



ANNUAL REPORT 2015

NEDERLANDSE WATERSCHAPSBANK N.V.

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Headline figures

(amounts in millions of euros)

	2015	2014	2013	2012	2011
Balance sheet					
Long-term loans and advances (nominal value)	49,069	49,421	49,595	48,142	45,474
Equity ¹⁾	1,399	1,303	1,256	1,226	1,188
Tier 1 equity ¹⁾	1,594	1,300	1,256	1,226	1,188
Total assets	91,314	88,249	73,006	76,084	67,696
Risk-weighted assets	1,421	1,152	1,039	933	1,112
Results					
Net interest income	180	117	95	107	75
Results from financial transactions	-9	-16	-14	-24	38
Operating income	171	101	81	83	113
Operating expenses ²⁾	18	16	16	14	15
Income tax expense	37	21	16	17	23
Bank tax and resolution levy	21	15	15	12	-
Net profit	95	49	34	40	75
Dividend					
Dividend distribution	0.0	0.0	0.0	0.0	0.0
Dividend per share in euros	0.0	0.0	0.0	0.0	0.0
Ratio's (%)					
Tier 1 ratio ¹⁾	79.8⁴⁾	73.0 ³⁾	100.9	111.2	90.3
CET 1 ratio ¹⁾	69.8⁵⁾	73.0 ³⁾	100.9	111.2	90.3
Operating expenses/interest ratio	9.8	13.8	16.9	13.1	20.0
Dividend pay-out ratio	0.0	0.0	0.0	0.0	0.0
Leverage ratio ¹⁾	2.1	1.8	1.9	-	-
Liquidity Coverage Ratio	134	144	110	-	-
Net Stable Funding Ratio	117	107	107	-	-

1) including profit for the year.

2) excluding Bank tax.

3) With the Capital Requirements Regulation and Directive (CRR/CRD) having taken effect on 1 January 2014, the Tier 1 ratio and CET 1 ratio dropped by approximately a quarter, due to the introduction of the Credit Valuation Adjustment (CVA) capital charge.

4) 75.0 excluding profit for the year (2014: 70.3).

5) 65.1 excluding profit for the year (2014: 70.3).

Organisation

The Managing Board

**Name**

Ron Walkier (63)

Year of first appointment

1993, Chairman since 2008

Term of office ends in

2016

Principal position

Chairman of the Managing Board

Portfolio

Strategy, communications, HRM, legal & compliance and the Internal Audit Department

Relevant other positions

President of the European Association of Public Banks

**Name**

Lidwin van Velden (52)

Year of first appointment

2010

Term of office ends in

2018

Principal position

Member of the Managing Board

Portfolio

Finance & control, risk management, back office, ICT, security management and tax

Relevant other positions

Supervisory Board member of the University of Amsterdam and adviser to the Supervisory Board of the Amsterdam University of Applied Sciences
Member of the Audit Committee of the Ministry of Education, Culture and Science



Name	Frenk van der Vliet (48)
Year of first appointment	2012
Term of office ends in	2020
Principal position	Member of the Managing Board
Portfolio	Lending, funding, asset & liability management and facility management
Relevant other positions	None

Management team

Ron Walkier, Chairman
 Lidwin van Velden
 Frenk van der Vliet
 Marian Bauman, Human Resources Management
 Peter Bax, Back Office
 Ard van Eijl, Risk Management
 Reinout Hoogendoorn, Internal Audit Department
 Leon Knoester, Public Finance
 Marc-Jan Kroes, Finance & Control
 Tom Meuwissen, Treasury
 Heleen van Rooijen, Legal & Compliance
 Michel Vaessen, ICT

The Supervisory Board

**Name**

Age Bakker (65) ^{3|4)}

Position

Chairman

Year of first appointment

2012

Term of office ends in

2016

Last position held

Executive Director of the International Monetary Fund (IMF)

Relevant other positions

Chairman of the Board of Financial Supervision (Cft) Curaçao and Sint Maarten

Chairman of the Board of Financial Supervision Aruba

Chairman of the Board of Financial Supervision Bonaire, Sint Eustatius and Saba

Member of the Board of Pensioenfondsen Zorg en Welzijn (the Dutch Pension Fund for the care and welfare sector)

Chairman of the Investments Committee of Pensioenfondsen Horeca & Catering

Member of the Audit Committee of the Dutch Ministry of Foreign Affairs

Member of the SME Financing Committee of the Dutch Ministry of Economic Affairs

**Name**Else Bos (56) ³⁾**Year of first appointment**

2008

Term of office ends in

2016

Principal position

Chief Executive Officer of PGGM N.V.

Relevant other positions

Member of the Supervisory Committee of Isala Klinieken (until Sept. 2015)

Member of the Board of Sustainalytics B.V.

Member of the board of UN-PRI (United Nations Principles on Responsible Investments) (until March 2015)

Member of the Supervisory Committee of Dutch National Opera & Ballet

Deputy Chair of the Supervisory Board of NHG/WEW (until Dec. 2015)

Member of the Dutch Corporate Governance Code Monitoring Committee

**Name**Peter Glas (60) ²⁾**Year of first appointment**

2011

Term of office ends in

2019

Principal position

Water Reeve of De Dommel Water Authority

Relevant other positions

Board member of the Noord-Brabant Association of Water Authorities

Chair of the OECD Water Governance Initiative

Chair of the Dutch Association of Regional Water Authorities (until year-end 2015)



Name	Maurice Oostendorp (59) ¹⁾
Year of first appointment	2012 (EGM)
Term of office ends in	2017
Principal position	Chief Executive Officer of SNS Bank N.V.
Relevant other positions	Supervisory Director of Propertize B.V. and Chair of AC Propertize N.V. Member of the Advisory Council of Women in Financial Services (WIFS) Supervisory Director of SRH N.V.



