Income related to borrowed long-term loans Funds entrusted	19	233	200
Expenses related to redemption long-term loans Funds entrusted	19	-21	-103
Income related to borrowed long-term loans Banks	18	-	-
Expenses related to redemption long-term loans Banks	18	-41	-11,041
		955	**-7,943**
Expenses related to dividend paid	29	-60	-50
Net cash flow from financing activities		**895**	**-7,993**
Cash flow		**-1,143**	**-2,009**

(in millions of euros)	**2023**	2022
Cash and cash equivalents as at 1 January	8,619	10,628
Cash flow	-1,143	-2,009
Cash and cash equivalents as at 31 December	**7,476**	**8,619**

The cash and cash equivalents include deposits at the Central Bank and the current account balance at credit institutions. In 2023, the interest paid amounted to €7,033 million (2022: €2,380 million) and the interest received amounted to €7,252 million (2022: €2,533 million). These amounts are included under 'Other assets and liabilities' in the statement of cash flows. In 2023, the income tax paid amounted to €49.8 million (2022: €82.5 million) and the bank tax paid amounted to €13.1 million (2022: €18.6 million).

GENERAL NOTES TO THE FINANCIAL STATEMENTS

COMPANY INFORMATION

The 2023 financial statements of Nederlandse Waterschapsbank N.V. (hereinafter: NWB Bank, Chamber of Commerce no. 27049562) were prepared by the Managing Board and authorised for issue by the Supervisory Board on 21 March 2024 and will be submitted for approval to the Annual General Meeting of Shareholders on 4 April 2024.

NWB Bank is a public limited liability company under Dutch law located at Rooseveltplantsoen 3, 2517 KR in The Hague, the shares of which are owned by public authorities. The bank is an essential financial service provider in the Dutch public sector and the go-to financing partner for enhancing sustainability in the Netherlands. In addition to financing water authorities, municipalities and provincial authorities, it finances other public sector bodies such as housing associations, healthcare institutions, educational institutions, drinking water companies, Public-Private Partnership (PPP) projects and renewable energy projects.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

STATEMENT OF COMPLIANCE

The financial statements of NWB Bank have been prepared in accordance with the statutory requirements contained in Part 9, Book 2 of the Dutch Civil Code and the generally accepted accounting principles in the Netherlands (NL GAAP). NWB Bank has no participating interests and prepares company financial statements.

SUMMARY OF KEY ACCOUNTING POLICIES

General

The financial statements have been prepared on the basis of historical cost, with the exception of certain interest-bearing securities and derivatives. The specific interest-bearing securities and derivatives are stated at fair value. The costs and revenue are allocated to the period in which they were incurred or earned. The financial statements are presented in millions of euros, and all amounts in the ‘General notes to the financial statements’ are rounded to the nearest thousand (€000) unless stated otherwise.

The names of a number of items used in the Financial Statements Formats Decree have been replaced by names that better reflect the content, according to NWB Bank.

Continuity

The financial statements have been prepared on the basis of the going-concern assumption.

Recognition

An asset is recognised in the balance sheet if its future economic benefits are likely to flow to the company and the asset can be measured reliably. A debt is recognised in the balance sheet if it is likely that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

Financial assets and liabilities (except for the principal of loans) are recognised at the transaction date. This means a financial asset or financial liability is recognised in the balance sheet from the time the company is respectively entitled to the benefits or bound by the obligations arising from the contractual terms of the financial instrument. The principal of a loan is recognised at the settlement date.

Income is recognised in the statement of income when an increase in future economic benefit, which is related to an increase in an asset or a decrease in a debt, has arisen that can be measured reliably. Expenses are recognised in the statement of income when a decrease in future economic benefits related to a decrease in an asset or an increase in a debt has arisen that can be measured reliably.

Derecognition of financial assets and liabilities

An asset or debt presented in the balance sheet continues to be recognised when a transaction does not result in a significant change in the economic reality with respect to such an asset or debt. Likewise, such transactions should not be used to justify results.

A financial asset or debt (or, where applicable, part of a financial asset or part of a group of similar financial assets or liabilities) is derecognised when the transaction results in transferring to a third party all or almost all rights to receive economic rewards and all or almost all risks of the asset or debt.

Measurement

Upon initial recognition, financial assets and liabilities are stated at fair value, including or excluding, respectively, transaction costs directly attributable to the financial asset's or financial liability's acquisition or issue, except for transactions recorded at fair value and recognised through profit or loss. The transaction costs directly attributable to these balance sheet items are taken directly to profit or loss.

The fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, independent parties who are willing to enter into a transaction. If a relevant middle rate is available, it is used as the best indication of fair value. The fair value of most of NWB Bank's financial instruments cannot be established on the basis of a relevant middle rate because there is no listing or active market. NWB Bank calculates the fair value of these other financial instruments using models.

The models use various assumptions relating to the discount rate and the timing and the size of the projected future cash flows. Option pricing models have been used to calculate the fair value of options.

After initial recognition, financial assets are classified as loans and receivables, banks, interest-bearing securities or derivative assets. The interest-bearing securities held to maturity, other unlisted interest-bearing securities as well as banks are stated at amortised cost. Along with banks, other interest-bearing securities that are publicly unlisted are subsequently stated at amortised cost. Other interest-bearing securities and derivatives that are publicly listed are stated at fair value.

After initial recognition, financial liabilities are classified as banks, derivative liabilities, funds entrusted or debt securities. Banks, funds entrusted and debt securities are subsequently stated at amortised cost, and derivative liabilities are stated at fair value.

Provision for uncollectible receivables

NWB Bank makes use of the option to apply the 'expected loss impairment methodology' of IFRS 9. This impairment model applies to all exposures held under financial assets at amortised cost, interest-bearing securities with value changes stated at fair value recorded directly in equity, and irrevocable commitments and contracts concerning financial guarantees.

Under IFRS 9, these exposures are classified into three groups based on the different stages of credit risk.

Stage 1 includes exposures that show no significant change in credit risk since their initial recognition. A 12-month expected credit loss is recognised for this group, i.e. the expected credit loss based on the probability of default within 12 months of the reporting date.

Stage 2 includes exposures that show a significant increase in credit risk since initial recognition but have not yet defaulted. A lifetime expected credit loss is recognised for these exposures, taking into account any guarantees and received collateral. This concerns the expected shortfalls on the contractual cash flows for the remaining duration of the exposure, discounted at the effective interest rate.

Stage 3 includes exposures that are credit-impaired. A lifetime expected credit loss is recognised for these exposures, taking into account any guarantees and received collateral.

Due to exposures included in interest-bearing securities, the bank applies low credit risk exemption available under IFRS 9 to instruments that fall in the category of investment grade.

Hedge accounting

The bank uses financial instruments to hedge most interest rate and foreign exchange risks related to financial assets and liabilities. In terms of market value, value changes due to interest rate and foreign exchange fluctuations are offset. Under hedge accounting, the recognition of a hedging instrument and the accompanying hedged position can be synchronised insofar as the hedging is effective. Hedge accounting is only permitted if adequate documentation is in place and the requisite hedge effectiveness has been demonstrated. NWB Bank only uses derivatives as hedging instruments, and these are stated at fair value in the balance sheet. Together with the value changes in the hedged position related to the covered risk, value changes in the derivatives that are part of the fair value hedge are recorded in profit or loss as results from financial transactions.

NWB Bank applies two types of fair value hedge accounting: micro-hedging and macro-hedging. Micro-hedging relates to individual transactions that are included in an economic hedge relationship covering interest rate and foreign exchange risks. It involves a one-on-one relationship between the hedged instrument and the hedged item. Macro-hedging relates to a group of transactions that is hedged, for interest rate risk purposes, by using a group of derivative financial instruments. While there is not always a one-on-one relationship between the hedged item and the hedging instrument at an individual level, it is demonstrated at a portfolio level that the derivative financial instruments in question offset the fair value changes of the assets in question, respectively, caused by interest rate fluctuations.

Foreign currencies

Monetary assets and liabilities in foreign currencies are stated as euros at the middle rates at the balance sheet date (published by the ECB). The use of middle rates is connected to NWB Bank's policy, which states that all foreign currency positions are hedged individually, and which effectively causes the day-to-day flows of foreign currency funds to be virtually nil.

The balance of gains or losses arising from transactions in foreign currencies are translated at the rates prevailing on the transaction date. All currency translation differences of monetary assets and liabilities are recognised in profit or loss.

Currency swaps are used to hedge foreign exchange exposures on loans receivable and payable. These currency swaps are stated at the fair value of the instrument prevailing on the balance sheet date. The changes in value are recorded under 'Results from financial transactions'.

Cash, cash equivalents and deposits at the Central Bank

Cash, cash equivalents and deposits at the Central Bank are stated at amortised cost based on the effective interest method less a potential provision for uncollectibility.

Loans and receivables, and Banks

Loans and receivables, and banks are stated at amortised cost using the effective interest method, less a potential provision for uncollectible receivables.

Interest-bearing securities

Interest-bearing securities are primarily intended to be held for an indefinite period and may be sold to meet liquidity requirements or in response to changes in the issuer's risk profile. The interest-bearing securities are initially stated at fair value. For subsequent measurement, interest-bearing securities can be divided into the following two categories:

Interest-bearing securities held to maturity

Interest-bearing securities purchased with fixed or determinable payments, of which NWB Bank firmly intends to hold to maturity, and in respect of which it has the contractual and economic ability to do so, are stated at amortised cost using the effective interest method reduced by a potential provision for uncollectibility.

Other interest-bearing securities

Other unlisted interest-bearing securities are stated in line with the securities 'held to maturity'.

Other listed interest-bearing securities are stated at fair value. As long as the value change of an individual interest-bearing security is positive, it is recorded directly in equity until the time of realisation. Once the interest-bearing security in question is derecognised, the cumulative unrealised gain or loss on an individual asset that was recorded directly in equity is taken to profit or loss. Any cumulative decrease in value below cost is immediately taken to profit or loss. Any subsequent unrealised increase in value of the relevant interest-bearing security is taken to profit or loss if it is below amortised cost. Any increase in value above amortised cost is recorded in equity.

If interest-bearing securities are included in a fair value hedge relationship, the effective part of the hedge is recognised in profit and loss rather than equity.

Intangible assets

This item includes costs and expenditure related to computer software. After initial recognition, the intangible asset is recognised at cost less any accumulated amortisation and impairments. The useful life is considered to be five years and amortisation is straight line over the useful life. The amortisation period and amortisation method will be reviewed if there is cause to do so.

Tangible assets

Tangible fixed assets consist of property and equipment. Property and equipment are stated at acquisition price net of straight line depreciation. Depreciation of these assets is recognised in profit or loss over a given period, which corresponds with the expected useful lives of the assets concerned.

The annual depreciation rates are as follows:

Building	2.5%
Fixtures and installations	10%
Equipment, furniture and fittings, etc.	
• furniture and fittings	10%
• office equipment	20%
Computer equipment	20%
Cars	20%

Land is not depreciated.

An asset's residual value, useful life and measurement methods are reviewed and adjusted, if appropriate, on an annual basis.

Derivatives

A derivative is a financial instrument with the following three characteristics.

- The value changes as a result of changes in market factors, such as a certain interest rate, the price of a financial instrument, exchange rates, creditworthiness or other variables (the underlying value).
- No net initial investment or only a minor net initial investment is required in comparison with other types of contracts that respond in a similar way to changes in the market factors mentioned.
- It is settled at a future date.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into. Any discrepancies between a financial instrument's fair value and the value under the bank's measurement models are amortised over the instrument's term. Derivatives are subsequently remeasured at fair value including accrued interest. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in fair value on derivatives are recognised in profit or loss under the item results from financial transactions. Generally accepted measurement models are applied, based on the most appropriate valuation curves. A credit valuation adjustment and a debt valuation adjustment are also included in the measurement.

Embedded derivatives are measured separately if they meet the following characteristics.

- There is no close relationship between the economic characteristics and risks of the embedded derivative and those of the host contract.
- The host contract is not carried at fair value through profit or loss.
- A separate instrument having the same characteristics would be classified as a derivative.

Derivatives meeting these conditions are included in the balance sheet under the host contracts to which they belong and carried at fair value, with changes in value being taken to profit or loss. Contracts are assessed only when the transaction is effected, unless the terms of a contract change such that expected cash flows are significantly impacted.

Banks, funds entrusted, debt securities and subordinated debt

All loans under banks, funds entrusted, debt securities and subordinated debt are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans are subsequently stated at amortised cost using the effective interest method. Gains and losses are recognised in net interest income when the liabilities are derecognised.

Employee benefits and defined benefit plan obligations

Pursuant to Dutch Accounting Standard 271 on Employee Benefits, NWB Bank applies the IFRS-EU standard on pensions and other post-retirement benefits (IAS 19) in full. From 1 January 2020, active employees became part of a defined contribution plan. The pension plan for inactive employees concerns a defined benefit plan funded by premiums paid to an insurance company based on regular actuarial calculations.

A defined contribution pension plan is a scheme in which the employee's pension contribution (rather than the payment) is defined. The provision for defined benefit plans is the present value of the pension liabilities at the balance sheet date less the fair value of the plan assets. The defined benefit plan obligations are calculated annually by an independent actuary using the 'projected unit credit method'.

Netting of financial assets and financial liabilities

A financial asset and a financial liability are offset and reported on a net basis if there is a legally enforceable right to offset the recognised amounts and if there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue recognition

Revenue is recognised if it is probable that the economic benefits will flow to NWB Bank and the revenue can be reliably measured.

Net interest income

Interest income and expenses are recognised in the income statement using the effective interest method. The application of this method includes the amortisation of any discount or premium or other differences (including transaction costs and applicable commissions) between the initial carrying amount of an interest-bearing instrument and the amount at maturity, based on the effective interest method.

Income tax

Income tax is recognised as an expense at the same time as profit. Deferred tax assets and deferred tax liabilities are stated on an undiscounted basis.

Current tax assets and liabilities

Current tax assets and liabilities for the current and prior periods are stated at the amount expected to be recovered from or paid to the Dutch Tax and Customs Administration. The tax payable is calculated on the basis of current tax rates and tax laws.

Deferred tax assets and liabilities

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, if it is probable that taxable profit is available against which the deductible temporary differences can be offset, and the deductible temporary differences, carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on current tax rates and tax laws.

Deferred tax assets and liabilities are netted if a right to offset them exists.

Basis for preparation of the statement of cash flows

The statement of cash flows is presented in accordance with the indirect method, distinguishing between the cash flows from operating/banking, investing and financing activities.

Cash and cash equivalents represent assets that can be converted into cash without restriction, including the cash available as well as balances payable on demand at banks and central banks.

The changes in loans and receivables, funds entrusted and those based on banks are stated under cash flows from operating/banking activities, given the nature of the operations.

Investing activities include the purchase and sale and settlement of interest-bearing securities, as well as the purchase and sale of property and equipment. Long-term loans (terms > 1 year) and short-term loans (terms < 1 year) taken out and repaid are classified as a financing activity.

Segmented information

As the bank's organisation is not geared towards operations in different sectors, NWB Bank does not distinguish between operating segments in its assessment and decision-making about returns and the allocation of resources. Accordingly, no segment information is disclosed in these financial statements.

Significant assumptions and estimation uncertainties

The preparation of the financial statements requires that the Managing Board forms opinions and makes estimates and assumptions that have an impact on the application of accounting policies and the reported value of assets and liabilities and of income and expenses. The estimates and associated assumptions are based on past experience, market information and various other factors considered to be reasonable given the circumstances. The outcomes form the basis for the opinion on most of the carrying amounts of NWB Bank's assets and liabilities that cannot be easily established from other sources. The actual outcomes may differ from these estimates.

The estimates and underlying assumptions are reviewed regularly. Revisions of estimates are recognised in the period in which the estimate was revised if the revision only has consequences for that period, or in both the reporting period and future periods if the revision also has consequences for future periods.

Opinions formed by the Managing Board that could have a significant impact on the financial statements, and estimates containing a substantial risk of a material adjustment in a subsequent financial year, relate primarily to the measurement of financial assets and financial liabilities stated at fair value, especially to the measurement of derivatives, as well as impairments when applying the expected loss impairment methodology of IFRS 9.

NOTES ON THE STATEMENT OF INCOME

1 NET INTEREST INCOME

(in thousands of euros)	**2023**	2022
Interest income on cash, cash equivalents and deposits at the Central Bank, Banks and on loans and receivables at amortised cost	2,620,551	1,300,571
Interest income on interest-bearing securities	67,880	26,392
Derivatives	4,379,348	1,396,214
Commission	2,936	3,607
Negative interest expense	-	72,325
Interest income	**7,070,715**	**2,799,109**
Interest expense on banks, funds entrusted, hybrid capital and debt securities at amortised cost	2,010,031	1,096,006
Derivatives	4,792,324	1,375,739
Negative interest income	6,403	26,487
Interest expense	**6,808,758**	**2,498,232**
Net interest income	**261,957**	**300,877**

Interest income consists of interest income on loans and receivables, interest-bearing securities, cash, cash equivalents and deposits at the Central Bank, as well as interest-like commission, fees received for the early redemption of financial instruments to which no hedge accounting is applied, premiums and discounts. Premiums and discounts on loans and receivables not stated at fair value are recognised using the effective interest method, together with the relevant interest income.

Interest expense consists of interest expenses on liabilities, whether or not embodied in debt securities, and derivatives, as well as interest-like commission, fees paid for early redemption, premiums and discounts. Premiums and discounts on debts, whether or not embodied in debt securities, not stated at fair value are recognised using the effective interest method, together with the relevant interest expense.

Negative interest income concerns the negative interest on financial assets: cash and cash equivalents and deposits at the Central Bank, banks, and loans and receivables. Negative interest expense concerns the negative interest on financial liabilities banks, funds entrusted and debt securities. Negative interest expense for the comparative financial year 2022 includes interest on the TLTRO financing, which was repaid in November 2022.

2 RESULTS FROM FINANCIAL TRANSACTIONS

NWB Bank applies two types of fair value hedge accounting: micro-hedging and macro-hedging. Micro-hedging relates to individual transactions that are included in an economic hedge relationship covering interest rate and foreign exchange risks. It involves a one-on-one relationship between the hedged instrument and the hedged item. Macro-hedging relates to a group of transactions that is hedged, for interest rate risk purposes, by using a group of derivative financial instruments. While there is not always a one-on-one relationship between the hedged item and the hedging instrument at an individual level, it is demonstrated at a portfolio level that the derivative financial instruments in question offset the fair value changes caused by interest rate fluctuations.

The results from financial transactions can be broken down as follows:

(in thousands of euros)	**2023**	2022
Changes in the fair value of derivatives included in macro-hedge accounting	-1,858,745	17,831,333
Revaluation of financial assets and liabilities included in macro-hedge accounting	1,859,313	-17,839,645
Macro hedge accounting ineffectiveness	**568**	**-8,312**
Micro-hedge accounting ineffectiveness	-664	6,986
Total hedge accounting ineffectiveness	**-96**	**-1,326**
Other changes in the fair value of restructured derivatives included in hedge accounting	-35,581	-33,027
Changes in the fair value of derivatives not included in hedge accounting	-1,633	1,121
Change in counterparty credit risk (CVA/DVA)	19,125	-17,620
Results from maturity extensions and early redemptions	-1,589	20,736
Other fair value changes	3,421	-184
Total	**-16,353**	**-30,300**

The bank invests in pass-through NHG RMBS (Residential Mortgage-Backed Securities). The investments are hedged by interest rate derivatives. The bank uses fair value hedge accounting for this purpose. The result of this is included under the item 'Macro-hedge accounting ineffectiveness'.

The other changes in the fair value of restructured derivatives included in hedge accounting were due to the restructuring of the derivatives portfolio on several occasions in the past with a view on managing the interest rate risk position. As a result, the restructuring of the derivatives portfolio had a favourable effect on net interest income (due to lower interest expenses).

The change in counterparty credit risk (CVA/DVA) mainly relates to an uncollateralised exposure of €120 million arising from derivative contracts entered into and the related collateral agreement. The volatility of the financial result for this item is particularly sensitive to movements in the credit default swap (CDS) spread for this specific counterparty, with which no new transactions have been entered into for a long time.

The result on maturity extensions and prepayments relates to adjustments to loans at the request of clients.

The other fair value changes include changes in the fair value of financial instruments after the moment of purchase or sale, and entering into or terminating the hedge relationship, changes in the fair value of derivatives entered into as part of asset and liability management, premiums and fees received and paid upon the settlement of derivative contracts, realised revaluation gains on the sale of interest-bearing securities and commission.

NWB Bank borrows significant amounts in foreign currencies. The associated currency risks are immediately and fully hedged by currency swaps. As a result, the currency risk incurred by NWB Bank is nil.

3 EMPLOYEE BENEFIT EXPENSES

The number of employees expressed in full-time equivalents (FTEs), including the Managing Board, totalled 127.1 (2022: 103.7) at the end of the financial year. Three FTEs are statutory members of the Managing Board, 14 are managers and 110.1 are staff members (2022: 4 statutory members of the Managing Board, 13 members of the management team and 86.7 employees). The average number of FTEs (including the Managing Board) was 117.4 (2021: 96.5), and all staff members work in the Netherlands.

(in thousands of euros)	**2023**	2022
Wages and salaries	12,264	9,774
Pension costs	2,123	1,675
Other social security costs	1,496	1,040
Other staff costs	7,200	4,016
Total	**23,083**	**16,505**

Salary costs rose as a result of an increase in headcount during the year and index-linked negotiated wages plus annual increments. Other staff costs increased due to the higher cost of temporary staff.

The remuneration of the Managing Board, including regular pension costs and other specific components as shown in the table below, amounted to €1,516 thousand in 2023 (2022: €1,313 thousand). Melchior de Bruijne stepped down on 31 July 2023 and Ard van Eijl was appointed as a statutory member of the Managing Board on 14 April 2022.

(in thousands of euros)	Fixed remuneration	Pension contribution	Other	**Total**
2023				
Lidwin van Velden	306	45	68	419
Frenk van der Vliet	274	45	61	380
Melchior de Bruijne	151	22	197	370
Ard van Eijl	260	40	47	347
Total	**991**	**152**	**373**	**1,516**

(in thousands of euros)	Fixed remuneration	Pension contribution	Other	**Total**
2022				
Lidwin van Velden	293	41	66	400
Frenk van der Vliet	262	39	56	357
Melchior de Bruijne	249	35	38	322
Ard van Eijl	177	25	32	234
Total	**981**	**140**	**192**	**1,313**

The fixed remuneration comprises the fixed salary for 13 months as well as an 8% holiday allowance and an extra allowance of 11.1%.

The remaining benefits recorded under ‘other’ are specified as follows (in €):

Melchior de Bruijne received compensation of €175,000 upon his retirement as CFO.

An expense allowance: Lidwin van Velden, Frenk van der Vliet and Ard van Eijl received a taxed expense allowance of €3,000 and Melchior de Bruijne €1,000 (2022: €3,000 for Lidwin van Velden, Melchior de Bruijne and Frenk van der Vliet and €2,000 for Ard van Eijl).

A staff mortgage loan discount plan: in 2023, this taxed allowance amounted to €3,000 for Lidwin van Velden, nil for Frenk van der Vliet, €4,000 for Ard van Eijl and €3,000 for

Melchior de Bruijne (2022: €3,000 for Lidwin van Velden, €6,000 for Melchior de Bruijne, nil for Frenk van der Vliet and €2,000 for Ard van Eijl).

A contribution for the net pension scheme: in 2023, this taxed allowance amounted to €33,000 for Lidwin van Velden, €26,000 for Frenk van der Vliet and €17,000 for Ard van Eijl and €10,000 for Melchior de Bruijne (2022: €33,000 for Lidwin van Velden, €18,000 for Melchior de Bruijne, €23,000 for Frenk van der Vliet and €13,000 for Ard van Eijl). This employer contribution above the €128,810 cap (2022: €114,866) is based on an age-dependent, graduated scale for pensionable earnings. A 3% employee contribution is deducted from this.

Compensation for the harmonisation of the net pensions scheme as of 2015: in 2023, this taxed allowance amounted to €10,000 for Lidwin van Velden, €11,000 for Frenk van der Vliet and €3,000 for Ard van Eijl (2022: €9,000 for Lidwin van Velden, nil for Melchior de Bruijne, €11,000 for Frenk van der Vliet and €2,000 for Ard van Eijl).

Compensation has been allocated for non-contributory entitlements determined as at December 31, 2019. In 2023, this amounted to €14,000 for Lidwin van Velden, €9,000 for Frenk van der Vliet and €7,000 for Ard van Eijl and €6,000 for Melchior de Bruijne (2022: €14,000 for Lidwin van Velden, €9,000 for Melchior de Bruijne, €8,000 for Frenk van der Vliet and €5,000 for Ard van Eijl).

The flat-rate contribution for the car provided by the bank is based on the additional tax liability and amounts to €3,000 for Lidwin van Velden, €11,000 for Frenk van der Vliet and €1,000 for Melchior de Bruijne (2022: €3,000 for Lidwin van Velden, €11,000 for Frenk van der Vliet and €2,000 for Melchior de Bruijne). Ard van Eijl received a monetary contribution from the car scheme of €12,000 (2022: €9,000).

4 OTHER ADMINISTRATIVE EXPENSES

Other administrative expenses includes regulation and consultancy, accommodation, and office and general expenses. The administrative expenses can be broken down as follows:

(in thousands of euros)	**2023**	2022
Consultancy and regulatory fees	13,207	10,906
Information and communication	7,443	5,692
Other costs	5,549	7,115
Total	**26,199**	**23,713**

The increase in other administrative expenses is partly due to the necessary growth of the organisation. Among other things, the capacity for strengthening operational processes, credit analysis, embedding ESG in operational processes and IT management increased. We also continue to make ongoing investments in further digitalisation and process improvements, and the cost of maintenance contracts and licenses increased. We also regularly called on external consultants in connection with various projects. In addition, this item includes a contribution to the Water Innovation Fund of €0.1 million in 2023 (2022: €2.1 million).

The remuneration of seven Supervisory Board members (2022: seven) included in other expenses amounted to €213,000 (2022: €192,000).

Remuneration of the Supervisory Board members

(in thousands of euros)	**2023**	2022
Joanne Kellermann	46	42
Toon van der Klugt	31	25
André ten Damme	3	-
Frida van den Maagdenberg	31	25
Caroline Oosterloo	22	-
Annette Ottolini	31	25
Manfred Schepers	31	25
Lex van Overmeire	8	25
Petra van Hoeken	10	25
Total	**213**	**192**

The amounts stated above include travel allowances.

Auditor's fees

In the financial year, the following fees were recognised, as covered in Section 382a of Book 2 of the Dutch Civil Code. The costs of auditing the financial statements relate to the relevant financial year. The amounts stated include VAT.

(in thousands of euros)	**2023**	2022
Audit and regulatory fees	690	597
Other costs	294	314
Total	**984**	**911**

The auditor's costs relate to the relevant financial year regardless of whether the procedures were performed by the external auditor and the audit firm during the financial year. In addition to the statutory audit, the auditor performs several other assurance services. Those services comprise a review of interim financial information, a review of non-financial information as set out in this annual report and the procedures involved in reporting to the supervisory authority. Moreover, additional activities were included in the other audit engagements for the audit of specific projects.

5 DEPRECIATION

Depreciation consists of depreciation of the office building, fixtures and installations, installation costs, furniture and fittings, computer equipment and cars as disclosed in the note to the item tangible assets. The amortisation of intangible assets is also included in this item.

6 BANK TAX AND RESOLUTION LEVY

NWB Bank is liable for bank tax. The amounts for 2023 and 2022 are based on the balance sheet at year-end 2022 and 2021, respectively, and are charged to the profit for 2023 and 2022, respectively.

Bank tax is based on the ratio of current liabilities at the end of the previous financial year amounting to €17,650 million (2022: €14,909 million) and long-term liabilities for the previous financial year amounting to €53,640 million (2022: €79,208 million). In 2023, €13.1 million was paid in bank tax (2022: €18.6 million). This amount was lower than in 2022 due to a lower amount of long-term debt outstanding at the end of the financial year 2022.

Under the Bank Recovery and Resolution Directive (BRRD), the bank is required to pay a resolution levy. The levy for the year 2023 was paid to the Single Resolution Fund and amounted to €6.5 million (2022: €10.7 million). Of this amount, €1.5 million (2022: €1.6 million) was paid in the form of Irrevocable Payment Commitments (IPCs), and €5.0 million (2022: €9.1 million) was charged to the profit. The levy is notably lower due to a decrease in the target capital of the resolution fund.

7 DEPRECIATION OF RECEIVABLES AND PROVISIONS FOR LIABILITIES INCLUDED IN THE BALANCE SHEET

NWB Bank uses the option to apply the 'expected loss impairment methodology' of IFRS 9. This item can be summarised as follows:

(in thousands of euros)	2023	2022
Loans and receivables	104	491
Interest-bearing securities	5	-7
Total	**109**	**484**

A detailed explanation of the Expected Credit Loss can be found in **note 32**.

8 INCOME TAX EXPENSE

(in thousands of euros)	2023	2022
Profit before income tax (incl. extraordinary income)	174,025	199,520
Income tax at 25.8% resp. 25.8%	44,898	51,476
Non-deductible expenses relating to bank tax	3,373	4,802
Adjustments for previous financial years	-	45
Other non-deductible expenses and adjustments	-1	-33
Income tax expense	**48,270**	**56,290**
Effective tax burden (%)	27.7%	28.2%

The income tax burden can be broken down into current tax and deferred tax as follows:

(in thousands of euros)	2023	2022
Current tax	**49,905**	**57,795**
Changes previous years	-	45
Change in provision for pensions	95	35
Results from 'basisrentelening' loans deferred for tax purposes	-811	-811
Results from maturity extensions deferred for tax purposes previous years	-919	-1,059
Change in valuation of property in use by the bank	-	285
Deferred tax	**-1,635**	**-1,550**
Income tax expense	**48,270**	**56,290**

There is a minimum capital requirement for banks ('thin cap rule'). This thin cap rule limits the interest deduction for corporate income tax if the leverage ratio is lower than 9% (2022: 9%). For both the 2022 financial year and the 2023 financial year, the leverage ratio for the calculation of the thin cap rule exceeded 9% and therefore the charge on account of this is nil.

Mainly due to the non-deductibility of the bank tax, the effective tax rate is higher than the nominal rate of 25.8%.

NOTES ON THE BALANCE SHEET

9 CASH, CASH EQUIVALENTS AND DEPOSITS AT THE CENTRAL BANK

Cash, cash equivalents and deposits at the Central Bank consists of legal tender and on-demand and other balances at the Dutch Central Bank (De Nederlandsche Bank – DNB) and the European Central Bank (ECB).

10 BANKS

Banks mainly comprises collateral held under collateral arrangements related to derivative contracts, which is not at the bank's disposal.

This item can be broken down as follows:

(in thousands of euros)	**2023**	2022
Balances payable on demand	334	1,547
Receivables under collateral arrangements	3,560,264	3,461,097
Receivables guaranteed by the Dutch government	126,722	143,359
Total	**3,687,320**	**3,606,003**

11 LOANS AND RECEIVABLES

This item consists of loans and receivables, other than interest-bearing securities, from clients other than banks. The receivables, almost all of which relate to the Dutch public sector, are mostly long-term. Public sector loans and receivables are understood to include those to or guaranteed by Dutch public authorities, and to government-controlled public limited liability companies and other businesses or institutions with delegated government duties.

The movements in loans and receivables are shown below:

(in thousands of euros)	**2023**	2022
As at 1 January	**51,436,704**	**70,249,649**
Newly granted long-term loans	7,702,394	8,545,018
Newly granted short-term loans	1,868,767	3,114,807
Redemptions	-7,712,166	-11,805,175
Value adjustment for fair value hedge accounting	1,967,754	-18,668,086
Expected Credit Loss	104	491
As at 31 December	**55,263,557**	**51,436,704**

Breakdown of loans and receivables according to the nature of the receivable:

(in thousands of euros)	**2023**	2022
Receivables from or under guarantee by the Dutch government	52,791,912	51,203,835
Non-guaranteed receivables to the public sector and others	3,320,335	3,049,417
Receivables under collateral arrangements	-	-
Value adjustment for fair value hedge accounting	-848,249	-2,816,003
Expected Credit Loss	-441	-545
Total	**55,263,557**	**51,436,704**

Non-guaranteed receivables to the public sector concern receivables from the drinking water companies, Public-Private Partnership projects and renewable energy projects.

Receivables from or guaranteed by the Dutch government can be broken down as follows:

(in thousands of euros)	**2023**	2022
Water authorities	8,769,418	8,520,617
Municipalities	4,779,806	5,126,859
Social housing	35,063,696	33,472,022
Other	4,178,992	4,084,337
Total	**52,791,912**	**51,203,835**

A provision for uncollectibility is determined based on the Expected Credit Loss method of IFRS 9. This is explained in more detail in the 'Expected Credit Loss' section.

The collateral value of the portion of the loans and receivables portfolio contributed as collateral to DNB amounted to €13.8 billion at the end of 2023 (€15.7 billion at the end of 2022).

Of the loans and receivables, a nominal €1.5 billion has a remaining term to maturity of fewer than 12 months (2022: €1.2 billion).

12 INTEREST-BEARING SECURITIES

Interest-bearing securities can be broken down as follows:

(in thousands of euros)	**2023**	2022
Interest-bearing securities held to maturity	-	19,768
Other listed interest-bearing securities	786,939	685,733
Other unlisted interest-bearing securities	4,245,137	3,606,901
Total	**5,032,076**	**4,312,402**

The movements in interest-bearing securities in 2023 and 2022 were as follows:

(in thousands of euros)	Public sector bodies	Other	**Total**
As at 1 January 2023	**1,646,476**	**2,665,926**	**4,312,402**
Purchases	242,500	1,215,193	1,457,693
Sales and redemptions	-247,481	-770,300	-1,017,781
Value adjustments in Other interest-bearing securities	87,822	191,935	279,757
Expected Credit Loss	-	5	5
As at 31 December 2023	**1,729,317**	**3,302,759**	**5,032,076**
As at 1 January 2022	**2,363,052**	**2,396,683**	**4,759,735**
Purchases	386,960	1,297,911	1,684,871
Sales and redemptions	-847,488	-709,681	-1,557,169
Value adjustments in Other interest-bearing securities	-256,048	-318,980	-575,028
Expected Credit Loss	-	-7	-7
As at 31 December 2022	**1,646,476**	**2,665,926**	**4,312,402**

Part of the interest-bearing securities is the investment in senior notes of a pass-through NHG RMBS (Residential Mortgage-Backed Securities), in line with the third pillar of its strategy as a 'Financing partner to enhance sustainability in the Netherlands'. In 2023, the portfolio was further expanded through a new investment in the senior notes of a similar NHG RMBS. The underlying mortgages are designed to finance sustainable housing at significantly reduced rates. The bank thus aims to help reduce mortgage costs for for owners of homes with a National Mortgage Guarantee who want to make their homes more sustainable. The nominal €2,638 million (31 December 2022: €2,230 million) in total investment is included in the item 'Other unlisted interest-bearing securities'.

A provision for uncollectibility has been implemented based on the Expected Credit Loss methodology of IFRS 9. A further explanation is given in the 'Expected Credit Loss' section.

At the end of 2023 and 2022, no interest-bearing securities were pledged to DNB as collateral.

Of the interest-bearing securities, a nominal €160 million (2022: €268 million) has a remaining term to maturity of less than 12 months.

13 INTANGIBLE ASSETS

Intangible assets comprises capitalised expenses related to software. The breakdown of this item in 2023 and 2022 is as follows:

(in thousands of euros)	**2023**	2022
Carrying amount as at 1 January	**8,354**	**6,497**
Additions	4,907	4,458
Amortisation	-3,206	-2,601
Carrying amount as at 31 December	**10,055**	**8,354**

The cumulative amounts as of 31 December were as follows:

(in thousands of euros)	**2023**	2022
Additions	30,388	25,481
Amortisation	-20,333	-17,127
Carrying amount as at 31 December	**10,055**	**8,354**

14 TANGIBLE ASSETS

Tangible assets comprises capitalised expenses related to the office building and other equipment. Other equipment consists mainly of furniture and fittings, computer equipment and company cars.

In 2022 and 2023, (sustainability) investments were made in the property in use by the bank. The incurred expenditure in 2023 of €425 (2022: €2,300) has been capitalised.

The specification of this item's movements in 2023 and 2022 is as follows:

(in thousands of euros)	Property in use by the bank	Other equipment	**Total**
Carrying amount as at 1 January 2023	**3,843**	**1,813**	**5,656**
Additions 2023	425	188	613
Disposals 2023	-	-6	-6
Depreciation in 2023	-429	-670	-1,099
Carrying amount as at 31 December 2023	**3,839**	**1,325**	**5,164**
Carrying amount as at 1 January 2022	**1,820**	**2,045**	**3,865**
Additions 2022	2,300	475	2,775
Disposals 2022	-	-3	-3
Depreciation in 2022	-277	-704	-981
Carrying amount as at 31 December 2022	**3,843**	**1,813**	**5,656**

The cumulative amounts at the end of 2023 were as follows:

(in thousands of euros)	Property in use by the bank	Other equipment	**Total**
Additions	12,728	11,934	24,662
Depreciation	-8,889	-10,609	-19,498
Carrying amount as at 31 December 2023	**3,839**	**1,325**	**5,164**

The cumulative amounts at the end of 2022 were:

(in thousands of euros)	Property in use by the bank	Other equipment	**Total**
Additions	12,303	11,752	24,055
Depreciation	-8,460	-9,939	-18,399
Carrying amount as at 31 December 2022	**3,843**	**1,813**	**5,656**

15 OTHER ASSETS

Other assets mainly relates to amounts receivable and amounts to be settled, respectively, in connection with interest and repayments and payment transactions around the balance sheet date.

16 DERIVATIVE ASSETS

Derivative assets consists of interest rate swaps and currency swaps, caps, floors and swaptions. These products are carried at fair value, including accrued interest. Generally accepted valuation models are applied, based on the most appropriate valuation curves, including the OIS and €STR curves, which at year-end 2023 were at a higher level compared to year-end 2022. In the 2023 breakdown of derivatives below, derivatives totalling €295,935 (2022: €264,109) were not included in hedge accounting.