Name	Petra van Hoeken (54) ³⁾
Year of first appointment	2015
Term of office ends in	2019
Principal position	Managing Board member / Chief Risk Officer of NIBC Bank N.V., NIBC Holding N.V., NIBC Investment Management N.V. (until 15 March 2016) Member Executive Board / Chief Risk Officer Rabobank (as of 1 April 2016)
Relevant other positions	None

**Name**Albertine van Vliet-Kuiper (64) ⁴⁾**Year of first appointment**

2012 (EGM)

Term of office ends in

2017

Principal position

Mayor of Gooise Meren

Relevant other positions

Chair of the Supervisory Board of Omnia Wonen
 Deputy Chair of and Secretary to the Board of Nationaal Restauratiefonds
 Member of the Aedes Code Committee (until end of February 2015)
 Member of the Dutch Council for Public Administration
 Chair of the Supervisory Committee of Victas Centre for the
 care and treatment of drug addicts

**Name**

Berend-Jan baron van Voorst tot Voorst (72)

Year of first appointment

2009

Term of office ends in

2017

Principal position

Queen's Commissioner of the Province of Limburg

Relevant other positions

Supervisory Director of NIBA Beheer N.V.
 Supervisory Director of Huco Handel- en Scheepvaartmaatschappij N.V.

1) Chair of the Audit and Risk Committee

2) Chair of the Remuneration and Appointment Committee

3) Member of the Audit and Risk Committee

4) Member of the Remuneration and Appointment Committee

Report of the Supervisory Board to the shareholders

The Supervisory and Managing Boards are pleased to present the 2015 Annual Report of NWB Bank, which includes the bank's financial statements, signed by the Managing and Supervisory Boards, and audited and approved by KPMG Accountants N.V.

The Supervisory and Managing Boards propose that you adopt the 2015 financial statements as submitted. The Supervisory and Managing Boards furthermore propose that you discharge the members of the Managing Board for their conduct of affairs and the members of the Supervisory Board for their oversight exercised in the year under review.

From the Chairman of the Supervisory Board

In terms of lending volume and profit, 2015 was an excellent year for NWB Bank. The bank continued to focus on client services in a challenging financial market environment, characterised by an extremely low interest rate structure. Moreover, the bank innovates continuously while maintaining the strengths of its business model. During this process, the bank also implemented the higher liquidity and capital requirements imposed on banks in recent years. Against this background, with its robust financial position the bank is mindful of maintaining an appropriate balance between a low risk profile and shareholder return.

NWB Bank is highly aware of its role in society. In Europe the bank ranks among the leading promotional banks, which take their name from the special role these banks fulfil in promoting objectives in the interest of the general public. The bank's role in society has proven its worth at a time still marked by low confidence in the banking industry.

The regulatory burden has increased substantially as a result of the financial crisis. The transition to direct supervision by the European Central Bank (ECB) proceeded smoothly, and the bank and the ECB maintain close contact in this regard. Contrary to the ECB's in itself understandable desire to create a unified regulatory framework for the European banking industry, the bank would advocate that the ECB should take the divergent business model of the promotional banks into account. After all, NWB Bank's business model is designed to minimise the risks with a view to keeping financing costs as low as possible for its clients in the public sector.

The increased regulatory burden has also had repercussions for the Supervisory Board's duties. The Supervisory Directors spent a great deal of time on the bank's risk framework and on the liquidity and capital requirements. Furthermore, the discussions with the shareholders relating to the remuneration of Managing Directors required considerable attention. The Supervisory Board firmly believes that the new remuneration policy, as adopted by the shareholders last year, fairly reflects the need to exercise moderation in remuneration and at the same time be sufficiently attractive to qualified executive officers.

The Supervisory Board values good consultations with the shareholders aimed at ensuring the alignment of objectives. The Supervisory Board aims to hold a meeting at the office of one of the shareholder water authorities each year. Last year the Scheldestromen Water Authority hosted the Supervisory Board and provided an update on the key projects in progress. The Supervisory Directors also took part in the Shareholders' Committee on remuneration policy for the Managing Board. The Supervisory Board wishes to express its gratitude to Stefan Kuks, Water Reeve of the Vechtstromen

Water Authority, for the balanced manner in which he led and provided direction to the Committee.

The Supervisory Board looks forward to a constructive collaboration with the bank's recently established Works Council. The bank values its highly committed and professional staff.

In 2016 we will say farewell to Ron Walkier, who has provided outstanding and inspirational leadership to NWB Bank, serving as a Managing Board member from 1993 and in the role of Chairman of the Managing Board from 2008. Ron has worked for NWB Bank for more than a quarter of century, and in recent years became the bank's standard-bearer. Deeply committed to the public interest, maintaining close ties with the shareholders and with a keen eye for client's interests, he has irrefutably demonstrated the added value of the water authorities' 'own' bank. At a time in which trust in banks has ebbed, he has steered NWB Bank on course with unwavering dedication. As *primus inter pares* among the collegial members of the Managing Board, his working relationship with the Supervisory Directors has always been characterised by open communication. We are most grateful to him for his dedicated efforts throughout the years.

Age Bakker

Oversight

Report on the Supervisory Board's oversight duties

The Supervisory Board met on eight occasions in the year under review, seven of which were regular meetings, while one was a strategy session. The topics regularly discussed during the meetings were developments in the financial markets, developments in the balance sheet and the financial results, lending, the bank's funding, risk management, the external auditor's report, strategic policy, the dividend and reserve policy, the General Meeting of Shareholders, the Annual Report and the Half-Year Report, the Policy Memorandum, the budget, corporate governance,

compliance with the Insider Regulation, lifelong learning, the Supervisory Board's self-assessment, the rotation schedule, the social policy, the reports of the Internal Audit Department (IAD), and the reports of the Audit and Risk Committee and the Remuneration and Appointment Committee. Special attention was devoted to the topics below.

In its capacity as the bank's supervisory body, the Supervisory Board was able to fulfil its duties properly during the year under review, expressing its confidence in the policy pursued. The Managing Board provided the Supervisory Board with ample and up-to-date information, consulting the Supervisory Board, where needed, about the policy to be pursued.

ECB supervision

With effect from November 2014, just as some 120 other significant European banks, NWB Bank has been directly supervised by the ECB. Supervision has intensified as a result. In the past year the ECB addressed various topics, which the Managing Board discussed with the Supervisory Board. These topics included the Internal Liquidity Adequacy Assessment Process (ILAAP), the Supervisory Review and Evaluation Process (SREP) decision, the Recovery Plan and Pillar 3 disclosure requirements. Furthermore, the ECB conducted an on-site inspection of derivatives as well as an audit themed around Risk Governance and Risk Appetite. The Supervisory Board was particularly involved in the Risk Governance and Risk Appetite audit. As part of the audit, the ECB attended a meeting of both the Supervisory Board and the Audit and Risk Committee. The ECB formulated a number of recommendations on the basis of the audit, which will be followed up. One recommendation concerns a clearer separation of audit and risk topics when these are examined by the Supervisory Directors. The Supervisory Board therefore plans to divide the agenda of the Audit and Risk Committee into an audit and a risk section, and to appoint a Supervisory Director to chair the risk session. More time will also be scheduled in between meetings of the Audit and Risk Committee and the plenary Supervisory

Board meetings to allow more time to make any adjustments and preparations, as necessary.

Risk management

In May 2015, for the purpose of the capital adequacy and solvency management assessment, the Supervisory Board assessed the 2015 Internal Capital Adequacy Assessment Process (ICAAP). The Supervisory Board discussed and approved the bank's Risk Appetite Framework, which includes a Risk Appetite Statement. The Risk Appetite Framework serves as the basis for decision-making within the bank. The adjustment of the framework for the purpose of strategically managing interest rate risk was also discussed and approved.

With effect from 1 January 2015 all banks are required to have a recovery plan in place, which sets out a bank's recovery procedure following situations of severe stress. Triggers have been agreed in the Recovery Plan, based on which action must be taken and issues escalated to the crisis management team. The Chairman of the Supervisory Board is a member of the crisis management team. The Dutch Central Bank (DNB) approved the bank's Recovery Plan in 2014. The plan was updated in November 2015 following a dry run simulating a stress scenario. The results of the dry run and the suggestions made by the ECB/DNB have been incorporated in the Recovery Plan. The Supervisory Board approved the revised Recovery Plan.

The Supervisory Board ensures that the reinforcement of the organisation is in line with the expansion of the bank's activities in areas such as Public-Private Partnerships (PPP).

Capital

In order to meet a leverage ratio of 3% with effect from 1 January 2018, NWB Bank raised a first tranche of hybrid capital (subordinated loans) amounting to €200 million from four Dutch provinces in September 2015.

Remuneration and policy governing

remuneration of the Managing Directors

In 2015, the Supervisory Board adopted the long-term variable remuneration of the Managing Directors for 2011, the variable remuneration of the Managing Directors for 2014 and their performance contracts for 2015. In the spring of 2015, meetings were held with representatives of NWB Bank's shareholders, during which the remuneration policy for the Managing Directors was discussed. The Shareholders' Committee on remuneration policy consisted of representatives from the Ministry of Finance and four shareholder water authorities. In addition, the Chairman of NWB Bank's Supervisory Board and the Chairman of the Remuneration and Appointments Committee joined the Committee as observers. The objective of the Shareholders' Committee was to keep the remuneration policy balanced in terms of adopting moderate remuneration commensurate with the public interest the bank serves, and taking account of the need, as appropriate for a private institution, to maintain a level of consistency with the remuneration paid at comparable institutions. The remuneration policy partially takes account of the standard of pay under the Executives' Pay (Standards) Act (Wet Normering Topinkomens, WNT) (60%), and for the remaining part takes account of the level of remuneration in the relevant employment market (40%). The application of the above system by the Shareholders' Committee resulted in a 5% reduction of the maximum total (fixed and variable) remuneration of new members of the Managing Board compared with the total maximum remuneration applicable at that time. The new remuneration policy for Managing Directors was adopted during an Extraordinary General Meeting held on 14 September 2015.

Recruitment and selection

Due to Ron Walkier's forthcoming retirement as Chairman of the Managing Board with effect from the 26 April 2016 Annual General Meeting, in 2015 the Supervisory Board conducted a recruitment and selection procedure for his successor. The Board also initiated recruitment procedures for two new candidates to succeed Supervisory

Directors Else Bos and Berend-Jan baron van Voorst tot Voorst. At the Annual General Meeting scheduled for 26 April 2016, the Supervisory Board will submit a nomination for a candidate to fill the vacancy arising from the retirement of Else Bos. The vacancy arising from the retirement of Berend-Jan baron van Voorst tot Voorst is expected to be filled in the course of 2016.