Breakdown by remaining term to maturity of fair values as at 31 December 2023 and 2022, respectively:

(in thousands of euros)	<3 months	3-12 months	1-5 years	>5 years	**Total**
2023					
Interest rate swaps	1,135	4,571	31,335	3,642,618	3,679,659
Currency swaps	6,234	24,827	74,966	377,739	483,766
Caps, floors and swaptions	-	-	1,237	198,641	199,878
Total 2023	**7,369**	**29,398**	**107,538**	**4,218,998**	**4,363,303**
2022					
Interest rate swaps	-	6,022	31,767	4,181,917	4,219,706
Currency swaps	387,858	9,868	99,687	318,926	816,339
Caps, floors and swaptions	-	-	247	208,268	208,515
Total 2022	**387,858**	**15,890**	**131,701**	**4,709,111**	**5,244,560**

17 PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income comprises prepaid amounts for costs related to the next accounting period(s). This item also comprises the unbilled amounts to be received regarding income recognised in the current or previous accounting period(s). Finally, this item includes collateral deposited with the Single Resolution Board (SRB) in the form of IPCs in the amount of €9.2 million (2022: €7.7 million).

18 BANKS

Banks comprises liabilities, other than embedded debt securities, due to domestic and foreign banks. This item can be broken down as follows:

(in thousands of euros)	**2023**	2022
Loans taken out at banks	1,441,042	880,154
Value adjustment for fair value hedge accounting	-74,062	-106,213
Liabilities under collateral arrangements	422,025	877,344
Exposure Central Clearing	-	-
Total	**1,789,005**	**1,651,285**
Movement in long-term loans taken out at banks:		
As at 1 January	880,154	11,772,810
Loans taken out at banks	-	-
Redemptions, accruals and currency revaluations	-41,597	-10,892,656
As at 31 December	**838,557**	**880,154**

The collateral included in this item concerns collateral held under collateral arrangements related to derivative contracts.

The Exposure Central Clearing item comprises the balance of the daily offset of the derivatives against the collateral received or paid with central counterparties.

19 FUNDS ENTRUSTED

Funds entrusted consists of liabilities due to parties other than banks, including 'Namensschuldverschreibungen' and 'Schuldscheine'.

This item can be broken down as follows:

(in thousands of euros)	**2023**	2022
Funds entrusted short term	2,326,681	2,553,418
Funds entrusted long term	5,167,247	4,949,364
Value adjustments for fair value hedge accounting	-413,510	-664,600
Total	**7,080,418**	**6,838,182**
Movement in long-term Funds entrusted:		
As at 1 January	4,949,364	4,949,364
Funds entrusted long term	233,120	200,000
Redemptions, accruals and currency revaluations	-15,237	-200,000
As at 31 December	**5,167,247**	**4,949,364**

20 DEBT SECURITIES

The Debt securities item consists of negotiable interest-bearing debt instruments and can be broken down as follows:

(in thousands of euros)	**2023**	2022
Bond loans	61,113,140	61,303,002
Short-term debt securities	5,488,278	4,914,724
Value adjustment for fair value hedge accounting	-6,045,835	-8,226,631
Carrying amount as at 31 December	**60,555,583**	**57,991,095**
Movement in bond loans:		
As at 1 January	61,303,002	61,303,002
Bond loans	8,678,742	10,921,875
Redemptions, accruals and currency revaluations	-8,868,604	-10,921,875
As at 31 December	**61,113,140**	**61,303,002**

Of the total amount in long-term debt securities issued, a nominal €0.5 billion (2022: €0.6 billion) carries a variable interest rate. Of the long-term debt securities, a nominal €9.1 billion (2022: €8.6 billion) has a remaining term to maturity of less than 12 months.

As part of NWB Bank's sustainability strategy, NWB Bank funds itself (partly) with Environmental, Social and Governance (ESG) bonds. The ESG bonds consist of SDG Housing Bonds to finance social housing in the Netherlands and Water Bonds to finance water authorities.These ESG bonds amounted to €23.2 billion at year-end 2023 in nominal terms (2022: €22.9 billion).

21 OTHER LIABILITIES

The Other liabilities item can be broken down as follows:

(in thousands of euros)	**2023**	2022
Prepaid interest and redemptions	31,574	3,218
Other liabilities	1,989	44,336
Total	**33,563**	**47,554**

The other liabilities for 2023 and 2022 relate to accrued payment transactions.

22 DERIVATIVE LIABILITIES

The Derivative liabilities item consists of interest rate swaps and currency swaps, caps, floors and swaptions. These products are carried at fair value, including accrued interest. Generally accepted valuation models are applied, based on the most appropriate valuation curves, which at year-end 2023 were at a higher level compared to year-end 2022. In the 2023 breakdown of derivatives below, derivatives totalling €119,579 (2022: €16,868) were not included in hedge accounting.

Breakdown by remaining term to maturity of negative fair values as at 31 December 2023 and 2022 respectively:

(in thousands of euros)	<3 months	3-12 months	1-5 years	>5 years	**Total**
2023					
Interest rate swaps	1,674	67	36,551	2,639,797	2,678,089
Currency swaps	50,442	156,942	553,033	398,094	1,158,511
Caps, floors and swaptions	-	-	1,052	197,224	198,276
Total 2023	**52,116**	**157,009**	**590,636**	**3,235,115**	**4,034,876**
2022					
Interest rate swaps	3,971	6,180	28,711	2,754,195	2,793,057
Currency swaps	221,210	82,045	599,066	507,243	1,409,564
Caps, floors and swaptions	-	-	-	207,499	207,499
Total 2022	**225,181**	**88,225**	**627,777**	**3,468,937**	**4,410,120**

23 INCOME TAX

Income tax payable in 2023 and 2022 can be broken down as follows:

(in thousands of euros)	**2023**	2022
Current tax expense	49,905	57,795
Advances paid	-42,995	-51,247
Total income tax payable	**6,910**	**6,548**

24 ACCRUALS AND DEFERRED INCOME

The Accruals and deferred income item comprises advance receipts for income attributable to the next accounting period(s) as well as uninvoiced amounts payable regarding expenses attributable to the past accounting period(s).

25 PROVISIONS

The Provisions item comprises a provision for deferred taxes and a pension provision.

Deferred taxes provision

The movements in deferred tax liabilities are as follows:

(in thousands of euros)	**2023**	2022
As at 1 January	10,753	12,438
Change in provision for pensions	-119	-104
Change as a result of (unrealised) gains and losses of interest-bearing securities at fair value through OCI	-4	4
Change in valuation of property in use by the bank	-	285
Results from 'basisrentelening' loans deferred for tax purposes	-811	-811
Results from maturity extensions deferred for tax purposes previous years	-919	-1,059
Adjustment to income tax rate in coming years	-	-
As at 31 December	**8,900**	**10,753**

Pension provision

The movements in the pension provision are as follows:

(in thousands of euros)	**2023**	2022
Interest cost	786	337
Expected return on plan assets	-702	-315
Administrative and other costs	5	5
Employee benefits expenses	**89**	**27**

(in thousands of euros)	**2023**	2022
Expected return on plan assets	26,113	25,019
Administrative and other costs	-22,964	-22,331
Employee benefits expenses	**3,149**	**2,688**

(in thousands of euros)	**2023**	2022
Opening balance defined benefit obligation	**25,019**	**34,169**
Interest cost	786	337
Benefits paid	-916	-868
Gain (loss) caused by demographic changes (in assumptions)	340	261
Gain (loss) caused by financial changes (in assumptions)	884	-8,880
Closing balance defined benefit obligation	**26,113**	**25,019**

(in thousands of euros)	2023	2022
Opening balance fair value of plan assets	**22,331**	**31,886**
Employer contributions	456	163
Benefits paid	-916	-868
Interest income	702	315
Return excluding interest income	391	-9,165
Fair value of plan assets as at 31 December	**22,964**	**22,331**

The provision respects the accrued entitlements of all participants up to and including 2019 (in 2019, the benefit pension plan for active employees changed from a defined benefit plan to a defined contribution plan) and the indexation of pension benefits for non-active employees.

The projected employer contributions for 2024 to the defined benefit plans at the end of 2023 amount to €200,000 for non-active employees (2022: €163,000).

The key assumptions used in determining the provision for pension plan obligations are as follows:

	2023	2022
Discount rate	3.00%	3.20%
Future indexation inactives	1.00%	1.00%

26 SUBORDINATED DEBT

Given the leverage ratio requirements implemented by the regulatory authority at the time, the bank began raising hybrid capital (in the form of subordinated loans) in 2015. The initial tranche of €200 million was issued in September 2015. The loans are intended to boost NWB Bank's Tier 1 capital. The second tranche of €120.5 million was issued in 2016. No new hybrid capital was raised since then.

The hybrid capital was provided by Dutch public sector parties and is subordinated to receivables from creditors with a higher order of priority than ordinary shares. In addition, the hybrid capital is perpetual and does not have a fixed repayment date. Early redemption is subject to the consent of the regulatory authority on dates agreed in advance or in specific situations. The interest rate is between 2.0% and 4.025% for the period until the next early redemption date and will be subsequently reset provided no early redemptions have been made. Interest payments by the bank are entirely discretionary. If the Tier 1 core capital ratio falls below a specified minimum (11.25% for the €50 million tranche and 5.125% for the other tranches), the notional principal amount of these and all similar loans will be reduced to bring the Tier 1 core capital ratio back above the specified minimum.

The movements in subordinated debt are set out below:

(in thousands of euros)	2023	2022
As at 1 January	**325,845**	**325,977**
Subordinated debt issued	-	-
Change in accrued interest and premium	-142	-132
As at 31 December	**325,703**	**325,845**

27 PAID-UP AND CALLED-UP SHARE CAPITAL

Paid-up and called-up share capital consists of:

A shares

These shares have a nominal value of €115, of which 100% was required to be paid up. Each A share carries one vote at a shareholders meeting.

B shares

These shares have a nominal value of €460, of which 25% was required to be paid up. Under the Articles of Association, the Supervisory Board may call for further payments to be made. Each B share carries four votes at a shareholders meeting.

BREAKDOWN AT YEAR-END 2023:

(in thousands of euros)	Issued	Paid up
A shares		
As at 31 December 2023 (50,478 shares)	5,805	5,805
B shares		
As at 31 December 2023 (8,511 shares)	3,915	1,019
Of which unpaid (8,510 shares)	-2,896	
Total paid up as at 31 December 2023		**6,824**
Total paid up as at 31 December 2022		6,824

28 REVALUATION RESERVES

The movements in Interest-bearing securities in 2023 and 2022 are as follows:

(in thousands of euros)	Revaluation reserve interest-bearing securities	Other revaluation reserves	**Total**
Movements 2023:			
As at 1 January 2023	**34**	**2**	**36**
Changes in the (unrealised) value of interest-bearing securities	-11	-	-11
As at 31 December 2023	**23**	**2**	**25**
Movements 2021:			
As at 1 January 2022	**23**	**2**	**25**
Changes in the (unrealised) value of interest-bearing securities	11	-	11
As at 31 December 2022	**34**	**2**	**36**

29 OTHER RESERVES

The movements in Other reserves are as follows:

(in thousands of euros)	**Total**
Movements 2023:	
As at 1 January 2023	**1,844,886**
Appropriation of 2022 profit	143,230
Distribution for 2022	-60,000
Changes in value as part of the pension provision	-615
As at 31 December 2023	**1,927,501**
Movements 2022:	
As at 1 January 2022	**1,773,825**
Appropriation of 2021 profit	121,462
Distribution for 2021	-50,000
Changes in value as part of the pension provision	-401
As at 31 December 2022	**1,844,886**

30 UNAPPROPRIATED PROFIT FOR THE YEAR

The balance sheet is presented before profit distribution. The proposed profit distribution is as follows:

(in thousands of euros)		**2023**		2022
Profit for the year		**125,755**		**143,230**
The proposed profit appropriation is as follows:				
Cash dividends on A shares	879%	51,042	879%	51,042
Cash dividends on B shares	879%	8,958	879%	8,958
		60,000		**60,000**
Added to the reserves on the approval of the Supervisory Board		65,755		83,230
		125,755		**143,230**

31 IRREVOCABLE COMMITMENTS

The Irrevocable commitments relate to:

(in thousands of euros)	**2023**	2022
Loans granted but not yet paid	1,142,532	1,418,885
Committed purchase of interest-bearing securities	-	-
Unused current account overdraft facilities	801,550	712,401
Unused financing facilities	2,770,186	2,677,602
Guarantees issued	2,461	2,751
Irrevocable Payment Commitments (IPCs) to the SRB	9,193	7,730
	4,725,922	**4,819,369**

The unused current account overdraft facilities have a short maturity (less than or equal to one year). The other items have a long maturity (more than one year).

NWB Bank entered into back-stop liquidity facilities (*WSW obligo loans*) for in total €995 million (2022: €960 million) with 147 housing associations under a Social Housing Guarantee Fund (WSW) guarantee and are included under Unused financing facilities. Under these facilities, drawdowns are only permitted under specific circumstances.

NWB Bank has exercised its option to pay a portion of the contribution to the SRB in the form of IPCs. This amount is subject to a contingent liability, which is included in this item. The Bank has deposited cash collateral in the same amount as the liability, which is included in the item accrued income.

OTHER NOTES TO THE FINANCIAL STATEMENTS

32 EXPECTED CREDIT LOSS (ECL)

NWB Bank uses the option to apply the 'expected loss impairment methodology' of IFRS 9. Under IFRS 9, NWB Bank recognises a provision for expected credit loss (ECL) for each client with a credit facility. A provision is also taken for expected losses on loan commitments and financial guarantee contracts, so-called off-balance sheet positions. It should be noted that the majority of the bank's exposures are guaranteed by the government. As a result, there is limited credit risk.

The ECL methodology used by the bank consists of a scoring and rating model, a macro-economic model, models for Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), and scenarios (macro-economic forecasts). Each of these components is used to calculate the final ECL provision.

The table below depicts the course of the ECL in 2023 and 2022:

(in thousands of euros)	As per 31 December 2022	2023	As per 31 December 2023
Loans and receivables	-545	104	-441
Interest-bearing securities	-14	5	-9
Total	**-559**	**109**	**-450**

(in thousands of euros)	As per 31 December 2021	2022	As per 31 December 2022
Loans and receivables	-1,036	491	-545
Interest-bearing securities	-7	-7	-14
Total	**-1,043**	**484**	**-559**

Broken down by cause, the summary of movements is as follows:

(in thousands of euros)	2023	2022
Total as at 1 January	**-559**	**-1,043**
Update macro-economic projections	43	-50
Adjustments credit risk scores	66	534
Total as at 31 December	**-450**	**-559**

The breakdown of ECL recognised in the statement of income for the financial year is as follows:

	From 01-01-2023 to 31-12-2023			
(in thousands of euros)	Stage 1	Stage 2	Stage 3	Total
Mutation ECL in P&L				
- Increase through new loans and loans taken over	62	-	-	62
- Decrease through redemptions	-2	-	-	-2
- Changes by credit risk (net)	-248	79	-	-169
Total	**-188**	**79**	**-**	**-109**

	From 01-01-2022 to 31-12-2022			
(in thousands of euros)	Stage 1	Stage 2	Stage 3	Total
Mutation ECL in P&L				
- Increase through new loans and loans taken over	43	-	-	43
- Decrease through redemptions	-14	-3	-	-17
- Changes by credit risk (net)	-3	-507	-	-510
Total	**26**	**-510**	**-**	**-484**

On balance, the ECL provision decreased at the end of 2023 compared to the end of 2022, mainly due to credit reviews that resulted in an improvement in the credit risk score (CRS) for a number of clients, resulting in a move from Tier 2 to Tier 1. In addition, the bank reassessed the macroeconomic parameters in the ECL model and incorporated the latest Netherlands Bureau for Economic Policy Analysis (CPB) figures. Given the ongoing economic uncertainty, the higher weighting of the downside scenario in 2022 was maintained. The update of macroeconomic parameters had a limited impact.

Finally, the CRS override of +2 for the healthcare sector was no longer applied at the end of 2023. The override had been introduced in 2022 due to the impact of high inflation (reflected in higher energy costs) and personnel costs, for example, as well as the absence of additional government/COVID-19 support from 2022 onwards. In analysing the 2022 figures of the healthcare institutions, the impact of the removal of the support measures has already become visible in their annual figures, and it has been decided to no longer apply the override. The removal of the healthcare override did not result in any change in the ECL provision.

Impairment of loans and receivables and interest-bearing securities

The following table provides a breakdown of the loans and receivables and interest-bearing securities to which the ECL model is applied. It concerns both Loans and receivables and Interest-bearing securities that have been or will be entered into. This analysis does not take any potential guarantees into consideration.

Stage 1 concerns the performing exposures without a Significant Increase in Credit Risk (SICR) since the starting date.

Stage 2 concerns the performing exposures with an SICR since the starting date.

Stage 3 concerns the non-performing exposures that are credit-impaired.

as of 31 December 2023 (in thousands of euros)	**Gross carrying amount**	**Performing Stage 1**	**Performing Stage 2**	**Non-Performing Stage 3**
Loans and receivables	59,621,484	55,744,456	3,793,760	83,268
Interest-bearing securities	4,245,137	4,245,137	-	-
Total	**63,866,621**	**59,989,593**	**3,793,760**	**83,268**

as of 31 December 2022 (in thousands of euros)	**Gross carrying amount**	**Performing Stage 1**	**Performing Stage 2**	**Non-Performing Stage 3**
Loans and receivables	56,092,299	55,329,011	756,594	6,694
Interest-bearing securities	3,626,669	3,626,669	-	-
Total	**59,718,968**	**58,955,680**	**756,594**	**6,694**

The increase in Stage 2 exposure is mainly due to the reclassification of three major housing associations. Revised findings on early warning signals led to a Watch classification of these clients and a subsequent significant increase in the exposure in Stage 2. This change did not result in an ECL provision.

At the end of December, an amount of €83.3 million (2022: €6.7 million) was classified as credit-impaired. This amount concerns exposures in Stage 3 and relates to exposures to five clients (2022: four). These Stage 3 exposures are government guaranteed and will not lead to an ECL provision nor to a write-off.

Following is a more detailed explanation of how the stages progress:

Stage 1: 12-month ECL

Stage 1 includes exposures that show no SICR since their initial recognition. A 12-month ECL is recognised for this group, which is the ECL based on the probability that the exposure will default within 12 months of the reporting date. The 12-month ECL is calculated for all individual exposures as a function of the Exposure At Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) and including forward-looking (macro-economic) indicators.

An exposure moves from Stage 1 to Stage 2 if one of the following criteria are met:

1. A substantial loan claim has been outstanding for more than or equal to 30 days (30-day indicator serves as a 'backstop indicator');
2. There is a significant increase in the credit risk. This is the case if an internal rating threshold has been exceeded;
3. There are other qualitative indicators including information from a credit rating agency, the qualification of an exposure as 'forborne performing' or if an exposure is on the internal watch list.

The 12-month ECL is calculated for all individual exposures as a function of the EAD, PD and LGD and including forward-looking (macro-economic) indicators.