Human Resources

Effective 2015, a new harmonised pension plan that is in line with the market and that complies with amended laws and regulations applies to the Bank's Managing Directors and employees. Furthermore, the Supervisory Board was involved in and notified of the preparations for establishing a Works Council on account of the bank reaching the statutory limit of 50 employees. The current Employee Representative Body (ERB) was abolished and the Works Council was instituted with effect from January 2016. Both the Chairman of the Supervisory Board and the Chairman of the Remuneration and Appointment Committee will attend a Works Council Meeting once a year – as was the case with the ERB – accompanied by other Supervisory Directors, who will attend on a rotational basis.

Future-Oriented Banking

The Supervisory Board sets great store by proactively anticipating the reinforcement of NWB Bank's role in society. To this end, the Supervisory Board discussed the Future-Oriented Banking package consisting of the Social Charter, the Dutch Banking Code and the banker's oath and the associated Code of Conduct, which entered into force on 1 January 2015, during its meetings. The statutory obligation for executive and supervisory directors of financial institutions to take the banker's oath has applied since early 2013. NWB Bank's Managing and Supervisory Directors all took the oath or affirmation in 2013. In the light of the new Code of Conduct, all Supervisory and Managing Directors have now also signed a declaration regarding disciplinary rules. This took place during the Supervisory Board meeting held in May 2015.

Based on the new Dutch Banking Code, in early 2015 the profile and the regulations of the Managing Board, the Supervisory Board, the Audit and Risk Committee and the Remuneration Committee were amended and subsequently adopted by the Supervisory Board.

Achievement of business targets

The Managing Board's Policy Memorandum is discussed each year. The policy targets for 2015 were assessed and those for 2016 adopted. The achievement of the Bank's business targets is a factor included in the annual assessment of the Managing Directors' performance. These targets include an evaluation of NWB Bank's strategy, a smooth transition to direct ECB supervision, revision of the risk framework, consolidation of the margin and retention of the bank's market share. The Managing Board largely achieved their 2015 targets.

Strategy and risks

In September 2015, the Managing Board and the Supervisory Board discussed NWB Bank's strategy during a separate session. The topics discussed during the strategy session included the bank's market position and the relevant developments pertaining to the bank's business model and strategy. Key themes were disintermediation, the diversification of lending activities and a peer group benchmarking exercise.

The Audit and Risk Committee focuses primarily on monitoring the financial developments at the bank and the effectiveness of the bank's risk management system. The Chairman of the Audit and Risk Committee reports directly to the plenary Board on the basis of the Committee's reports. The activities of the Audit and Risk Committee are described further on in this report.

Design and effectiveness of the Bank's internal risk controls

The design and effectiveness of the Bank's internal risk management and control systems were addressed during a meeting of the Audit and Risk Committee. In common with the Managing

Board, the Supervisory Board is of the view that the internal risk management and control systems were effective. This provides reasonable assurance that NWB Bank's financial reports contain no material misstatements.

Financial reporting

Each quarterly financial report is discussed at length, first by the Audit and Risk Committee and subsequently by the full Board. The Managing Board includes a description of highlights in these reports, setting out its views of the Bank's financial developments.

Compliance with laws and regulations

The Supervisory Board oversees NWB Bank's compliance with laws and regulations. The growing number of laws and regulations require considerable attention from the Supervisory Board. In addition to drawing on the knowledge and experience of its individual members, the Board also receives compliance information from the relevant departments at NWB Bank. The bank has established a regulatory function for this purpose within the Legal & Compliance Department, which monitors external laws and regulations.

Relationship with shareholders

Four meetings between shareholders' representatives united in a Shareholders' Committee, and the Chairman of the Supervisory Board and the Chairman of the Remuneration and Appointment Committee were held in early 2015 regarding the remuneration policy for the Managing Directors. In addition, an informal autumn shareholders' consultation took place in November 2015. The topics discussed included current developments at NWB Bank relating to regulations, dividend policy and the leverage ratio, the bank tax and the resolution levy, and the appointment/reappointment procedure for Supervisory Directors.

Corporate Social Responsibility

The Supervisory Board sets great store by NWB Bank proper implementation of its corporate social responsibility (CSR) policy. To NWB Bank,

CSR means enriching its objectives as a public-sector bank with a proactive approach, in order to make a positive impact in social, environmental and economic terms. Just as in 2014, NWB Bank again issued a successful water bond in 2015. For a report on NWB Bank's CSR policy, please see page 39.

Committee reports

Audit and Risk Committee

In the year under review, the Audit and Risk Committee met four times with the Managing Board, with the internal auditor and the external auditor being present. The Committee also held separate meetings, both with the internal auditor and with the external auditor.

During its meetings the Committee substantively discussed a number of topics at length, including the adjustment of the risk appetite framework. The adjustment was implemented by the bank with a view to achieving consistency as far as possible with the underlying principles of the Financial Stability Board in this area. Due to the sharply lower interest rate, it has become attractive for a number of the bank's clients to renew and extend the maturities of their current loans. The accounting policy for these transactions was discussed at length and tightened in one or two areas. Lastly, the method for calculating the capital requirement for counterparty risk arising from long-term derivatives was discussed. It was decided to adopt a conservative approach.

Topics that are discussed each year are the trends seen in the money and capital markets, the financial results, the half-year and annual figures, the dividend and reserve policy, funding, transfer pricing, the budget, ICAAP/ILAAP, various stress scenarios, risk management and the reports of the external and internal auditors.

In 2015, the specific topics also addressed were ECB supervision, hybrid capital, the Audit and Risk Committee Regulations, the 2015 ICAAP update, the common (COREP) and financial

(FINREP) reporting requirements under the CRD IV Directive, the adjustment of the strategic risk management framework, the transition to the new external auditor, the report on soft controls, the adjustment of the Product Approval Process (PAP) to the Product Approval and Review Process (PARP), the Recovery Plan update and the Internal Audit Charter.