Stage 2: lifetime ECL (not credit-impaired)

Stage 2 includes exposures that show an SICR since initial recognition but have not defaulted. A lifetime ECL is recognised for these exposures, taking into account any guarantees and received collateral. This concerns the expected shortfalls on the contractual cash flows for the remaining duration of the exposure, discounted at the effective interest rate. The lifetime ECL is calculated for all individual exposures as a function of the EAD, PD and LGD and including forward-looking (macro-economic) indicators.

To determine whether an exposure moves from Stage 2 to Stage 3, the 90-day arrears period acts as a backstop indicator.

An exposure enters Stage 3 when it is credit-impaired. This is the case when:

1. A substantial loan claim has been outstanding for more than 90 days;
2. The bank considers it unlikely that the client will meet its credit claims ('unlikely-to-pay' (UTP)) without recourse to remedial action such as invoking a guarantee.

Stage 3: lifetime ECL (credit-impaired)

Exposures with payment arrears of 90 days or more fall under Stage 3 and are classified as defaulted. However, Stage 3 also includes exposures that are identified as credit-impaired in line with the internally applied definition of default. Therefore, this also includes exposures that are forborne non-performing. If a client defaults, all exposures to that client are moved to Stage 3 and classified as credit-impaired.

A lifetime ECL is recognised for these exposures, taking into account any guarantees and received collateral. This concerns the expected shortfalls on the contractual cash flows for the remaining duration of the exposure, discounted at the effective interest rate. The lifetime ECL is calculated for all individual exposures as a function of EAD, PD and LGD and including forward-looking (macro-economic) indicators. Subsequently, the lifetime ECL is deducted from the outstanding gross carrying amount on the balance sheet. In other words, an impairment is taken on the exposure.

Migrating back to a higher ECL stage

If the creditworthiness improves and the exposure no longer meets the above criteria, it can migrate from Stage 2 back to Stage 1 (with a probation period of two years) or from Stage 3 to Stage 2. This occurs according to the bank's Credit Risk Management Policy and Non-Performing Loan Policy.

Determining a SICR

An SICR exists when the credit rating at the time of reporting has significantly deteriorated compared with the credit rating at origination date. Whether a SICR occurred, depends on the credit risk classification:

- Exposures with a credit rating of 7 or better (i.e. ≤7): significant credit risk increase occurs when the credit rating shifts to 8 or worse (i.e. ≥8).
- Exposures with a credit rating of 8 or worse (i.e. ≥8): significant credit risk increase when the credit rating shifts a notch. For example, from 8 to 9 is a one-notch shift.

NWB Bank has an internal credit rating scale from 1 to 15. Credit ratings 1 to 7 relate to higher-creditworthy classified exposures (investment grade); ratings 8 to 14 relate to lower-creditworthy classified exposures (non-investment grade); and 15 relates to exposures in default. The internal credit rating scale is calibrated with the help of a reputable external credit rating agency. Internal credit ratings of >7 are non-investment grade and correspond to a rating of BB+ or worse.

Rating classes

The ECL provision is based on rating classes. The following overview presents the ECL by rating class.

The breakdown as at 31 December 2023 and 31 December 2022 is as follows:

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(in thousands of euros)	**Stage 1**			**Stage 2**			**Stage 3**		
Rating Class	Gross carrying amount guaranteed	Gross carrying amount not guaranteed	ECL	Gross carrying amount guaranteed	Gross carrying amount not guaranteed	ECL	Gross carrying amount guaranteed	Gross carrying amount not guaranteed	ECL
1	1,007,546	2,707,011	10	-	-	-	-	-	-
2	4,704,823	10,438	-	-	-	-	-	-	-
3	4,896,156	4,295	-	-	-	-	-	-	-
4	22,483,967	1,460,850	68	79,275	-	-	-	-	-
5	15,091,138	264,991	30	315,645	-	-	-	-	-
6	4,935,602	449,946	64	3,268,420	25,255	79	-	-	-
7	807,387	860,795	152	75,427	-	-	-	-	-
8	42,115	164,319	47	28,295	-	-	-	-	-
9	-	-	-	421	-	-	-	-	-
10	-	-	-	728	-	-	-	-	-
11	98,214	-	-	294	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	83,268	-	-
Total	**54,066,948**	**5,922,645**	**371**	**3,768,505**	**25,255**	**79**	**83,268**	**-**	**-**

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(in thousands of euros)	Stage 1			Stage 2			Stage 3		
Rating Class	Gross carrying amount guaranteed	Gross carrying amount not guaranteed	ECL	Gross carrying amount guaranteed	Gross carrying amount not guaranteed	ECL	Gross carrying amount guaranteed	Gross carrying amount not guaranteed	ECL
1	6,448,549	2,218,497	15	-	-	-	-	-	-
2	2,479,435	7,262	-	-	-	-	-	-	-
3	5,808,904	5,783	-	-	-	-	-	-	-
4	9,121,032	1,097,469	80	-	-	-	-	-	-
5	6,858,437	306,996	57	299,799	-	-	-	-	-
6	14,706,631	261,930	62	7,735	-	-	-	-	-
7	7,829,851	1,124,241	296	43,791	-	-	-	-	-
8	420,632	120,959	47	231,769	-	-	-	-	-
9	23,888	-	-	114,744	-	-	-	-	-
10	8,093	-	-	48,897	-	-	-	-	-
11	107,091	-	-	9,859	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	6,694	-	-
Total	**53,812,543**	**5,143,137**	**557**	**756,594**	**-**	**-**	**6,694**	**-**	**-**

Ratings 1 to 7 are classified as 'investment grade', while ratings 8 to 14 are 'non-investment grade'. Finally, rating 15 concerns the classification 'default'.

Analysis of the 'performing exposures' according to maturity date

The following table shows the amounts that have matured but have not been received at reporting date, which have not been included in Stage 3.

(in thousands of euros)	31 December 2023	31 December 2022
Less than or equal to 30 days	503	24,014
Greater than 30 days and less than or equal to 60 days	-	-
Total	**503**	**24,014**

Parameters and assumptions used

The ECL of a financial asset is determined on the basis of 12 months or its entire term, depending on whether there has been a significant increase in credit risk. The total ECL is determined based on the product of the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), discounted to reporting date.

Probability of Default (PD)

The PD is used to determine the ECL and the SICR. The bank has developed PD models for its lending for which no external rating is available, which are largely based on expert judgement combined with accepted mathematical techniques.

Loss Given Default (LGD)

The LGD concerns the loss in case of non-payment. The majority of the bank's portfolio consists of loans guaranteed by the State of the Netherlands.

Exposure at Default (EAD)

The EAD concerns the expected value of the exposure at the moment when the counterparty defaults. This value includes the principal amount, the accrued interest, the premium/discount, the value adjustment resulting from the application of fair value hedge accounting and any amount due but not yet received. The effect of potential early redemptions is minimal and therefore not included in the EAD.

Low credit risk exemption

For exposures included in the item interest-bearing securities, the bank applies a 'low credit risk exemption' (LCRE) in accordance with IFRS 9. IFRS 9 allows the bank to assume, without further analysis, that the credit risk on a financial instrument has not increased significantly since its initial recognition if it is determined that the financial instrument has a low credit risk at the reporting date. A financial instrument with an external rating of investment grade is an example of a financial instrument that can be considered low credit risk.

From credit risk score per client to PD rating per exposure

NWB Bank assigns an (internal) credit rating to each exposure at the time of origination. The credit rating is derived from the Master Scale of the ECL model. Important input for the ECL model is the Credit Risk Score (CRS). The bank assigns a CRS to each client to calculate the ECL per exposure. The CRS is based on three modules: (i) financial metrics, (ii) non-financial metrics and (iii) ESG metrics, with various variables included for the environmental, social and governance (ESG) module. CRSs have a rating classification of best to worst scores ranging from 1 to 21. The internal credit ratings from the Master Scale are used in accordance with IFRS guidelines. The Master Scale links CRSs with default rates and the final credit rating. The Master Scale developed by the bank is calibrated with the help of a reputable external credit rating agency. The CRS is reviewed periodically in accordance with the credit management cycle to determine whether it is a SICR under ECL IFRS guidelines.

Macro-economic variables

Macro-economic variables are taken into account for the determination of the ECL. This takes into account forward-looking developments that may affect potential credit losses. The macro-economic variables that have been considered are unemployment and inflation. The bank uses its internally developed models to make projections about unemployment and inflation. In December 2023 and December 2022, the bank updated its projections for inflation and unemployment. For this purpose, data on inflation and unemployment from the CPB were used. The weighting of the scenarios in 2022 was adjusted to 60-30-10% for the downside, baseline and upside scenarios, respectively, in light of the ongoing economic uncertainty, in particular due to the war in Ukraine, a looming recession and the energy crisis. This weighting was maintained in 2023.

The following breakdown provides an overview of the macro-economic variables and the weightings assigned to them.

Macro-economic variable	**Scenario**	**Weighting as at 31 December 2023**	**Weighting as at 31 December 2022**
Unemployment	Base scenario	0.30	0.30
	Upward scenario	0.10	0.10
	Downward scenario	0.60	0.60
Inflation	Base scenario	0.30	0.30
	Upward scenario	0.10	0.10
	Downward scenario	0.60	0.60

The following breakdown provides an overview of the macro-economic variables and the percentages used in the base scenario.

Macro-economic variable	**Year**	**% as at 31 December 2023**	**% as at 31 December 2022**
Unemployment	2023		3.90
	2024	4.00	4.40
	2025	4.20	4.40
	2026	4.40	
Inflation	2023		4.50
	2024	3.90	1.90
	2025	2.30	2.30
	2026	2.30	

Sensitivity analysis

The following analysis was carried out to measure the ECL's sensitivity to the various factors. The calculation of the ECL is partly determined by the assumed macro-economic variables. The following overview shows the impact on the ECL in different scenarios.

Breakdown of the ECL into economic scenarios

31 December 2023		2024	2025	2026	Probability-weighting scenario	Weighted ECL	Total ECL
Scenario 1: Down market	Inflation NL	3.26	1.66	1.66	0.60	304	
	Unemployment NL	4.78	4.98	5.18	0.60		
Scenario 2: Stable	Inflation NL	3.90	2.30	2.30	0.30	117	450
	Unemployment NL	4.00	4.20	4.40	0.30		
Scenario 3: Up market	Inflation NL	4.56	2.96	2.96	0.10	29	
	Unemployment NL	3.16	3.36	3.56	0.10		

31 December 2022		2023	2024	2025	Probability-weighting scenario	Weighted ECL	Total ECL
Scenario 1: Down market	Inflation NL	2.24	1.26	1.66	0.60	379	
	Unemployment NL	4.13	5.18	5.18	0.60		
Scenario 2: Stable	Inflation NL	4.50	1.90	2.30	0.30	145	559
	Unemployment NL	3.90	4.40	4.40	0.30		
Scenario 3: Up market	Inflation NL	2.68	2.56	2.96	0.10	35	
	Unemployment NL	3.76	3.56	3.56	0.10		

Analysis 1: sensitivity of the ECL if 100% of the individual scenarios were to be applied

The table below shows the sensitivity of the ECL if 100% of the individual scenarios (downward, base and upward) were to be applied to all exposures as of year-end in December 2023. Given the limited size of non-government guaranteed exposures, the sensitivity to the different scenarios is limited.

Sensitivity Analysis - scenarios (in thousands of euros) as per 31 December 2023	100% Downward scenario	100% Basis scenario	100% Upward scenario
ECL	507	389	285

Sensitivity Analysis - scenarios (in thousands of euros) as per 31 December 2022	100% Downward scenario	100% Basis scenario	100% Upward scenario
ECL	632	483	350

Analysis 2: All Credit Risk Scores deteriorate by 1 step (CRS+1)

In this analysis, the most important factor in the calculation of the ECL, Credit Risk Scores (CRS), is shifted with a deterioration of plus 1. The impact of this shift on the ECL is an increase of approximately €0.2 million (2022: €5.2 million). As a result, the ECL would be approximately €0.6 million (2022: €6 million) instead of the amount of €450,000 (2022: €559,000) reported on 31 December 2023.

33 FAIR VALUE OF FINANCIAL INSTRUMENTS

General

The fair value is the amount for which an asset can be exchanged or a liability settled in a transaction between knowledgeable, willing parties that are independent of each other.

When determining the fair value of financial instruments, reference is made to market prices to the extent the financial instruments are traded in an active market. Such market prices are unavailable for most financial instruments, however. In such cases, the fair value is determined using measurement models. The models are based on various assumptions relating to the discount rate and the timing and the size of the projected future cash flows. When calculating the fair value of options, generally accepted option pricing models are used.

NWB Bank periodically establishes that the application of the measurement models leads to reliable fair values that fit the risk profile of the assets and liabilities. Ongoing changes in market conditions lead to regular adjustments to the measurement parameters that serve as inputs for the measurement models.

Cash, cash equivalents and deposits at the Central Bank, banks, loans and receivables, funds entrusted and debt securities

A measurement model is used to determine the fair value of cash, cash equivalents and deposits at the Central Bank, banks, loans and receivables, funds entrusted and debt securities. The model is also used as a basis for internal risk reports.

The principle underlying the model is a going-concern approach under which the bank:
1. generally grants the loans it holds until they mature, and
2. funds the relatively long-term loans with on average shorter-term funding.

The valuation curve is based on the average cost of funding, which is the interest rate swap curve plus a spread. This spread is effectively a measure of the additional funding charges the bank pays on account of liquidity and credit risks. These additional charges are determined based on the outstanding debt as at the reporting date. The spreads resulting from this calculation method is used across all relevant maturities (continuous curve). The assumption is that the spreads applying to the bank are equally representative of the non-market-observable spreads applying to the bank's borrowers. A provision for uncollectibility is determined based on the Expected Credit Loss (ECL) methodology of IFRS 9.

Interest-bearing securities

Other listed interest-bearing securities are carried at market prices. The fair values of the other interest-bearing securities held to maturity and other unlisted interest-bearing securities are determined by means of the same model used for loans and receivables. A provision for uncollectibility is determined based on the ECL methodology of IFRS 9.

Derivatives

Derivatives are measured by applying generally accepted valuation models, based on the most appropriate valuation curves, which include the OIS curve and the €STR curve. A credit valuation adjustment and a debt valuation adjustment are also included in the valuation. The curves used, reflect the price level at which the bank can enter into new swaps. Credit risks associated with the derivatives transactions entered into are largely mitigated by exchanging collateral.

Overview of fair value of financial instruments

The following table sets out the estimated fair value of the financial assets and liabilities. For comparative purposes, accrued interest is allocated to the carrying amounts. A number of balance sheet items are not included in the table as they do not meet the definition of a financial asset or liability.

(in millions of euros)	**Carrying amount 31-12-2023**	**Fair value 31-12-2023**	Carrying amount 31-12-2022	Fair value 31-12-2022
Assets				
Cash, cash equivalents and deposits at the Central Bank	7,476	7,476	8,617	8,617
Banks	3,687	3,687	3,606	3,606
Loans and receivables	55,264	58,800	51,437	56,738
Interest-bearing securities	5,032	5,022	4,312	4,312
Derivative assets	4,363	4,363	5,245	5,245
Liabilities				
Banks	1,789	1,727	1,651	1,596
Funds entrusted	7,080	7,106	6,838	6,916
Debt securities	60,556	60,579	57,991	58,142
Subordinated debt	326	329	326	325
Derivative liabilities	4,035	4,035	4,410	4,410

Determining the fair value of financial instruments

The table below sets out how the fair value of financial instruments carried at fair value in the balance sheet are determined.

(in millions of euros)	Measurement based on market prices	Measurement based on models using data available in the market	Measurement based on models using data unavailable in the market
31 December 2023			
Assets			
Interest-bearing securities	787		
Derivative assets		4,363	
Liabilities			
Derivative liabilities		4,035	
31 December 2022			
Assets			
Interest-bearing securities	686		
Derivative assets		5,245	
Liabilities			
Derivative liabilities		4,410	

Other financial instruments listed above under fair value of financial instruments were valued based on models using data available in the market.

Financial derivatives

(in millions of euros)	≤1 year	1-5 years	>5 years	**Total**
2023				
Notional amounts of interest rate derivatives	8,299	15,140	114,324	**137,763**
Notional amounts of currency derivatives	10,138	12,332	3,810	**26,280**
2022				
Notional amounts of interest rate derivatives	13,930	16,803	113,240	**143,973**
Notional amounts of currency derivatives	11,069	11,543	4,784	**27,396**

The notional amounts of the caps and floors total €76 million (2022: €81 million) and those of the swaptions €1,473 million (2022: €1,476 million). These derivatives are included under the interest rate derivatives in the above table.

34 INFORMATION ON RELATED PARTIES

The shareholders and the members of the Managing and Supervisory Boards qualify as related parties. With respect to the obligation to report information on related parties, there are no particular circumstances at NWB Bank that warrant disclosure.

For more information on the remuneration of, and loans to, members of the Supervisory Board and the Managing Board, please refer to **note 4**.

At year-end 2023, an amount of €8,066 million in loans had been granted to shareholders on market terms (2022: €7,795 million).

35 RISK MANAGEMENT

The bank's strategy places strict requirements on risk management and the organisation and enforcement of adequate internal controls. NWB Bank has adopted an organisation-wide approach to risk management and control. This chapter provides further insight into, in particular, the quantitative aspects of the various risks. The classification follows the risk taxonomy as discussed in the risk management section of the Report of the Managing Board.

Financial risks

Financial risks are risks related to financing, which NWB Bank manages at the individual and/or portfolio level. The bank continuously attempts to improve its understanding of exposures to these risks and how to manage them. Financial risks are subdivided into credit risk, interest rate risk, market risk and liquidity risk.

Credit risk

At the reporting date, the total credit risk (including irrevocable commitments) expressed in risk-weighted assets based on the standard approach as set out in the Capital Requirements Regulation (CRR) is as follows:

(in millions of euros)	Risk weight	Europe NL	Europe EU	Europe Non-EU	North America	Rest of the World	Total	RWA
2023								
Central governments	0%	7,541	-	-	-	-	7,541	-
Regional governments	0%	16,312	-	-	-	-	16,312	-
Institutions with delegated government duties	0% -100%	44,987	163	-	-	-	45,150	1,311
International organisations	0%	-	-	-	-	-	-	-
Development banks	0%	-	231	-	-	-	231	-
Banking counterparties[1]	0% -50%	783	901	10	286	7	1,987	556
RMBS (NHG) notes[1]	15%	2,516	-	-	-	-	2,516	377
Covered bonds	10%	568	42	-	-	-	610	61
Other	100%	428	-	-	-	-	428	428
Total 2023		**73,135**	**1,337**	**10**	**286**	**7**	**74,775**	**2,733**
2022								
Central governments	0%	8,683	-	-	-	-	8,683	-
Regional governments	0%	15,878	-	-	-	-	15,878	-
Institutions with delegated government duties	0% -100%	41,910	79	-	-	-	41,989	1,903
International organisations	0%	-	12	-	-	-	12	-
Development banks	0%	-	20	-	-	-	20	-
Banking counterparties[1]	0% -50%	799	918	11	288	10	2,026	574
RMBS (NHG) notes[1]	15%	1,992	-	-	-	-	1,992	299
Covered bonds	10%	511	58	-	-	-	569	57
Other	100%	231	-	-	-	-	231	231
Total 2022		**70,004**	**1,087**	**11**	**288**	**10**	**71,400**	**3,064**

1) Based on external rating (External Credit Assessment Institution)

Most of NWB Bank's lending falls under the category of a 0% risk weighting, which means the credit risk is considered very limited. The counterparty credit risks and potential interbank deposits placed, fall under the 20%, 50% and 100% weighting categories. The RMBS (NHG) notes portfolio residential mortgages comprises of senior A notes under the 15% and 20% weighting categories. A 20% weighting category applies on loans to Dutch drinking water companies, regional network companies and UMCs.