Furthermore, the Supervisory Board considered the external auditor's report, including the management letter for the 2014 reporting year, and discussed the external auditor's findings on financial developments, financial reporting and the audit of the financial statements.

Remuneration and Appointment Committee

The Remuneration and Appointment Committee met four times in the year under review. The topics discussed were the update of the new pension plan effective 1 January 2015, the remuneration policy for the Managing Directors, their long-term variable remuneration for 2011, their variable remuneration for 2014, their revised 2015 performance contracts pursuant to the Financial Undertakings (Remuneration Policy) Act (Wet beloningsbeleid financiële ondernemingen) and their 2016 performance contracts, the 2014 remuneration report, Future-Oriented Banking, preparations for the establishment of a Work Council with effect from 2016 and lifelong learning for 2016.

The members of the Remuneration and Appointment Committee were also closely involved in the recruitment and selection procedures for the proposed successor to Ron Walkier as Chairman of the Managing Board, and the successors to Supervisory Directors Else Bos and Berend-Jan baron van Voorst tot Voorst.

Remuneration policy

Details of the bank's remuneration policy are provided in the Remuneration Report on page 69 of this report.

INTERNAL ORGANISATION

Composition of the Managing Board and Supervisory Board

Composition of the Managing Board

Details of the members of the Managing Board can be found on pages 5 and 6 of this report. The ratio of men to women on the Managing Board is 67% to 33%, thereby meeting the target figure for diversity under the Management and Supervision (Public and Private Companies) Act (Wet bestuur en toezicht).

The Chairman of the Managing Board, Ron Walkier, is due to retire with effect from the Annual General Meeting scheduled for 26 April 2016. In 2015 the Supervisory Board worked on recruiting his successor. Following the recruitment and selection procedure, the Supervisory Board will submit the candidacy of Menno Snel to the Annual General Meeting for appointment to the role.

Composition of the Supervisory Board – details

Details of the members of the Supervisory Board can be found on pages 7 through 10 of this report.

Composition of the Supervisory Board – profiles, competencies and diversity

To ensure the proper composition of the Supervisory Board of NWB Bank at all times, its members are appointed taking account of the nature of the Bank's operations and activities, and the desirable expertise and background of the Supervisory Directors. They must be aware and capable of assessing national and international social, economic, political and other developments that are relevant to NWB Bank.

The Supervisory Board currently has seven members. In compliance with the Management and Supervision (Public and Private Companies) Act, NWB Bank seeks to have at least 30% male and at least 30% female Supervisory Board members. The current ratio is 57% male to 43% female members. An overall profile has been drawn up to provide guidance on the composition of the Supervisory

Board and the appointment of its members. In addition, an individual profile is drawn up for each vacancy that arises on the Supervisory Board, which is in line with the overall profile and which candidates must meet. The Supervisory Board aims to achieve a diverse and balanced composition. The current composition of the Supervisory Board is considered balanced, diverse and representing expertise.

Berend-Jan baron van Voorst tot Voorst intends to retire as a Supervisory Director during the 26 April 2016 Annual General Meeting. Furthermore, Else Bos will retire on account of reaching the maximum term of office. During the above General Meeting, the Supervisory Board will propose Manfred Schepers as successor to Else Bos. The vacancy arising from the retirement of Berend-Jan baron van Voorst tot Voorst is expected to be filled in the course of 2016. During the same meeting, Age Bakker will retire in accordance with the term of office in the current rotation schedule and will be nominated for reappointment.

The Supervisory Board currently has seven members. With the proposed new appointments, the Supervisory Board will have four male and three female members. Age Bakker serves as Chairman and Maurice Oostendorp serves as Deputy Chairman of the Supervisory Board.

Supervisory Directors Age Bakker, Else Bos, Petra van Hoeken and Maurice Oostendorp possess in-depth financial expertise, have a background in banking, and have knowledge of international money and capital markets and risk management. The other Supervisory Directors, Peter Glas, Albertine van Vliet-Kuiper and Berend-Jan baron van Voorst tot Voorst, have ample experience in public administration and government policy and have networks in government circles. The proposed appointment of Manfred Schepers as successor to Else Bos with effect from the 26 April 2016 General Meeting and the vacancy to be filled for the successor to Berend-Jan baron van Voorst tot Voorst means that the Supervisory Board will continue to have a balanced and diversified composition.

Due to the diversity in the composition of the Supervisory Board, the individual members complement each other in terms of their specific knowledge and experience, and collectively constitute a balanced representation of the knowledge and experience required of NWB Bank's Supervisory Board.

Composition of the committees

Audit and Risk Committee

The members of the Audit and Risk Committee are Maurice Oostendorp (Chairman), Age Bakker, Else Bos and Petra van Hoeken.

Remuneration and Appointment Committee

The members of the Remuneration and Appointment Committee are Peter Glas (Chairman), Age Bakker and Albertine van Vliet-Kuiper. All members have adequate knowledge and experience of remuneration policies and appointments, gained from their different backgrounds. On 23 April 2015, Peter Glas succeeded Berend-Jan van Voorst tot Voorst as Chairman of the Committee. Since that date Berend-Jan baron van Voorst tot Voorst has a standing invitation to attend Committee meetings.