Lastly, loans provided to renewable energy projects and PPP projects are included in the 100% weighting category, whereby a 0.75 multiplier is used for most renewable energy projects and PPP projects.

The table below provides an insight into the breakdown of long-term loans granted (paid out) by the bank:

	2023		2022	
(in millions of euros)	Nominal value	Balance sheet value	Nominal value	Balance sheet value
Water authorities	7,970	7,407	7,699	6,795
Municipalities	4,673	4,499	5,020	4,655
Provinces	340	323	324	296
Social housing	32,591	35,897	31,015	33,172
Healthcare institutions	1,925	1,925	1,871	1,775
Other borrowers under government guarantee	823	754	726	623
Joint schemes	970	872	1,010	862
Drinking water companies	1,214	1,173	1,134	1,037
Renewable energy	1,038	1,018	909	876
Public-Private Partnerships	664	594	683	579
Credit institutions	131	127	151	143
Other	286	275	199	200
Total	**52,625**	**54,864**	**50,741**	**51,013**

The balance sheet value of the loans and receivables amounting to €55,264 (2022: €51,437) includes, in addition to long-term loans, short-term loans, current account balance receivables and collateral provided to non-financial counterparties amounting to €400 (2022: €516).

NWB Bank's borrowers as listed above are mainly public authorities and entities in the social housing and healthcare sectors to which funds loaned are guaranteed by the public authorities. The non-guaranteed financing is included under Public-Private Partnerships, Drinking water companies, Renewable energy and Other. Both during the year and at the balance sheet date, arrears were low in monetary terms, of a technical nature and of a very short duration. In 2023, NWB Bank held notes of RMBS programmes from two Dutch originators in its portfolio (2022: two), securitised by Dutch residential mortgage loans backed by the government under the NHG. For these notes, the bank only actively uses securitisation in its role as an investor, when it monitors the risks during the maturity and firmly intends to hold these NHG RMBS notes until the expected maturity date. With the investment in these bonds, NWB Bank is helping to finance government-guaranteed green residential mortgages. Credit risk is expressed in risk-weighted assets based on the Standardised Approach to Securitisations as set out in Article 251 of the CRR, in which the ratings issued by S&P, Moody's or Fitch are used to indicate credit risk.

The table below shows the data as at 31 December 2023.

Rating	Nominal amount (€ million)	Expected expiry date	Class
AAA	2,638	2067	A

The total fair value exposure from derivatives to financial counterparties at year-end 2023 was €818 million (2022: 1,009). €419 million of this was covered by collateral received by the bank (2022: €876 million). The total fair value exposure from derivatives from financial counterparties at year-end 2023 was €3,229 million (2022: €3,063 million), of which €3,067 million (2022: €2,880 million) was covered by collateral provided by the bank. The tables below show the net fair value of the derivatives, i.e. including collateral received and provided:

(in millions of euros)	Positive resp. negative fair value derivatives	Netting negative resp. positive fair value derivatives	Cash collateral received resp. paid	**Net position**
31 December 2023				
Assets				
Cash, cash equivalents and deposits at the Central Bank	1,703	-805	-419	479
Prepayments and accrued income	2,661	-	-1,776	885
Total 2023	**4,364**	**-805**	**-2,195**	**1,364**
Liabilities				
Banks	-4,034	805	3,067	-162
Equity	-1	-	-	-1
Total 2023	**-4,035**	**805**	**3,067**	**-163**

(in millions of euros)	Positive resp. negative fair value derivatives	Netting negative resp. positive fair value derivatives	Cash collateral received resp. paid	**Net position**
31 December 2022				
Assets				
Cash, cash equivalents and deposits at the Central Bank	2,262	-1,254	-876	132
Prepayments and accrued income	2,983	-	-2,006	977
Total 2022	**5,245**	**-1,254**	**-2,882**	**1,109**
Liabilities				
Banks	-4,408	1,254	2,945	-209
Equity	-2	-	-	-2
Total 2022	**-4,410**	**1,254**	**2,945**	**-211**

Interest rate risk

NWB Bank uses different indicators to measure the interest rate risk.

Gap analysis

A gap analysis of undiscounted cash flows according to the interest rate period is shown below, based on the contractual interest review date or redemption date if the latter is earlier.

(in millions of euros)	Total	<3 months	3-12 months	1-5 years	>5 years
31 December 2023					
Assets					
Loans and receivables	77,204	23,041	3,524	11,527	39,112
Interest-bearing securities	5,130	361	369	1,894	2,506
Fixed-interest derivative assets	-20,567	784	-836	-3,312	-17,203
Variable-interest derivative assets	30,101	20,737	9,381	-38	21
Total assets	**91,868**	**44,923**	**12,438**	**10,071**	**24,436**
Liabilities					
Banks, funds entrusted and debt securities	71,091	11,387	9,167	23,551	26,986
Subordinated debt	328	51	8	250	19
Fixed-interest derivative assets	-33,531	-5,516	-7,318	-15,398	-5,299
Variable-interest derivative assets	49,525	42,218	7,255	65	-13
Total liabilities	**87,413**	**48,140**	**9,112**	**8,468**	**21,693**
Total assets less liabilities 2023	**4,455**	**-3,217**	**3,326**	**1,603**	**2,743**

(in millions of euros)	Total	<3 months	3-12 months	1-5 years	>5 years
31 December 2022					
Assets					
Loans and receivables	74,239	24,240	3,547	10,598	35,854
Interest-bearing securities	4,368	378	284	1,766	1,940
Fixed-interest derivative assets	-29,327	4,117	-2,384	-4,113	-26,947
Variable-interest derivative assets	41,284	24,863	16,157	40	224
Total assets	**90,564**	**53,598**	**17,604**	**8,291**	**11,071**
Liabilities					
Banks, funds entrusted and debt securities	68,381	11,990	6,576	24,562	25,253
Subordinated debt	324	1	8	296	19
Fixed-interest derivative assets	-45,600	-3,636	-6,884	-18,253	-16,827
Variable-interest derivative assets	63,546	49,632	13,595	108	211
Total liabilities	**86,651**	**57,987**	**13,295**	**6,713**	**8,656**
Total assets less liabilities 2022	**3,913**	**-4,389**	**4,309**	**1,578**	**2,415**

DV01

NWB Bank uses DV01 (the Dollar Value of One basis point) as the key measure of interest rate risk. This key measure indicates the change in price or fair value, expressed in monetary units, caused by a one-basis-point (0.01%) change in the yield curve. A system of DV01 limits applies to the overall interest rate risk position, which follows from the bank's risk appetite. These limits are related to the strategic interest rate position. The interest rate-sensitivity of the portfolio to which macro-hedging is applied is monitored on the basis of DV01s for various time intervals. To manage spread risk related to the refinancing of the bank, a spread DV01 measure and concomitant limit apply. They indicate a maturity mismatch between funding and lending. The spread DV01 is quantified on the basis of the interest rate sensitivity of all long-term lending and funding. At year-end 2023, it was within the limit set.

Earnings at Risk

Earnings at Risk (EaR) is a measure of the interest rate sensitivity of the bank's net interest income (NII). The EaR calculates the change in NII from an assumed change in the term structure of interest rates. The most relevant scenario assumes that current interest rates will be realised.

NWB Bank aims for a balanced exposure of its balance sheet positions to short-term interest rates. These are mainly the one-day, three-month and six-month interest rates. These rates have different sensitivities to the interest rate shocks applied. The most sensitive is the one-day rate. It changes daily, which means that the shock is reflected in the calculation within one day. The six-month interest rate, however, will only do so once every six months when the new rate is set. Thus, for a loan for which the rate changes on the reference date, the shock, i.e. 50 basis points, will not be reflected until six months later. For a loan that changes rates one day later, the original shock of 25 basis points will take effect almost immediately, and the full shock of 50 basis points will only take effect after six months.

The EaR is therefore sensitive to both the moment at which the interest rates payable and receivable change. In addition, this measure is sensitive to which rates change at any given time. The bank uses a limit for the maximum exposure. The bank tries to match interest paid and received as far as possible but accepts deviations within such a limit.

The most negative scenario, at year-end 2023 and 2022, is shown in the table below.

(in millions of euros)	**Most negative scenario 2023**	**Most negative scenario 2022**
Scenario: Current rates are realised	**-2.5**	
Scenario: Rate shock +25 bp (immediate) plus rate shock +25 bp (over time)		**-3.8**

Scenario analysis

NWB Bank performs scenario analyses to gain additional insight into the interest rate risk. One of these scenarios is to calculate the changes in the fair value of equity in the event of a parallel shift in the yield curve of -200 bps and +200 bps. These scenarios are prescribed by the European Banking Authority (EBA), and the bank is expected to inform the supervisory authority if the outcomes are greater than 20% of equity. A maturity-dependent post-shock interest rate floor is applied for each currency. This starts at -100 bps at immediate maturities. This floor is increased by 5 bps per year to reach 0% for maturities of 20 years and more. The table below shows the six prescribed scenarios as at 31 December 2023 and 31 December 2022 and the impact on the economic value of equity. The impact on net interest income is also shown for the first two scenarios.

	Change in economic value of equity		Change in net interest income	
(in millions of euros)	Current period	Last period	Current period	Last period
1 Parallel up	(199.1)	(190.5)	(7.3)	(3.4)
2 Parallel down	235.9	110.1	7.3	3.4
3 Steepener	(41.4)	(19.8)		
4 Flattener	(25.0)	(11.9)		
5 Short rates up	(6.9)	(68.9)		
6 Short rates down	72.6	36.5		

Market risk

The table below shows the nominal values in millions in foreign currencies.

Currency	**2023**				2022			
(in millions)	Asset	Liability	Derivatives	**Total**	Asset	Liability	Derivatives	**Total**
AUD	-	-5,682	5,682	-	-	-5,800	5,800	-
CAD	-	-393	393	-	-	-393	393	-
CHF	-	-1,213	1,213	-	-	-1,575	1,575	-
GBP	-	-4,324	4,324	-	-	-3,917	3,917	-
HKD	-	-	-	-	-	-	-	-
JPY	-	-65,780	65,780	-	-	-67,660	67,660	-
NOK	-	-500	500	-	-	-500	500	-
NZD	-	-456	456	-	-	-696	696	-
SEK	-	-4,650	4,650	-	-	-8,150	8,150	-
USD	-	-16,398	16,398	-	-	-13,494	13,494	-
ZAR	-	-230	230	-	-	-230	230	-

Liquidity risk

The collateral value of the portion of the portfolio contributed as collateral to DNB was €13.8 billion at year-end 2023 (€15.7 billion at year-end 2022). In terms of short-term funding, the bank mainly relies on its commercial paper market. The bank uses an ECP programme capped at €25 billion and a USCP programme capped at $25 billion. The bank has the highest short-term ratings (A-1+/P-1) with respect to those programmes. The liquidity position is monitored daily. The aim of liquidity management is to ensure there are sufficient funds available for the bank to meet not only foreseen but also unforeseen financial commitments. The bank's management is informed daily through a liquidity gap analysis, containing differences between the cash flows receivable and payable. The liquidity position is subject to a system of limits.

The balance sheet categories according to the remaining contractual term, including all future undiscounted interest cash flows as well as centrally cleared derivatives and before proposed profit appropriation, are presented below.

Liquidity Coverage Ratio

One of the limits relates to the Liquidity Coverage Ratio (LCR), a liquidity ratio set out in CRD IV/CRR (Capital Requirements Directive IV/Capital Requirements Regulation) to which a minimum requirement of 100% applies. The LCR measures whether there are sufficient liquid assets to meet obligations in the short term. The internal LCR limit is higher than the minimum requirement. The LCR was 160% at the balance sheet date (2022: 285%).

Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) shows the ratio between the available and required amount of stable funding, whereby a distinction is made between products with short- and long-term maturities and off-balance sheet items.

The NSFR encourages the use of long-term funding for long-term loans, or matched financing. For the NSFR, a minimum requirement of 100% applies. At year-end 2023, NWB Bank met this requirement with a ratio at balance sheet date of 133% (2022: 141%).

(in millions of euros)	**Total**	<3 months	3-12 months	1-5 years	>5 years
31 December 2023					
Assets					
Cash, cash equivalents and deposits at the Central Bank	7,476	7,476	-	-	-
Banks	3,696	129	23	80	3,464
Loans and receivables	82,330	936	4,781	18,231	58,382
Interest-bearing securities	6,280	79	416	2,115	3,670
Intangible assets	10	-	-	10	-
Tangible assets	5	-	-	1	4
Income tax	-	-	-	-	-
Derivative assets	-537	310	132	-130	-849
Other assets	71	61	1	-	9
Prepayments and accrued income	-	-	-	-	-
Total assets as at 31 December 2023	**99,331**	**8,991**	**5,353**	**20,307**	**64,680**
Liabilities					
Banks	4,551	765	46	398	3,342
Funds entrusted	7,733	73	123	261	7,276
Debt securities	72,540	7,597	7,982	22,746	34,215
Subordinated debt	345	1	8	313	23
Derivative liabilities	14,884	466	374	1,753	12,291
Pension provision	3	-	-	-	3
Provision for deferred income tax	9	-	-	9	-
Income tax	7	7	-	-	-
Other liabilities	33	29	4	-	-
Accruals	11	8	3	-	-
Equity	2,060	-	-	-	2,060
Total liabilities as at 31 December 2023	**102,176**	**8,946**	**8,540**	**25,480**	**59,210**

(in millions of euros)	**Total**	<3 months	3-12 months	1-5 years	>5 years
31 December 2022					
Assets					
Cash, cash equivalents and deposits at the Central Bank	10,628	10,628	-	-	-
Banks	3,625	62	19	85	3,459
Loans and receivables	76,879	1,442	4,885	17,277	53,275
Interest-bearing securities	4,952	-80	563	1,896	2,573
Intangible assets	8	-	-	8	-
Tangible assets	6	-	-	2	4
Income tax	-	-	-	-	-
Derivative assets	13,114	410	672	2,798	9,234
Other assets	54	45	1	-	8
Prepayments and accrued income	-	-	-	-	-
Total assets as at 31 December 2022	**109,266**	**12,507**	**6,140**	**22,066**	**68,553**
Liabilities					
Banks	4,634	44	48	488	4,054
Funds entrusted	18,441	98	17	11,207	7,119
Debt securities	68,657	3,287	10,318	22,744	32,308
Subordinated debt	363	1	8	329	25
Derivative liabilities	25,509	307	1,053	4,143	20,006
Pension provision	3	-	-	-	3
Provision for deferred income tax	11	-	-	11	-
Income tax	7	7	-	-	-
Other liabilities	48	39	9	-	-
Accruals	6	3	3	-	-
Equity	1,995	-	-	-	1,995
Total liabilities as at 31 December 2022	**119,674**	**3,786**	**11,456**	**38,922**	**65,510**

Supervision

The bank is under the direct prudential supervision of the European Central Bank (ECB). The ECB performs supervision jointly with the Dutch Central Bank (De Nederlandsche Bank – DNB) as the national supervisor of the banking sector in what is known as a Joint Supervisory Team (JST). Supervision has intensified in recent years. In the interests of both parties, the JST must have a good understanding of both the specific profile and business model and the bank's risk management system. Clear and efficient lines of communication to the supervisory authority are also important.

The Supervisory Review and Evaluation Process (SREP) takes place every year, during which the supervisor assesses the bank's risks. The SREP decision, which the bank receives from the supervisor at the end of the process, sets out the main objectives the bank must achieve to address the identified issues. A comprehensive SREP was carried out in 2023, the resulting capital requirements of which are shown further below. Moreover, last year, as part of its supervisory task, the ECB conducted an on-site inspection of IT risk. The bank is currently working to follow-up of the findings that resulted from this.

In 2023, NWB Bank participated in the European sector-wide stress test.

Starting in 2024, we will update our Recovery Plan every two years and submit it to the European Central Bank and the Dutch Central Bank. This Recovery Plan sets out the measures a bank can take in a severe stress situation, and how it can recover afterwards. A key part of the Recovery Plan is the set of recovery triggers that may prompt the bank to take action. These recovery triggers are consistent with our risk appetite. Every bank is required to have such a plan. NWB Bank believes it is important to think carefully about the crisis management organisation and the recovery measures available for such extreme circumstances.

Besides the Single Supervisory Mechanism (SSM), which governs the prudential supervision of European banks, the formation of a banking union in Europe comprises a second and third pillar. The second pillar is the Single Resolution Mechanism (SRM), comprising the Single Resolution Board (SRB) and the national resolution authorities, which is responsible for the recovery and resolution of banks. The third pillar is the Deposit Guarantee Scheme (DGS), within which rules are laid down in relation to banks' guarantee obligation towards depositors. Of these two other pillars, the second pillar is particularly relevant to NWB Bank. With the entry into force of the Bank Recovery and Resolution Directive (BRRD) in 2015, the bank also has to deal with the SRB, which is responsible for an orderly process surrounding the recovery and possible resolution of a bank. The SRB adopts a resolution strategy for each bank. In late 2020, the SRB decided it will continue to apply a so-called simplified obligations plan in the case of NWB Bank. As a result, any insurmountable difficulties faced by the bank would be resolved through the national insolvency proceedings. In 2022, the SRB confirmed that this plan is still applicable.

Capital requirements

Unlike the ICAAP, which covers all risk categories, the minimum capital requirements (as stipulated in the Banking Directive or the Capital Requirements Directive) relate to credit risk, market risk and operational risk. The bank uses different methods for these three types of risk.

Credit risk

NWB Bank uses the standardised method for general credit risk. In addition, there is the capital for counterparty risk, for which the standardised method is used. The capital requirement according to the Credit Valuation Adjustment (CVA) is additional to the capital requirement for counterparty default risk. This capital requirement is calculated using a standard formula based on exposure, rating and average term of derivatives positions entered into with counterparties, among other things.

Market risk

Market risk concerns the bank's currency risks. Due to NWB Bank's stringent policy on currency risk, on balance, there are no outstanding currency positions. Therefore, the capital that is to be reserved to cover market risk is nil.

Operational risk

When calculating qualifying capital for operational risk, NWB Bank uses the standardised approach. Under this approach, 15% of the relevant indicator is taken as a benchmark for the operational risk. The relevant indicator is the three-year average of the total of the annual net interest income and the annual net non-interest income at the end of the financial year.

The calculation of the Tier 1 ratio as at the reporting date is as follows:

(in millions of euros)	**2023**	2022
Equity excluding profit for the current financial year	1,934	1,852
Intangible assets	-10	-8
Prudential filters	-10	-9
CET1 capital	**1,914**	**1,835**
Additional Tier 1 capital	321	321
Tier 1 capital (A)	**2,235**	**2,156**
Weighted credit risk (SA)[1]	2,734	3,064
Capital requirement pursuant to CVA (SA)[1]	1,472	1,335
Weighted operational risk (SA)[1]	453	393
Risk-weighted assets (B)	**4,659**	**4,792**
Tier 1 ratio (A/B)	**48%**	**45%**

1) Standardised Approach

At the end of 2023, visible equity totalled €1,934 million (excluding profit for the current financial year) towards €1,852 million at year-end 2022 (excluding profit for the current financial year). CET1 capital, including Additional Tier 1 capital, amounted to €2,235 million at year-end 2023 (excluding profit for the current financial year) towards €2,156 million at year-end 2022 (excluding profit for the current financial year). The bank's total risk-weighted assets decreased from €4,792 at the end of 2022 to €4,659 million at the end of 2023. The item "Prudential filters and other" includes the IPCs to the SRB in the amount of €9.2 million (2022: €7.7 million), which must be deducted from capital in accordance with the regulations (CRR).

The ECB conducted a regular SREP again in 2023, in which the capital requirements for NWB Bank were reassessed. The bank-specific Pillar 2 capital requirement remained the same at 2.25%. The total SREP capital requirement for NWB Bank is 10.25%. This is the sum of the total Pillar 1 capital requirement of 8% and the Pillar 2 capital requirement of 2.25%. Together with the required capital conservation buffer of 2.5% and the countercyclical capital buffer of 1.02%, the total capital requirement for the bank amounts to 13.77%.

Leverage ratio

The implementation of CRR II has introduced a leverage ratio requirement of 3%. CRR II provides certain adjustments to the exposures that need to be included in the calculation of the ratio. Public development credit institutions, such as NWB Bank, can exclude exposures related to the financing of public sector investments. The leverage ratio at the balance sheet date, including cash, cash equivalents and deposits at the central bank, was 20.6% (2022: 18.9%) (excluding profit for the financial year).

Additional information about NWB Bank's risk management policy can be found in the Pillar 3 reports at www.nwbbank.com/en/about-nwb-bank/publications. These reports are not part of the audit.

36 EVENTS AFTER BALANCE SHEET DATE

At the time of preparing the financial statements, there were no significant events after the balance sheet date that require disclosure.

37 PROPOSED PROFIT APPROPRIATION

The profit for the reporting year amounted to €125.8 million (2022: €143.2 million). The share of profit available for dividend has been set at €60 million (2022: €60 million) by the Managing Board and Supervisory Board. This decision was made in accordance with Article 21 of the Articles of Association.

(in thousands of euros)		**2023**		2022
Profit for the year		**125,755**		**143,230**
The proposed profit appropriation is as follows:				
Cash dividends on A shares	879%	51,042	879%	51,042
Cash dividends on B shares	879%	8,958	879%	8,958
		60,000		**60,000**
Added to the reserves on the approval of the Supervisory Board		65,755		83,230
		125,755		**143,230**

The dividend proposed in the 2023 and 2022 financial statements adopted by the Annual General Meeting is recognised in other reserves.

38 MANAGING BOARD AND SUPERVISORY BOARD

Managing Board

Lidwin van Velden

Ard van Eijl

Frenk van der Vliet

Supervisory Board

Joanne Kellermann

Toon van der Klugt

André ten Damme

Frida van den Maagdenberg

Caroline Oosterloo

Annette Ottolini

Manfred Schepers

The Hague, 21 March 2024

OTHER INFORMATION

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INDEPENDENT AUDITOR'S REPORT

The following is an English translation of the independent auditor's report issued 21 March 2024.

To: the shareholders and supervisory board of Nederlandse Waterschapsbank N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2023 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the financial statements 2023 of Nederlandse Waterschapsbank N.V. ('NWB Bank' or the company), based in The Hague.

In our opinion the accompanying financial statements give a true and fair view of the financial position of NWB Bank as at 31 December 2023 and of its result for 2023 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- the balance sheet as at 31 December 2023;
- the statement of income for 2023;
- the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the *Our responsibilities for the audit of the financial statements* section of our report.

We are independent of NWB Bank in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INFORMATION IN SUPPORT OF OUR OPINION

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

NWB Bank is a national promotional bank and a lender to the public sector in the Netherlands, providing financing to water authorities, municipalities and provinces as well as to other public sector institutions such as housing associations and healthcare institutions which are guaranteed (indirectly) by the Dutch State. NWB Bank is also involved in financing Public-Private Partnerships (PPP), renewable energy projects and government-backed export financing. We paid specific attention in our audit to a number of areas driven by the operations of NWB Bank and our risk assessment.

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€20 million (2022: €19 million)
Benchmark applied	1% of equity as per 31 December 2023
Explanation	Based on our professional judgment, a benchmark of 0.5% of shareholder's equity is an appropriate quantitative indicator of materiality as it best reflects the financial position of NWB Bank. We determined materiality consistently with the previous financial year.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 1 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Teaming and use of specialists

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a bank. We included specialists in the areas of IT audit, forensics and income tax. Furthermore, we have made use of our own experts in the areas of the loan loss provisioning, valuations of financial instruments, hedge accounting, pensions and capital requirements.

Our focus on climate-related risks and the energy transition

Climate change and the energy transition are emerging topics and lead to significant change for many businesses and society. Management summarized the NWB Bank's commitments and obligations, and reported in the section The sustainable water bank: results and impact in 2023 from the management report and in the Risk management chapter, part of Governance, in the ESG Risk section on how NWB Bank is addressing climate-related and environmental risks also taking into account related regulatory and supervisory guidance and recommendations. Moreover, we refer to the Climate Action Plan that was presented on April 14, 2022, in which NWB Bank has outlined its assessments and plans regarding climate-related risks and the effects of the energy transition.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the effects of the energy transition and NWB Bank's commitments and (constructive) obligations, are taken into account in estimates and significant assumptions, as well as in the design of relevant internal control measures. Furthermore, we read the management report and considered whether there is any material inconsistency between the non-financial information the financial statements.

Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgements, accounting estimates or significant assumptions per 31 December 2023.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the management board process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. We refer to the Risk management section in the chapter Governance of the annual report, in which the management has included its risk assessment including considering potential fraud risks.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct NWB Bank, whistle blower policy NWB Bank and incidents registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We addressed the risks related to management override of controls, as this risk is present in all companies. Because of this risk, we have reviewed estimates, among other things, for trends that may pose a risk of material misstatement, focusing in particular on key areas requiring judgment and significant accounting estimates, as explained in section Significant assumptions and estimation uncertainties in chapter Basis of preparation of the financial statements. We also used data analytics to identify and test high-risk journal entries and to assess the business rational (or lack thereof) or unusual transactions.

Furthermore, as described in our key audit matter Credit quality loan portfolio and expected credit loss provision due to the risk of management override of internal controls when determining the loan loss provisioning, specifically for the staging and determination of the internal credit rating for unsecured loans, we have among other things evaluated judgement and estimates on trends that may pose a risk of a material misstatement.

When identifying and assessing fraud risks we presumed that there are risks of fraud in revenue recognition. In our assessment, loans for which there is an extension of the maturity or early redemption with simultaneous origination of a new loan particularly give rise to these risks. The evaluation whether there is a new loan to be recognized determines the accounting for the result of these transactions. This evaluation is complex and may contain subjective elements, as further explained in paragraph 2 Results financial transaction in the annual report. We have designed and executed our audit procedures regarding the processing of the results from these transactions as a response to this assumed fraud risk.

In doing so, we focused on evaluating management's assessment and to what extent the expected, newly agreed cash flows substantially deviate from those based on the previous agreement. In this context, we evaluated, among others, whether the management's assessment was carried out consistently and for a selection of transactions we reconciled the underlying agreement, market value calculation and the processing in the financial administration.

We considered available information and made enquiries of relevant executives, directors (including risk, compliance, internal audit and legal) and the supervisory board.

The fraud risk we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the managing board, inspection of the integrity risk analysis (SIRA), reading minutes, inspection of reports from risk, compliance and internal audit and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected the internal lawyers' letter and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

As disclosed in section Continuity in Basis of preparation of the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the managing board made a specific assessment of NWB Bank's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with management exercising professional judgment and maintaining professional skepticism.

We considered whether the managing board's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on NWB Bank's ability to continue as a going concern and the substantiation for significant assumptions, with a focus on whether the company will have sufficient liquidity to continue to comply with prudential requirements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause NWB Bank to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

Compared to prior year, we have combined the key audit matters of hedge accounting and fair value measurement of financial instruments into one key audit matter.

Credit quality loan portfolio and expected credit loss provision

Risk	Loans and receivables are valued at amortised cost using the effective interest method, less a provision for impairment losses. As from 1 January 2020 NWB Bank uses the option, as allowed under Dutch Accounting Standards, to apply the IFRS 9 impairment requirements based on expected credit losses (hereinafter: 'ECL'). Impairment allowances represent NWB Bank's best estimate of expected losses. At 31 December 2023, the loans and receivables amount to €55,3 billion (2022: €51.4 billion), net of expected credit loss provision of €0.5 million (2022: €0.6 million) as disclosed in paragraph 11 and 32 to the financial statements. The provision for impairment is based on expected credit losses which includes parameters and assumptions such as the probability of default, the loss given default, the allocation of loans to stages and the use of macro-economic scenarios and forward looking information. The appropriateness of loan loss provisions is a key area of judgment for the managing board. The identification of expected credit losses is an inherently uncertain processes involving assumptions and factors including the financial condition of the counterparty and expected future cash flows. The use of alternative modelling techniques and assumptions could produce significantly different estimates of loan loss provisions. As part of our risk assessment we considered the potential risk of management override of controls and related to the staging and specifically the determination of the internal credit rating for non-guaranteed exposures. Given the inherent complexity of the application of IFRS 9 impairment requirements and the application of this standard, most predominantly in respect of the calculation of loan loss provisions using the expected credit loss methodology we considered this to be a key audit matter.
Our audit approach	Our audit procedures included, amongst others, evaluating the application of impairment requirements of IFRS 9 and the appropriateness of NWB Bank's accounting policies related to the expected credit losses according to this standard. We have obtained an understanding of the loan loss provisioning process and evaluated the design of internal controls across the processes relevant to the expected credit loss calculations as well as performing substantive procedures. This included the allocation of assets into stages, model governance, data accuracy and completeness, arrears management, multiple economic scenarios, sensitivity analyses, journal entry testing and disclosures. With the support of our internal modelling specialists, we assessed the adequacy of the provisioning model used by NWB Bank and verified whether the model is adequately designed. We performed an overall assessment of the provision levels by stage to determine if they were reasonable considering the risk profile of the portfolio, arrears management and credit risk management practices and the macroeconomic environment. We challenged the criteria used to allocate loans to stage 1, 2 or 3 in accordance with IFRS 9 and tested a sample of loans on appropriate staging. We tested the data used in the loan loss provision calculation by reconciliation to source systems. We assessed the base case and alternative economic scenarios including the impact of Covid-19. This included challenging probability weights and the severity and magnitude of modelled downside scenarios, assessing the sensitivity of primary drivers in the model calculations, as well as assessing the sensitivity in changes in the internal credit rating. Finally, we evaluated the completeness and accuracy of the disclosures in the financial statements relating to the provision for impairment losses in accordance the requirements of the Dutch Accounting Standards and IFRS 9 on credit risk.
Key observations	Based on our procedures performed we consider the provision for expected credit losses to be reasonable and found that the disclosures relating to the provision for expected credit losses, in all material aspects, meet the requirements of the Dutch Accounting Standards and IFRS 7.

Hedge accounting and fair value measurement of financial instruments

Risk	NNWB Bank hedges most interest and foreign exchange risks related to financial assets and liabilities through derivatives. For accounting purposes NWB Bank applies two types of fair value hedge accounting, micro and macro hedging. The application of hedge accounting enables the synchronization of the reported results for the hedging instrument and the hedged position, insofar the hedge is effective and the hedge relation is formally documented. NWB Bank has developed specific models to calculate hedge effectiveness. NWB Bank uses derivatives as hedging instruments, measured at fair value on the balance sheet. Both the fair value adjustments of the hedged position related to the hedged risk and the fair value adjustments of the derivatives are recorded in statement of income as result from financial transactions including any resulting ineffectiveness. For the year ended 31 December 2023 NWB Bank recorded a hedge accounting ineffectiveness as disclosed in paragraph 2 Result from financial transactions of €96 thousand negative (2022: €1.3 million negative). The fair value measurement of derivatives and associated valuation adjustments can be a subjective area insofar model based valuations are applied due to lower liquidity and limited price availability. For a significant part NWB Bank has derivatives where no market prices are available, and in these cases, fair value is determined using valuation models based on observable market data. NWB Bank has derivative assets and derivative liabilities categorized as measurement based on models using market observable data totalling €4.4 billon and € 4.0 billion respectively (2022: €5.2 billon and €4.4 billion respectively) as disclosed in note 33 fair value of financial instruments. The fair value measurement and applied hedge accounting are key audit matter, as they are inherent complexity. highly subjective and based on management judgement.
Our audit approach	Our audit procedures included, amongst others, evaluating the appropriateness of the applied valuation principles with respect to the fair value measurement of derivatives and the application of hedge accounting by NWB Bank in accordance with Dutch Accounting Standard 290 Financial Instruments, whether the used derivatives are eligible for hedge accounting and the appropriateness of the hedge documentation. We have evaluated the design and implementation of internal controls related to the valuation process and the hedge accounting process and , where considered appropriate tested key controls. We have evaluated the review and approval of assumptions and the methods applied in model-based calculations, as well as the control of data quality and adjustments of internal models. In our audit we have tested, on a sample basis, whether the hedge documentation meets requirements of Part 9 of Book 2 of the Dutch Civil Code and Dutch Accounting Standard 290. Furthermore, our hedge specialists have been involved to assess whether the hedge relationships are effective, and the hedge effectiveness has been calculated accordingly. With the support of our valuation specialists, we further assessed whether the used assumptions and methods for determining the fair value of the financial instruments, including the valuation of counterparty risk (CVA/DVA) under derivative transactions executed, are appropriate and have been consistently applied. We evaluated the methods in the valuation models against market-accepted valuation guidelines and methods. We also tested the acceptability of the estimates against counterparty valuations and performed our own valuations on a sample basis. Finally, we evaluated the completeness and accuracy of the disclosures in accordance with Dutch Accounting Standard 290 financial instruments.
Key observations	We did not identify any material deviations regarding the application of hedge accounting and the measurement of the fair value of financial instruments as of 31 December 2023, and the disclosures related to the fair value of financial instruments in accordance with the relevant requirements of RJ290.

Reliability and continuity of IT environment

Risk	DThe activities and financial reporting of NWB Bank are highly dependent on the reliability and continuity of the IT environment. Effective general IT controls with respect to change management, logical access, infrastructure and operations, support the integrity and continuity of the electronic data processing as well as the operating effectiveness of the automated controls. As described in the section Risk Management in chapter Governance, under Information Provision, the IT environment and the IT organization of NWB Bank are important for NWB Bank. There is a risk that the general IT control measures may not always operate as intended and, as a result, internal controls are ineffective. Therefore, we identified the reliability and continuity of the IT environment as a key audit matter.
Our audit approach	IT audit specialists are an integral part of the engagement team and assess the reliability and continuity of the IT environment to the extent necessary for the scope of our audit of the financial statements. In this context, we evaluated the design of the IT processes, including cybersecurity, and tested the operating effectiveness of general IT controls, as well as application controls over data processing, data feeds and interfaces where relevant for the financial reporting. We performed additional substantive procedures on access management, security event monitoring and segregation of duties for the related systems. We also assessed the possible impact of changes in IT during the year resulting from the internal transformation activities.
Key observations	Our testing of the general IT controls and the substantive tests performed, provided sufficient evidence to enable us to rely on the adequate and continued electronic data processing relevant for our audit of the financial statements.

REPORT ON OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The managing board is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS AND ESEF

Engagement

We were engaged by the general meeting of shareholders as auditor of NWB Bank on 23 April 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Reporting Format (ESEF)

NWB Bank has prepared its annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion the annual report prepared in the XHTML format, including the financial statements, of NWB Bank, complies in all material respects with the RTS on ESEF.

The management board is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting). Our examination included amongst others:

- obtaining an understanding of the NWB Bank's financial reporting process, including the preparation of the preparation of the annual financial report in XHTML format;
- identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including obtaining the annual report in XHTML-format and performing validations to determine whether the annual report complies with the RTS on ESEF.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of the managing board and the supervisory board for the financial statements

The managing board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the managing board is responsible for such internal control as the managing board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the managing board is responsible for assessing NWB Bank's ability to continue as a going concern. Based on the financial reporting framework mentioned, the managing board should prepare the financial statements using the going concern basis of accounting unless the shareholders either intend to liquidate NWB Bank or to cease operations or has no realistic alternative but to do so. The managing board should disclose events and circumstances that may cast significant doubt on NWB Bank's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing NWB Bank's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:

- performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures;
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 21 March 2024

Ernst & Young Accountants LLP

Signed by R. Koekkoek

ASSURANCE REPORT OF THE INDEPENDENT AUDITOR ON THE NON-FINANCIAL INFORMATION

The following is an English translation of the assurance report of the independent auditor issued 21 March 2024

To: the general meeting of shareholders and the supervisory board of Nederlandse Waterschapsbank N.V.

Our opinion and our conclusion

We have performed a reasonable assurance engagement on the non-financial information for 2023 of Nederlandse Waterschapsbank N.V. (hereinafter: "NWB Bank" or "the company") at The Hague. The non-financial information are included in in the section "Report of the Managing Board", in the section "ESG risk" of the chapter "Risk management" and in the "GRI index" of NWB Bank's annual report.

In our opinion, the non-financial information presents fairly, in all material respects:

- the policy with regard to sustainability matters;
- the business operations, events and achievements in that area in 2023;

in accordance with the applicable criteria as included in the section "Criteria".

Furthermore, we have performed an assurance engagement with limited assurance on the following selected impact indicators:

- improvement in water quality;
- Improvement in water quality - drinking water;
- more nature-inclusive public green space;
- appropriate allocation of social housing;
- energy-positive loan portfolio.

These selected impact indicators are disclosed in the table "Outcomes impact of lending on SDGs" in the "Reporting guidelines for non-financial information" section of the annual report.

Based on our procedures performed and the assurance information obtained, nothing has come to our attention that causes us to believe that the selected impact indicators, in all material respects, are not prepared in accordance with the relevant criteria as disclosed in the section "Criteria".

Basis for our opinion and our conclusion

We have performed our assurance engagement on the non-financial information in accordance with Dutch law, including Dutch standard 3810N, "Assurance-opdrachten inzake duurzaamheidsverslaggeving" (Assurance engagements relating to sustainability reporting), which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000, "Assurance engagements other than audits or reviews of historical financial information". Our responsibilities in this regard are further described in the section "Our responsibilities".

We are independent of NWB Bank in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence). This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics for Professional Accountants).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our opinion and conclusion

.

Criteria

The criteria applied for the preparation of the non-financial information and the selected impact indicators are the GRI Sustainability Reporting Standards (GRI Standards) and the criteria supplementally applied as disclosed in:

- the section "Reporting Guidelines for Non-Financial Information" of the annual report;
- the documents "Greenhouse Gas Emissions Loan Portfolio NWB Bank 2023" and "Sustainable Development Goals Impact of NWB Bank 2023" as included on the website of NWB Bank.