Quality assurance of oversight

Self-assessment

The Supervisory Board assessed its own performance in the second half of 2015 with the assistance of an external agency. Under the Dutch Banking Code, in addition to the annual self-assessment, the Supervisory Board is required to perform a self-assessment under the supervision of an independent expert once every three years. The most recent independent assessment took place in 2012. The self-assessment report brought a number of aspects to light, including that the Supervisory Board members have ample and current knowledge and that they interact effectively with the Managing Board members. It was ascertained that due to the pressure arising from the abundance of supervisory topics and the reporting requirements, a lot of attention to detail

is spent on technical banking topics at the risk of compromising matters related to the bank's core business. This prompted the Supervisory Board to restructure the agenda with a fixed agenda item devoted to market developments and client relationships. Prior to its meetings, the Supervisory Board also agreed to hold a brief consultation session without the presence of the Managing Board. A further conclusion drawn was that the Chairman runs through the agenda efficiently, offers sufficient room and ensures that all Supervisory Directors have an opportunity to speak but that the conclusions and action points should be summarised in a clearer manner. This area will be addressed. As a more general point, the Supervisory Board has adopted the recommendation to focus more strategically on its supervisory duties and to leave the more detailed examination of topics to committees.

Education

Within the context of the lifelong learning programmes for the Managing and Supervisory Directors, various presentations were again held by external experts in 2015. The themes included the risk management framework of the Guarantee Fund for Social Housing (WSW), integrity, works councils, the capital market union and an update on Total Loss-Absorbing Capacity (TLAC)/the Minimum Requirement for own funds and Eligible Liabilities (MREL). In addition, individual Supervisory Directors attend external courses at their own initiative, depending on their expertise and experience. The effectiveness of lifelong learning initiatives is assessed annually. Following their appointment, new members of the Supervisory Board must follow an in-house induction programme addressing general financial, social and legal matters, financial reporting, the specific features of NWB Bank and its business operations, and the responsibilities of a Supervisory Director.

Independence

The Supervisory Board believes that the composition of the Supervisory Board is such that its members are able to operate critically and

independently of one another and of the Managing Board. The overall profile for the composition and appointment of Supervisor Board members sets requirements in this respect. In addition to meeting those requirements, new members must satisfy the specific criteria included in the relevant individual profiles. The Supervisory Board seeks to operate independently by ensuring the diversity of its composition in terms of factors such as age, gender, expertise and social background. All Supervisory Directors are independent within the meaning of the Dutch Corporate Governance Code.

Conflicts of interest

The Supervisory Directors have informed NWB Bank of all other relevant positions they hold. One potential conflict of interest occurred in the reporting year. However, it was ascertained that the Supervisory Director concerned was not involved in the transaction in question, which was effected on market terms.

Information from external experts

The Supervisory Board has the option of making inquiries from external experts if warranted by the fulfilment of its duties. For instance, if and when needed, the Board requests information from NWB Bank's external auditor. In 2015, the Supervisory Board engaged external agencies to recruit a new Chairman of the Managing Board and new Supervisory Directors, and to supervise the Supervisory Board's self-assessment process. External experts are consulted on lifelong learning courses. Information is also gathered by attending meetings of the Employee Representative Body, which was established in 2013. Following the establishment of the Works Council in January 2016, the Chairman of the Supervisory Board and the Chairman of the Remuneration and Appointment Committee will periodically attend a Works Council meeting accompanied by other Supervisory Directors, who will attend on a rotational basis.

Internal auditor

The bank's internal auditor attended all Audit and Risk Committee meetings. The Committee

also held a separate meeting with the internal auditor and the external auditor to discuss topics such as mutual relationships, as well as findings and any bottlenecks identified in the past year. The IAD presents its findings for the year under review in quarterly reports, which are discussed during Committee meetings. The IAD also presents its annual audit plan. The Supervisory Board is informed of the plan by the Audit and Risk Committee, and ensures that the IAD's recommendations are followed up.

External auditor

Like the internal auditor, the bank's external auditor also attends all meetings of the Audit and Risk Committee. Furthermore, the Committee held separate meetings, both with the Head of IAD and with the external auditor to explicitly discuss points requiring attention as well as mutual relationships.

On 23 April 2015 the Annual General Meeting of Shareholders approved the appointment of the new external auditor. A new Act recently entered into force, which requires public-interest entities in the Netherlands to change external auditors every eight years. With effect from the 2016 financial year, KPMG Accountants N.V. will transfer its activities as external auditor to Ernst & Young (EY). KPMG audited NWB Bank's financial statements from the 2007 to the 2015 financial years.

Organisational matters

Reappointment/appointment of Managing and Supervisory Directors

The reappointments and appointments approved during the 23 April 2015 General Meeting of Shareholders were the reappointment of Frenk van der Vliet as a Managing Board member, the reappointment of Peter Glas as a Supervisory Director and the appointment of Petra van Hoeken as a Supervisory Director succeeding Victor Goedvolk. Furthermore, Maurice Oostendorp was appointed Vice-Chairman, succeeding Peter Glas who completed his four-year term of office.

During the General Meeting of Shareholders scheduled for 26 April 2016, the succession of the Chairman of the Managing Board will be on the agenda in addition to the reappointment of Age Bakker as Supervisory Director and the succession of Supervisory Directors Else Bos and Berend-Jan baron van Voorst tot Voorst.

Else Bos has served as a Supervisory Director for eight years and will retire on account of reaching the maximum term of office. The Supervisory Board wishes to express its gratitude to Else Bos for her analytical observations based on her financial expertise, her focus on corporate social responsibility and her significant role in strategic discussions about the bank.

Berend-Jan baron van Voorst tot Voorst has served as a Supervisory Director for seven years. The Supervisory Board wishes to express its gratitude to Berend-Jan baron van Voorst tot Voorst for his valuable contribution based on his extensive knowledge and experience of government policy and public administration, his astute yet balanced views, and for providing significant added value to the Supervisory Board as a whole.