The non-financial information has been prepared in accordance with the GRI Standards. The GRI Standards used are listed in the GRI Content Index as disclosed in the chapter "GRI-Index" of the annual report.

The comparability of non-financial information and impact indicators between entities, and over time, may be affected by the absence of a uniform practice on which to draw, to evaluate and measure this information. This allows for the application of different, but acceptable, measurement techniques.

Consequently, the non-financial information and selected impact indicators need to be read and understood together with the criteria applied.

Limitations to the scope of our assurance engagement

The non-financial information includes prospective information such as ambitions, strategy, plans, expectations, estimates and risk assessments. Prospective information relates to events and actions that have not yet occurred and may never occur. We do not provide assurance on the assumptions and achievability of this prospective information.

The references to external sources or websites in the non-financial information are not part of the non-financial information as included in the scope of our assurance engagement. We therefore do not provide assurance on this information.

Limitations to the scope of our reasonable assurance engagement

In the non-financial information, the calculations to determine CO2 emission equivalents of the loan portfolio (hereinafter: the impact data) are mostly based on assumptions and sources from third parties. The assumptions and sources used are disclosed in the section "Impact of lending on climate" of the annual report and further elaborated in "Greenhouse Gas Emissions Loan Portfolio NWB Bank 2023", as available on the website of NWB Bank. We have reviewed that these assumptions and external sources are appropriate, but we have not performed procedures on the content of these assumptions and external sources.

Limitations to the scope of our limited assurance engagement

In the selected impact indicators, the calculations to determine the results are mostly based on assumptions and sources from third parties. The assumptions and sources used are disclosed in the section "Impact of lending on SDGs" of the annual report and further elaborated in the document "Sustainable Development Goals Impact of NWB Bank 2023", as available on the website of NWB Bank. We have reviewed that these assumptions and external sources are appropriate, but we have not performed procedures on the content of these assumptions and external sources.

Our opinion and conclusion are not modified in respect of these matters.

Responsibilities of the managing board and the supervisory board for the non-financial information and the selected impact indicators

The managing board is responsible for the preparation and fair presentation of the non-financial information and the selected impact indicators in accordance with the criteria as included in the section "Criteria", including the identification of stakeholders and the definition of material matters. The managing board is also responsible for selecting and applying the criteria and for determining that these criteria are suitable for the legitimate information needs of stakeholders, considering applicable law and regulations related to reporting. The choices made by the managing board regarding the scope of the non-financial information, the selected impact indicators and the reporting policy are summarized in the chapter "Reporting guidelines for non-financial information" of the annual report. Furthermore, the managing board is responsible for such internal control as it determines is necessary to enable the preparation of the non-financial information that is free from material misstatement, whether due to fraud or error.

The supervisory board is responsible for overseeing the reporting process of the non-financial information and the selected impact indicators of NWB Bank.

Our responsibilities

Our responsibility is to plan and perform the assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our opinion and conclusion.

Our assurance engagement on the non-financial information has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material fraud and errors during our assurance engagement.

Our assurance engagement on the selected impact indicators is aimed to obtain a limited level of assurance to determine the plausibility of the selected impact indicators. The procedures vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a limited assurance engagement is therefore substantially less than the assurance that is obtained when a reasonable assurance engagement is performed.

We apply the Nadere voorschriften kwaliteitssystemen (NVKS, regulations for quality management systems) and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

For a more detailed description of our responsibilities, we refer to the appendix of this assurance report.

Amsterdam, 21 March 2024

Ernst & Young Accountants LLP

Signed by J. Niewold

APPENDIX TO THE ASSURANCE REPORT OF THE INDEPENDENT AUDITOR ON THE NON-FINANCIAL INFORMATION AND SELECTED IMPACT INDICATORS

Our assurance engagement included amongst others:

- performing an analysis of the external environment and obtaining an understanding of relevant sustainability themes and issues and the characteristics of the company;
- evaluating the appropriateness of the criteria applied used, their consistent application and related disclosures in the non-financial information and the selected impact indicators. This includes the evaluation of the company's materiality assessment and the reasonableness of estimates made by the managing board;
- reconciling the relevant financial information with the financial statements;
- reading the information in the annual report which is not included in the scope of our assurance engagement to identify material inconsistencies, if any, with the non-financial information and the selected impact indicators.

Our reasonable assurance engagement on the non-financial information included amongst others:

- obtaining an understanding of the systems and processes for collecting, reporting, and consolidating the non-financial information, including obtaining an understanding of internal control environment relevant to our assurance engagement, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the procedures performed by the internal audit department and the external subject matter expert of NWB Bank;
- Identifying and assessing the risks that the non-financial information is misleading or unbalanced, or contains material misstatements, whether due to fraud or errors. Designing and performing further assurance procedures responsive to those risks, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our opinion. These procedures consisted amongst others of:
  - making inquiries of managing board and relevant staff at corporate level responsible for the sustainability strategy, policy and results
  - reading minutes of the meetings of managing board, the supervisory board and other meetings that are important for the content of the non-financial reporting
  - interviewing relevant staff responsible for providing the information for, carrying out controls on, and consolidating the data in the non-financial information
  - evaluating the suitability of assumptions and sources from third parties used for the calculation underlying the impact data as included in section "Impact of lending on climate" of the annual report and further explained in "Greenhouse Gas Emissions Loan Portfolio NWB Bank 2023"
  - obtaining assurance evidence that the non-financial information reconciles with underlying records of NWB Bank
  - evaluating relevant internal and external documentation, on a sample basis, to determine the reliability of the non-financial informationtrends
  - evaluating the data and trends
- considering the overall presentation and balanced content of the non-financial information;
- evaluating whether the non-financial information is presented and disclosed free from material misstatement in accordance with the criteria applied.

Our limited assurance engagement of the selected impact indicators included amongst others:

- obtaining through inquiries a general understanding of the internal control environment, the reporting processes, the information systems and the entity's risk assessment process relevant to the preparation of the selected impact indicators, without obtaining assurance information about the implementation or testing the operating effectiveness of controls;

- obtaining an understanding of the procedures performed by the internal audit department and the external subject matter expert of NWB Bank;
- Identifying areas of the selected impact indicators where misleading or unbalanced information or a material misstatement, whether due to fraud or error, is likely to arise. Designing and performing further assurance procedures aimed at determining the plausibility of the selected impact indicators responsive to this risk analysis. These procedures consisted amongst others of:
  - interviewing relevant staff responsible for providing the information for, carrying out controls on, and consolidating the data in the selected impact indicators
  - assessing the suitability and plausibility of assumptions and sources from third parties used for the calculation underlying the selected impact indicators as included in section “Impact of lending on SDG’s” of the annual report and further explained in the document “Sustainable Development Goals Impact of NWB Bank 2023”
  - obtaining assurance evidence that the selected impact indicators reconcile with underlying records of NWB Bank
  - reviewing, on a limited sample basis, relevant internal and external documentation
  - considering the data and trends
- considering whether the selected impact indicators are clearly and adequately disclosed in accordance with the criteria applied.

Communication

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the assurance engagement and significant findings, including any significant findings in internal control that we identify during our assurance engagement.

ARTICLES OF ASSOCIATION PROVISIONS GOVERNING PROFIT APPROPRIATION

The appropriation of profit is governed by Article 21 of the Articles of Association, which reads as follows:

Article 21

1. Profit shall be distributed only insofar as the shareholders' equity of the company exceeds the amount of that part of its issued capital which is paid up and called up, plus the reserves which must be kept by law or the Articles of Association.

2. The annual profit disclosed in the adopted statement of income shall be allocated as follows:
   a. The Managing Board is authorised, subject to the prior approval of the Supervisory Board, to appropriate all or part of the profit to reserves.
   b. Any balance of profit remaining after the addition to reserves shall be at the disposal of the shareholders in general meeting.
   c. To the extent that the shareholders in general meeting do not decide to distribute a dividend for any financial year, such profit shall be added to reserves.

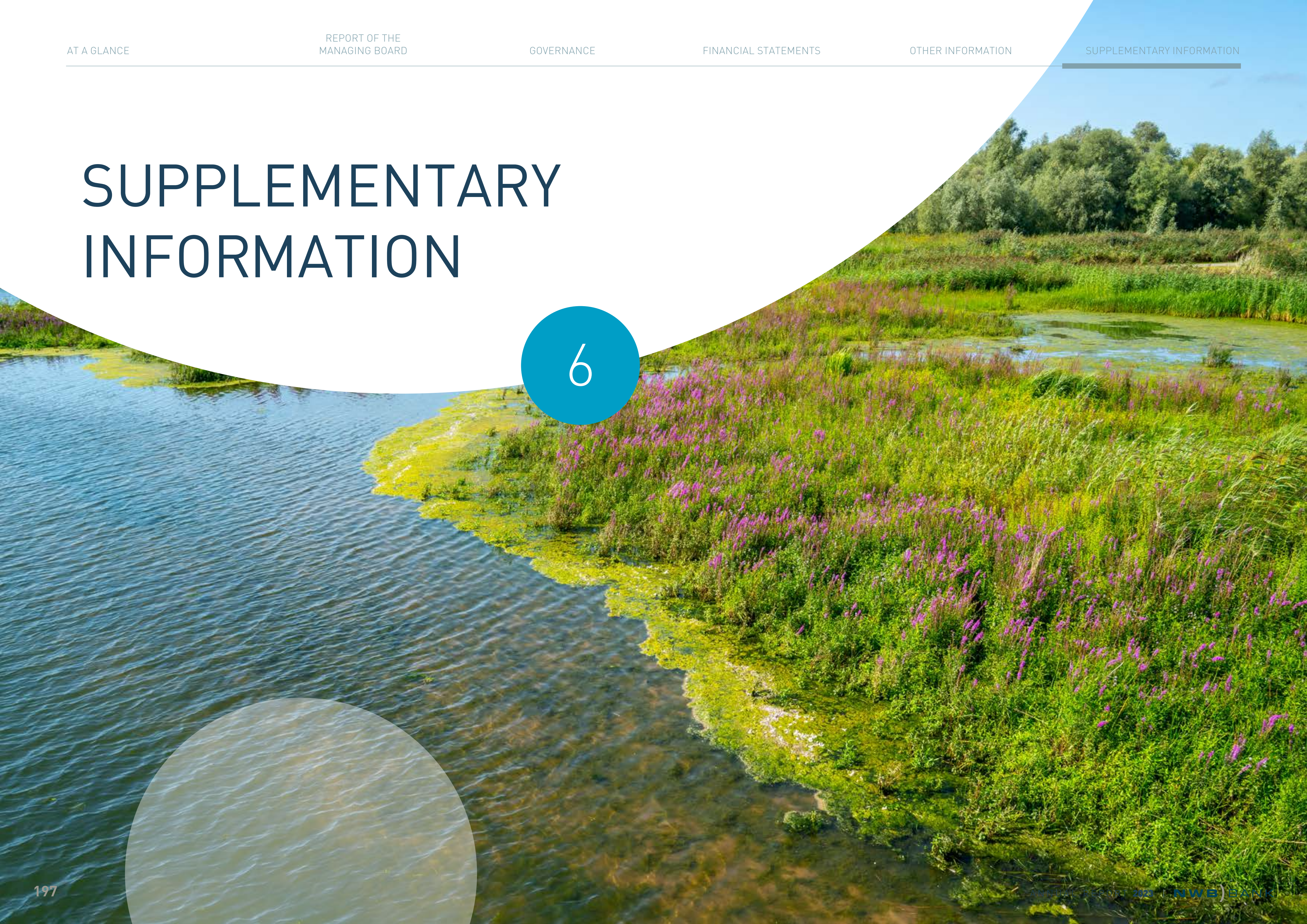
3. The shareholders in general meeting can decide to make a profit distribution chargeable to a distributable reserve only on the basis of a resolution proposed by the Managing Board and approved by the Supervisory Board.

4. To the extent that the company has profit the Managing Board, subject to the approval of the Supervisory Board, may with due regard for the provisions of paragraphs 1 and 2 of this article resolve to distribute an interim dividend on the basis of an interim statement of the company's financial position as provided for in Section 105, subsection 4 of Book 2 of the Dutch Civil Code.

5. On a resolution proposed by the Managing Board, with the approval of the Supervisory Board, the shareholders in general meeting can decide to distribute to shareholders a dividend or interim dividend other than in cash chargeable to the part of the profit to which they are entitled.

SUPPLEMENTARY INFORMATION

6



REPORTING GUIDELINES FOR NON-FINANCIAL INFORMATION

The non-financial information can be found in the 'Report of the Managing Board' chapter and the '**GRI-index**' of the Annual Report.

Global Reporting Initiative

We report on our activities in a transparent way. In doing so, we follow the **Global Reporting Initiative (GRI)** guidelines. This report is based on the GRI standards for 2023. The bank reports at GRI reporting level 'in accordance with'. The Report of the Managing Board has been drawn up according to these GRI standards, which have been verified by Ernst & Young Accountants LLP; see the **Assurance report** .

NWB Bank chose GRI because we offer excellent international comparability with other institutions, as well as other banks and state-owned enterprises in the Netherlands that apply this framework. A full overview of the relevant substantial criteria and (self-developed) performance indicators are included in the bank's **GRI content index** .

Disclosure of non-financial and diversity information

EU Directive 2014/95/EU regarding the disclosure of non-financial and diversity information, drawn up in 2014, obliges organisations to be more transparent about non-financial information, such as their environmental and social policies and diversity at the executive level. The Directive has been transposed into Dutch law in two parts, effective 1 January 2017. Although we are not required by that law to include the non-financial information in our annual report, we do so anyway, partly at the request of the Ministry of Finance which is one of our shareholders.

UN Global Compact

We have signed the UN Global Compact Principles and have therefore agreed to take into account key themes such as human rights, labour rights, the environment and anti-corruption in our business processes. It also means that we expect our stakeholders to comply with these principles, when possible and relevant. Further information on the implementation of these principles can be found in the ESG Facts and Figures report on our **website**.

Impact of lending on climate

To calculate the impact of our lending on the climate, we use the methodology of the Partnership for Carbon Accounting Financials (PCAF). PCAF provides a framework and harmonised methodology that increases transparency and awareness of greenhouse gas emissions (equivalents. The PON & Telos knowledge institute, which is affiliated with Tilburg University, has helped us to apply the PCAF methodology. Its use has been incorporated in the '**GHG Emissions of NWB Bank's Loan Portfolio: The GHG footprint of 2022' report**. The methodology in this document serves as the basis for the calculation.

Data quality

The quality of the data is an important element for calculating the emissions of our loan portfolio. See the methodology document for further details. The following scores apply for the calculation:

	Score
Housing associations	2
Municipalities	3/5/4
Water authorities	2/3
Healthcare sector	3/5
Drinking water companies	2/3
Provinces	4/5
Education institutions	3
NHG pass-through RMBS	3

PCAF distinguishes five levels of quality for emissions:

- Class 1 concerns individual emissions data or actual energy consumption data that has been audited.
- Class 2 concerns unaudited emissions data or other primary consumption data.
- Class 3 concerns average data specific to the sector or similar institutions.
- Class 4 concerns approximate data based on a region or country.
- Class 5 concerns rough estimates.

Methodology used

Our share of a client's or project's emissions is calculated by multiplying the percentage of our bank's financing in the client's or project's balance sheet total by the client's total greenhouse gas emissions (equivalents). The emissions data are derived or calculated from, among other sources, publicly available data from Statistics Netherlands, the Netherlands Environment and Transport Inspectorate, the Water Authorities' Climate Monitor and the sustainability reports of the financed institutions. The calculation of the climate impact takes place one year after the Annual Report. The calculations for the end of 2023 refer to the portfolio at the end of 2022 and will be reported at the beginning of 2024.

When adjustments are made to the methodology, previously reported figures are recalculated. The base year (2019, regarding the portfolio in 2018) is recalculated as well as the current year and the previous year.

Limitations

There is still insufficient data available on the extent of the emissions avoided or negated as a result of projects we have financed. It was not possible to calculate Scope 3 emissions for housing associations. This would include emissions resulting from the construction (and major maintenance) of housing association properties. This also applies to NHG pass-through RMBS, joint schemes and healthcare institutions. There are no calculations or data available to make a reasonable estimate of these emissions.

Impact of lending on SDGs

We have used the principles of impact reporting for financial institutions (BFI methodology) to guide our impact reporting on the impact of lending on the SDGs. Its use has been incorporated in the ***Sustainable Development Goals Impact of NWB Bank's loan portfolio, Accountability report: Reporting year 2023' report***. Reporting on our clients' performance against these SDGs is important to us for a number of reasons. First, it allows us to monitor trends in these outcomes over the years and engage with our clients on them, thereby increasing the impact of our financing. In addition, measuring these performances also helps us to identify any risks. Further explanation of this can be found in the methodology document.

Methodology used

The impact of a client or project is calculated by multiplying the percentage of the bank's financing in the client's or project's balance sheet by the client's impact. This is done for indicators where there is a direct impact path and clear variation in the outcome, such as the number of housing units built or investments in buildings and sites for the healthcare sector. The impact data is derived from or calculated using public data from Statistics Netherlands, Netherlands Environment and Transport Inspectorate, the WAVES database of the water authorities and the dVi reports of the housing associations, among others. The calculation of the SDG impact for 2022 is based on the loan portfolio at the end of 2022.

If adjustments are made to the methodology, the previously reported figures will be recalculated. The baseline measurement (2020) is recalculated, as well as the current year and the previous year. If no new measurement is available, the last reported year is used as measurement 1.

Data quality

The quality of the data is an important element for calculating the the impact. See the methodology document for further details. The following five classes of quality apply for the calculation:

- Class 1 concerns individual emissions data or actual energy consumption data that has been verified.
- Class 2 concerns unverified data or other primary consumption data.
- Class 3 concerns average data specific to the sector or similar institutions.
- Class 4 concerns approximate data based on a region or country.
- Class 5 concerns rough estimates.

Outcomes impact of lending on SDGs

SDG impact / Impact KPI	Description	Performance
Safety of flood defences	Length of flood defences tested (and meets standard 2050) (km)	11,132 (8,680) km
Quality of surface water	% of surface water that meets WFD standards	0%
Quality of drinking water	% measurement that meets the set standards	99.9%
Nature quality freshwater	Index (intact ecosystem = 100)	37
Quality of wastewater	% discharges that meet the set standards	98.7%
Volume of nature-inclusive public green space	Surface area (public) green space split into gardens and nature (non-agricultural) (m^2)	24,267,583 m^2
Energy performance social housing	Energy-intensity (kWh/m^2)	47,637 kWh/m^2
Allocation of social housing	% allocations per year within income ceilings	70.5%
Number of social housing dwellings	Net number built by associations	7,644
Quality of healthcare buildings and grounds	Investments in healthcare buildings and grounds	624,319,587 €
Volume of municipal solid waste	Total municipal solid waste (kg)	2,243,514.638 kg
Accelleration of energy transition	Proportion loan portfolio energy neutral	35.8%

GRI CONTENT INDEX

GRI SUSTAINABILITY REPORTING GUIDELINES

Ref. no	Description	Page reference
1-1	Statement of use	In accordance with: 1 January 2023 to 31 December 2023
Organisational profile		
2-1	Organizational details	Company information
2-2	Entities included in the organization's sustainability reporting	Company information
2-3	Reporting period, frequency and contact point	Publication details
2-4	Restatements of information	Key financials
2-5	External assurance	Assurance report
2-6	Activities, value chain, and other business relationships	Value creation
2-7	Employees	ESG Facts en Figures
2-8	Workers who are not employees	Not applicable
2-9	Governance structure and composition	Corporate governance
2-10	Nomination and selection of the highest governance body	Corporate governance
2-11	Chair of the highest governance body	Corporate governance
2-12	Role of the highest governance body in overseeing the management of impacts	Report of the supervisory board
2-13	Delegation of responsibility for managing impacts	Corporate governance
2-14	Role of the highest governance body in sustainability reporting	Report of the Supervisory Board (Supervisory Board Charter)
2-15	Conflicts of interest	Corporate governance
2-16	Communication of critical concerns	Corporate governance
2-17	Collective knowledge of the highest governance body	Report of the Supervisory Board
2-18	Evaluation of the performance of the highest governance body	Corporate governance
2-19	Remuneration policies	Remuneration report en Corporate governance
2-20	Process to determine remuneration	Remuneration report
2-21	Annual total compensation ratio	Remuneration report

Ref. no	**Description**	Page reference
2-22	Statement on sustainable development strategy	Interview with Lidwin van Velden
2-23	Policy commitments	ESG Facts and Figures
2-24	Embedding policy commitments	ESG Facts and Figures
2-25	Processes to remediate negative impacts	Risks and opportunities (climate action plan)
2-26	Mechanisms for seeking advice and raising concerns	Future-oriented banking
2-27	Compliance with laws and regulations	Corporate governance
2-28	Membership associations	Our stakeholders
2-29	Approach to stakeholder engagement	Our stakeholders
2-30	Collective bargaining agreements	Remuneration report
Material topics		
3-1	Process to determine material topics	Materiality analysis
3-2	List of material topics	Materiality analysis
3-3	Management of material topics	Materiality analysis
Top 5 material topics		
1	Contribute to climate adaptation Own indicator: new lending to water authorities	Bank of and for the public water sector
2	Availability of financing Own indicator: total lending in 2023	**Highlights**
3	Contribute to climate mitigation GRI 305-3: Carbon footprint loan portfolio (scope 3), GRI 305-1 and GRI 305-2	Responsible returns ans societal impact (ESG Facts and Figures)
4	Facilitating sufficient drinking water Own indicator: volume of new lending to drinking water companies	Bank of and for the public water sector
5	Safe, stable and efficient bank Own indicator: Financial ratio's	Sustainable, efficient and socially engaged organisation

Our own indicators have been applied for the topics 1, 2, 4 and 5 because the GRI disclosures do not match the material subjects of NWB Bank.

LIST OF SHAREHOLDERS AS AT 1 JANUARI 2023

	Number of A shares at€115	Number of B shares at €460
Aa en Maas Water Authority	627	301
Amstel, Gooi en Vecht Water Authority	281	60
Brabantse Delta Water Authority	2,016	483
Delfland Water Authority	755	60
De Dommel Water Authority	533	360
Drents Overijsselse Delta Water Authority	2,236	232
Fryslân Water Authority	3,309	100
Hollandse Delta Water Authority	1,893	143
Hollands Noorderkwartier Water Authority	4,399	204
Hunze en Aa's Water Authority	1,915	175
Limburg Water Authority	2,401	299
Noorderzijlvest Water Authority	1,107	170
Province of Drenthe	15	25
Province of Friesland	24	25
Province of Gelderland	44	50
PrProvince ofvincie Limburg	11	20

	Number of A shares at€115	Number of B shares at €460
Province of Noord-Brabant	33	40
Province of Noord-Holland	43	60
Province of Utrecht	43	60
Province of Zeeland	15	20
Province of Zuid-Holland	33	40
Rijn en IJssel Water Authority	5,666	345
Rijnland Water Authority	4,858	289
Rivierenland Water Authority	3,968	437
Scheldestromen Water Authority	4,380	166
Schieland en de Krimpenerwaard Water Authority	610	430
Dutch State	1,208	3,333
De Stichtse Rijnlanden Water Authority	224	47
Vallei en Veluwe Water Authority	631	88
Vechtstromen Water Authority	7,158	423
Zuiderzeeland Water Authority	42	26
	50,478	**8,511**

DISCLOSURE OF NON-FINANCIAL INFORMATION AND DIVERSITY INFORMATION (REFERENCE TABLE)

Subjects	Aspect	Added yes/no	Chapter/ Page reference
Business model	N/A	Yes	**NWB Bank's Profile**
Relevant social and employee-related matters (e.g. HR, safety etc.)	The policies pursued, including due diligence	Yes	**Sustainable, efficient and socially engaged organisation**
	The results of the policies pursued	Yes	**Sustainable, efficient and socially engaged organisation**
	The principle risks of the bank's own operations and within the value chain	Yes	**Sustainable, efficient and socially engaged organisation**
	The management of these risks	Yes	**Sustainable, efficient and socially engaged organisation**
	Non-financial performance indicators	Yes	**Sustainable, efficient and socially engaged organisation**
Relevant environmental matters (e.g. impact of climate change)	The policies pursued, including due diligence	Yes	**Responsible returns and societal impact**
	The results of the policies pursued	Yes	**Responsible returns and societal impact**
	The principle risks of the bank's own operations and within the value chain	Yes	**Responsible returns and societal impact**
	The management of these risks	Yes	**Responsible returns and societal impact**
	Non-financial performance indicators	Yes	**Responsible returns and societal impact**

Subjects	Aspect	Added yes/no	Chapter/ Page reference
Relevant subjects regarding respect for human rights (e.g. employee protection)	The policies pursued, including due diligence	Yes	**ESG Facts and Figures**
	The results of the policies pursued	Yes	**ESG Facts and Figures**
	The principle risks of the bank's own operations and within the value chain	Yes	**ESG Facts and Figures**
	The management of these risks	Yes	**ESG Facts and Figures**
	Non-financial performance indicators	Yes	**ESG Facts and Figures**
Relevant subjects regarding the fight against corruption and bribery	The policies pursued, including due diligence	Yes	**Risk management - Operational risk** (see page 106)
	The results of the policies pursued	Yes	**Risk management - Operational risk** (see page 106)
	The principle risks of the bank's own operations and within the value chain	Yes	**Risk management - Operational risk** (see page 106)
	The management of these risks	Yes	**Risk management - Operational risk** (see page 106)
	Non-financial performance indicators	Yes	**Risk management - Operational risk** (see page 106)
Insight into the diversity policy (Managing Board and Supervisory Board)	The policies pursued	Yes	**Corporate governance**
	Diversity targets	Yes	**Corporate governance**
	Description of how the policy is implemented	Yes	**Corporate governance**
	The results of the policies pursued	Yes	**Corporate governance**

GLOSSARY

Additional Tier 1 capital (AT1 capital)
AT1 capital refers to certain financial instruments (bonds) that may be added to Tier 1 capital under the Basel III rules.

Biodiversity
Biodiversity or biological diversity is a term for the degree of variety between the life forms in a given ecosystem, biome or an entire planet. Biodiversity is often used as an indicator of the health of an ecosystem.

Common Equity Tier 1 ratio (CET1 ratio)
The bank's core capital expressed as a percentage of total risk positions. CET1 capital is part of Tier 1 capital.

Circular economy
An economic system aiming to maximise the reusability of products and raw materials, and to minimise the loss of their value, as opposed to the current linear system, where raw materials are used to manufacture products that are destroyed at the end of their useful lives.

Corporate governance
The organisation of the management of (listed) companies and their supervision. It regulates the relationship between administrators, supervisory board members and shareholders.

Cost/income ratio
Operating expenses (excluding bank tax, resolution levy and expected credit loss) compared to operating income.

Data leaks
Access to or destruction, alteration or release of personal data at an organisation without this being the organisation's intention, or without it being legally permitted.

Dividend payout ratio
Dividend payout compared to net profit.

Double materiality
This approach looks at important issues from two angles: the potential positive and negative impact of the organisation on people and the environment, and the impact of sustainability risks and opportunities on the organisation itself, whether financial or otherwise. The former is called the inside-out perspective, the latter the outside-in perspective.

Sustainable energy projects
Sustainable energy projects relate to energy from natural sources: sun, wind, soil and water. The National Green Fund has also been designated a sustainable energy project.

Equator Principles
A risk management framework for project financing, adopted by financial institutions, which is used to determine, assess and manage social and environmental risks in the financing of projects.

ESG
ESG stands for Environment, Social and Governance.

ESG bonds
Bonds that take into account environmental and social characteristics of an investment, with attention to proper governance of the issuer.

Global Reporting Initiative (GRI)
GRI is an independent international organisation that helps organisations to communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption, etc.

Green Bonds
NWB Bank issues Water Bonds, the proceeds of which are used to finance ‘green’ water authority projects. NWB Bank applies the Green Bond Principles, which are the leading standard on the issue of such bonds.

Complaints procedure
NWB Bank provides stakeholders with an opportunity to submit a complaint through a complaints procedure. This procedure is mentioned on the website.

Climate adaptation
Adapting the environment and preparing for the consequences of climate change is called climate change adaptation. Examples of climate adaptation include strengthening dikes, widening rivers and adding greenery to towns and villages.

Climate mitigation
Preventing further climate change by reducing greenhouse gas emissions is called climate change mitigation. For example, consider renewable energy projects.

Climate neutral
The organisation's activities should not have a negative impact to the climate and thus will not contribute to climate change.

Loan
All long-term (> 1 year) loans granted by our bank to clients in 2023. This includes new loans, acquired loans and loans where the interest rate has been revised or the maturity has been extended. It also includes the 2023 investments in NHG RMBS bonds. For some loans, the deposit of the loan amount will take place in the future (after 2023).

Liquidity Coverage Ratio (LCR)
The Liquidity Coverage Ratio (LCR) is an indicator that shows whether sufficient liquid assets are available to absorb a 30-day stress scenario.

Leverage ratio
The ratio of Tier 1 capital to the bank's (adjusted) balance sheet total.

Leverage ratio (adjusted for promotional assets)
The ratio of Tier 1 capital to the bank's (adjusted) balance sheet total. The promotional assets are removed from the balance sheet total.

Management approach
The Management Approach is a reporting item within the GRI framework that provides readers with information on the organisation's strategy and management. It also provides context for the reported performance targets, minimum requirements and trends in CSR performance. A synonym for Management Approach is (internal) governance.

Net Stable Funding Ratio (NSFR)
The aim of the Net Stable Funding Ratio is to determine the extent to which longer-term assets are financed with more stable forms of funding.

NWB Fund
The NWB Fund is independent form the bank and provide water authorities with financial resources to enable them to contribute to global water solutions based on their core mission and values.

NWB Water Innovation Fund
The NWB Water Innovation Fund is independent from the bank and finances water authorities' innovative projects with wide-ranging applications, which contribute to enhancing sustainability in the Netherlands.

Platform Carbon Accounting Financials (PCAF)
The Platform Carbon Accounting Financials has developed methodologies to measure the carbon footprint of investments and loans.

Materiality Matrix
An overview of the material topics, which are assessed in terms of their importance to the organisation (NWB Bank) on the one hand and the importance to its stakeholders on the other.

Product Approval Process
A process implemented by the bank, which helps to decide whether to provide or distribute a certain product at its own risk and expense or for the benefit of its clients. All new products undergo this process.

Promotional loan
Loan granted directly or through an intermediary lending institution on a non-competitive, non-profit-making basis; a loan that is granted by a public development finance institution or an entity created by the central government, regional government or local government of a Member State of the European Union to further the policy objectives of that Member State.

GRI guidelines
Reporting guidelines for reporting by organisations on their material issues and the accompanying environmental, social and economic effects.

Risk governance
The way we have organised risk management internally. Risk governance is set out in the risk management framework.

SDE++
The Stimulation of Sustainable Energy Production (SDE, after that: SDE+, as of 2020: SDE++) is a ministerial agreement aiming to stimulate the production of clean and sustainable energy.

SDG Housing Bonds
To finance lending to housing associations, we issue special SDG Housing Bonds, where SDG stands for the United Nations Sustainable Development Goals. In issuing these ESG bonds, we use the International Capital Market Association's Social Bond Principles, which are the leading standard in the market for issuing such bonds.

Stakeholder dialogue
Our stakeholders are all those people and organisations with whom we work or who care about NWB Bank's social role as a promotional bank. These stakeholders include at least our shareholders, clients, investors, employees, regulators and the government. In order to give nature and the environment an adequate voice, we also consider environmental organisations to be our stakeholders. We regularly contact our stakeholders to find out what they are doing. We call this stakeholder dialogue.

Sustainable Development Goals (SDGs)
SDGs are a set of goals launched in 2015, formulated by the United Nations and intended as a new guiding conceptual framework for sustainable development. NWB Bank and the other Dutch banks seek to play an active part in increasing the sustainability of the economy, and the SDGs are a key frame of reference in this endeavour.

Tier 1 capital ratio
The bank's core capital including Additional Tier 1 capital, expressed as a percentage of total risk-weighted assets.

Transparency
Transparency is the degree of openness, visibility and accessibility of NWB Bank towards its stakeholders in relation to all relevant aspects of its organisation and associated business activities.

UN Global Compact
A United Nations initiative of relevance to companies wishing to operate and report in a socially responsible manner. It comprises ten principles in the areas of human rights, labour, environment and anti-corruption.

Water Bonds
See Green Bonds.

LIST OF ABBREVIATIONS

Abbreviation	Description
€STR	Euro short-term rate
AGM	Annual General Meeting of Shareholders
ALCO	Asset & Liability Committee
AO/IC	administrative organisation and internal control
AUD	Australian dollar
BIS	Bank for International Settlements
bp	basis point
BRRD	Bank Recovery and Resolution Directive
CAD	Canadian dollar
CCO	chief commercial officer
CDD	customer due diligence
CDS	credit default swap
CET1	common equity tier 1 (capital reserves)
CHF	Swiss franc
CLO	collective labour agreement
CO2e	carbon dioxide equivalent
CoC	Chamber of Commerce
COVID-19	Corona virus disease-2019
CP	commercial paper
CPB	Statistics Netherlands (Centraal Planbureau)
CRD	Capital Requirements Directive
CRO	chief risk officer
CRR	Capital Requirements Regulation
CRS	credit risk score
CSA	Credit Support Annex
CSRBB	credit spread risk in the banking book
CSRD	Corporate Sustainability Reporting Directive
CT	corporate tax

Abbreviation	Description
CVA	credit valuation adjustment
DAS	Dutch Accounting Standards
DC	Defined Contribution
DCC	Dutch Civil Code
DGS	Deposit Guarantee Scheme
DNB	The Dutch Central Bank (De Nederlandse Bank)
DORA	Digital Operational Resilience Act
DV01	Dollar Value of one basis point
DVA	debit valuation adjustment
dVi	de Verantwoordingsinformatie (financial accountability of housing associations)
DWD	Duurzame Watervoorziening Delfzijl (Sustainable water supply Delfzijl)
EAD	exposure at default
EAR	earnings at risk
EBA	European Banking Authority
ECB	European Central Bank
ECL	expected credit loss
EGM	extraordinary general meeting of shareholders
ESEF	European Single Electronic Format
ESG	environmental, social and governance
ESMA	European Securities and Markets Authority
ESRS	European Sustainability Reporting Standards
EU	European Union
EUR	Euro
FSB	Financial Stability Board
fte	full-time equivalent
FX	foreign exchange
GAAP	generally accepted accounting principles

Abbreviation	Description
GBP	British pound
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
GWh	Gigawatt hours
HICP	harmonised index of consumer prices
HKD	Hong Kong dollar
HR	human resources
IAD	Internal Audit Department
ICAAP	Internal Capital Adequacy Assessment Process
ICT	information and communications technology
IFRS	international financial reporting standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ILT	Inspectorate for the Environment and Transport
IPC	Irrevocable Payment Commitment
IPCC	Intergovernmental Panel on Climate Change
IRRBB	Interest Rate Risk in the Banking Book
ISDA	International Swaps and Derivatives Association
ISO	International Organization for Standardization
IT	Information Technology
JPY	Japanese yen
JST	Joint Supervisory Team
KIWI	introductory training programme for water managers (Kennismaking en Introductieprogramma Waterschappen)
KNMI	Royal Netherlands Meteorological Institute
KPI	key performance indicator
KW	kilowatt
kWh	kilowatt-hour

Abbreviation	Description
LCR	Liquidity Coverage Ratio
LCRE	low credit risk exemption
LGD	Loss given default
LTO	Land- en Tuinbouw Organisatie (nterest organisation for agricultural en horticultural entrepreneurs)
MIS	management information system
MM	Materiality Matrix
MSCI	Morgan Stanley Capital International
NFRC	Non-Financial Risk Committee
NFRD	Non-Financial Reporting Directive
NGFS	Network for Greening the Financial System
NHG RMBS	National Mortgage Garantuee Residential Mortgage-Backed Security
NII	net interest income
NIST	National Institute of Standards and Technology
NL	The Netherlands
NSFR	net stable funding ratio
NZD	New Zealand dollar
OIS	overnight index swaps
ORM	operational risk management
PARP	Product Approval and Review Process
PBAF	Partnership for Biodiversity Accounting Financials
PCAF	Parnership for Carbon Accounting Financials
PD	probability of default
PPI	Premium pension institution
PPS	public-private partnership (publiek-private samenwerking)
RAC	Remuneration and Appointment Committee
RAE	risk assessment and evaluation
RBG	Regional tax group (Regionale belastinggroep)

Abbreviation	Description
RMBS	Residential Mortgage-Backed Securities
RTS	regulatory technical standards
SB	Supervisory Board
SBTi	Science Based Targets initiative
SDE++	Stimulation of Sustainable Energy Production (Stimulering Duurzame Energieproductie)
SDG	Sustainable Development Goal
SEK	Swedish krona
SER	Social and Economic Council
SFI	special financial institution
SGEI	Services of general economic interest
SICR	significant increase in credit risk
SIRA	Systematic Integrity Risk Assessment
SLL	sustainability linked loan
SoI	statement of income
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
SRM	Single Resolution Mechanism
SSA	Sovereigns, Supranationals and Agencies
SSM	Single Supervisory Mechanism
SWOT	strengths weaknesses opportunities threats
TCFD	Task Force on Climate-related Financial Disclosures
TJ	terajoule
TLTRO	targeted longer-term refinancing operation
UK	United Kingdom
UMC	University Medical Center
UN	United Nations
USCP	US Commercial Paper
USD	US dollar
UTP	unlikely to pay

Abbreviation	Description
VAT	value added taxes
VGBA	Dutch Code of Ethics (Verordening gedrags- en beroepsregels accountants)
VNG	Vereniging Nederlandse Gemeenten
WACC	weighted average cost of capital
WC	Works Council
WFD	Water Framework Directive
WfZ	Healthcare Guarantee Fund (Waarborgfonds voor de Zorgsector)
WSW	Social Housing Guarantee Fund (Waarborgfonds Sociale Woningbouw)
WTG	wind turbine generator
ZAR	South African Rand

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Picture by De Woonplaats
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Picture by HVC

Questions or comments
If you have any questions about or comments about this Annual Report, please do not hesitate to contact us by email at persinfo@nwbbank.com.