Personal notices

In November 2015 we learned that Mr J. de Valk had passed away. Mr De Valk served on the Supervisory Board of NWB Bank from 1979 to 1997. In his 18-year tenure as a Supervisory Director, he was firmly committed to the bank, and with his knowledge of public administration and finance made a substantial contribution to the bank's development.

In December 2015 we learned that Mr P. Adriaanse had passed away. Mr Adriaanse served as member of the Supervisory Board of NWB Bank from 1978 to 1986, consecutively fulfilling the role of Chairman until 1992. His in-depth knowledge of the financial sector and his commitment towards the bank's development were of immense value in his 14-year tenure as a Supervisory Director.

We shall always be indebted to both Supervisory Directors for their outstanding contributions to the bank.

Attendance

The Supervisory Board as a whole recorded an attendance rate of 95%.

COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

The Supervisory Board and the Managing Board bear responsibility for an appropriate corporate governance structure, including compliance with the Dutch Banking Code. The table presented on page 133 illustrates how the Code's principles have been embedded in the Bank's operations. The other corporate governance subjects are discussed in the Corporate Governance chapter on page 33.

A word of thanks

In 2015, the bank's Managing Directors and employees once again displayed great dedication in all respects. The Supervisory Board wishes to express its gratitude to all employees and Managing Directors for their dedicated efforts, as well as its appreciation for all the results achieved.

The Hague, 16 March 2016

The Supervisory Board

Age Bakker

Maurice Oostendorp

Else Bos

Peter Glas

Petra van Hoeken

Albertine van Vliet-Kuiper

Berend-Jan van Voorst tot Voorst

Report of the Managing Board

Strategy

Banks perform a vital role in Dutch society and economic life. NWB Bank is no exception and recognises that its public utility function comes with special social responsibilities. Based on that **vision**, NWB Bank seeks to contribute to a stable and robust financial sector that sets parameters for an economy that serves mankind whilst causing the least possible harm to the environment.

NWB Bank's **mission** is to enter into lasting relationships with its customers and shareholders as a customer-focused, robust and sustainable finance partner and enable them to fulfil their duties in Dutch society in the best possible manner. The mission is based on responsibility towards society, a strong financial position and efficient business operations. By providing finance to its customers on the most favourable terms possible, NWB Bank enables the public sector to keep the cost of fulfilling its duties in Dutch society and the cost of public facilities in the Netherlands as low as possible.

In the Netherlands, NWB Bank, as a 'promotional Bank'¹⁾, is a major player in lending to local public authorities and institutions in the areas of social housing, healthcare, education and utilities. It can only fulfil its duties optimally if society, and its customers in particular, have confidence in its organisation and integrity. Accordingly, NWB Bank's core values are consciousness, engagement and reliability. The Bank expects its employees to promote those **core values** in carrying out their duties. To fund its operations, NWB Bank almost exclusively relies on international money and capital markets. Besides high credit ratings, reflected in the AAA ratings equal to those of the Dutch state, matters such as integrity and a transparent provision of information

are of the essence in that regard, not only to investors but also to our other stakeholders.

Ever since it was incorporated in 1954, NWB Bank has focused its **strategy** on catering efficiently to the combined finance needs of customers in the public arena, aiming to lower the public sector's finance charges. Rather than seeking to maximise its profits, the Bank's strategy is geared to achieving reasonable profits that are adequate to safeguard the Bank's continuity and that enable the Bank's future growth. The Bank's shares are held exclusively by Dutch public authorities. Its position as a Bank whose shares are owned by Dutch public authorities and the restriction of its lending operations to the public sector, both enshrined in its Articles of Association, safeguard NWB Bank's robust profile. Sustainability and relevance to society are key spearheads in that strategy.

Corporate social responsibility, a strong financial position, and efficient, professional and transparent business operations are the cornerstones of the Bank's efforts to keep enhancing its contribution to society. Within that context, a decision was made in 2013, in consultation with the shareholders, to expand the Bank's range of services by financing projects that use the Public-Private Partnership model (PPP). In 2014, the relevant organisation was set up and ready to enter this new market, and in 2015 the Bank conducted its first PPP transactions. In the future, the Bank will also stay alert to opportunities to anticipate the changing needs of its customers in the public domain and to enlarge its contribution to Dutch society. A key condition will be a stringent risk management policy aimed at maintaining its highly robust risk profile, including high solvency and commensurate credit ratings.

1) As defined in Article 3 (27) of Commission Delegated Regulation (EU) 2015/63 of 21 October 2014 supplementing Directive 2014/59/EU.

A benchmark for the return on equity based on the income from a 10-year continuous investment in a 10-year Dutch government bond plus a surcharge appropriate to the Bank's profile was agreed with the shareholders in 2015. Interest on equity moves along the lines of interest rate trends of long-term loans to the Dutch public sector, on which the Bank focuses with its long-term lending. In 2015, the Bank succeeded in meeting the benchmark return.

Developments

The cautious economic recovery in 2014 in the Netherlands and most of the euro zone has continued in 2015, despite a few setbacks. Whilst the economic growth trend followed an upward trajectory throughout the year, growth itself remained limited and threats continued to lurk. The same applies to inflation. It was partly for this reason that the European Central Bank (ECB) felt compelled, following the example of the United States and the United Kingdom in previous years, to deploy the unconventional weapon of

quantitative easing (QE) and enlarge the money supply by buying government bonds. With effect from March 2015, the national central banks and the ECB jointly have been buying up bonds in the secondary market at a rate of €60 billion a month. The financial markets were pleasantly surprised by the scale of the bond purchase programme in particular. Money market and capital market interest rates, already at historically low levels, fell further. As a result, interest rates sank below zero for loans with increasingly long maturities. For instance, the 5-year Dutch government bond yield fell to under 0%, whilst that for 10-year loans fell to 0.23%. Following on from that, the euro weakened against the US dollar and most other currencies. Various share price indexes reached the highest level since the crisis broke out in 2008. In March, the AEX index closed at above 500 points for the first time in seven years. In the United States, the Dow Jones index reached a new all-time high before the summer. However, a reversal of this trend began in May. The slowdown of growth in China and the geopolitical tensions



Vision

Enriching our objectives as a public-sector bank with a proactive approach, in order to make a positive impact in social, environmental and economic terms.



Mission

Entering into lasting relationships with stakeholders as a customer-focused, robust and sustainable finance partner and enabling them to fulfil their duties in Dutch society in the best possible manner.



Strategy

NWB Bank's strategy is focused on catering efficiently to the combined finance needs of customers in the public arena, aiming to lower the public sector's finance charges.



Core values

Consciousness, engagement and reliability.

resulted in increasing nervousness in the financial markets, leading to a sharp adjustment of prices on stock exchanges throughout the world, with oil prices and stock exchanges in emerging countries being the main victims. It was not long before capital market interest rates in the euro zone rose sharply. For instance, in a period of less than two months, the 10-year Dutch government bond yield rose by nearly a whole percentage point from 0.23% in April to 1.18% in June. Concerns about Greece and declining Chinese growth gripped the euro zone in the second half of the year. Stubbornly low inflation, partly brought about by the low oil price, prompted the ECB to reduce the already negative deposit rate further still to – 0.3%. The purchase programme was also extended by six months, until March 2017. These efforts were not sufficient to prevent the long-term interest rate in the euro zone from ultimately ending slightly higher at the end of the year. The divergence between the US economy and that of the euro zone was further reinforced when the US Federal Reserve (FED) increased the interest rate in mid-December for the first time in seven years.

The Dutch public sector continued to benefit from the low interest rate this year. In the money market, our customers were able to take out loans at negative interest rates for terms of up to six months. Historically low interest rates applied for longer terms, which means they were able to limit the burden on citizens. In 2015, investments within the public sector lagged behind the private sector, where clear signs of growth could be seen. For the water authorities in the years to come, the Flood Protection Programme (Hoogwaterbeschermingsprogramma, HWBP) will mean additional investments in, among other things, dyke reinforcement projects. As a result of decentralisation (of care, employment and youth policy), municipal authorities have taken on more tasks and have to deal with budget reductions which will largely be offset by cuts and higher municipal taxes and to a lesser extent by additional funding. In the near future, housing corporations may have to make additional investments to meet the demand for public-sector rented housing

for licence holders as a result of the inflow of refugees.

NWB Bank in 2015

NWB Bank's new long-term lending (including interest rate resets) to the Dutch public sector totalled €7.4 billion in 2015, a level never previously reached by the Bank. A key development underlying this was the wish of customers, primarily from the water authority sector, to optimise their loan portfolios against the backdrop of the exceptionally low interest rate. Existing loans were repaid early and replaced by longer-term loans at a lower interest rate. As in 2014, the Bank also purchased loans offered in the secondary market. In addition, the first PPP transactions were concluded and, for the first time, Export Credit Guarantee loans, backed by the Dutch State, were granted.

The Bank has managed to retain its market share at a reasonable level despite increasing competition from Dutch and foreign institutional investors in recent years and from the mutual lending of excess funds by local authorities, which came about as a result of the obligation introduced in 2014 to engage in treasury banking with the central government.

In recent years, demand from housing corporations related mainly to the refinancing of existing loans. This sector takes up the largest share of the lending portfolio in the Dutch public sector. This year the Bank's lending to corporations amounted to €3.8 billion, slightly more than in the previous year. The water authorities' share rose to 27%, since it was primarily that sector that took the opportunity to extend the term of its loan portfolio. Against that background, the corporations' share fell from 63% to 50%. The shares of the other sectors remained virtually the same.

The Bank has a portfolio of NHG RMBS notes (Residential Mortgage Backed Securities, based on home mortgages that are government-backed under the National Mortgage Guarantee (NHG)

scheme) with which the Bank contributes to the financing of government-backed private home mortgages. With a limited risk profile this portfolio produces a relatively attractive return and is also part of the Bank's liquidity portfolio. That portfolio was not extended further in 2015, since there were no fully NHG-backed transactions available. The expiry of a number of transactions meant that this portfolio fell slightly from €2.4 billion at the end of 2014 to €2.2 billion at the end of 2015.

NWB Bank raised over €9 billion in funding in the international capital market. In the first four months of the year the spreads paid by the Bank above Euribor fell further, partly owing to the fact that since November 2014 the Bank's bonds had been classified as High Quality Liquid Asset Level 1 in connection with the banking supervision liquidity requirements. In addition, on 15 April the ECB added NWB Bank to the list of institutions whose bonds are eligible for the Public Sector Purchase Programme (PSPP). This means that in addition to Dutch government bonds the ECB can also buy NWB Bank bonds as part of QE. This resulted in an increase in demand for those bonds, which contributed towards the favourable funding rates which the Bank was able to achieve last year. There was also great demand for the Bank's short-term financing in 2015. The Bank borrowed a total of €19.6 billion under the Euro Commercial Paper (ECP) and €13.4 billion under the US Commercial Paper (USCP). This is a higher amount than in 2014, which has to do with the increase of the liquidity buffer resulting from the introduction of the Liquidity Coverage Ratio (LCR) as of 1 October 2015 for the banking sector in the Netherlands. With the aid of Commercial Paper (CP) the Bank was able to finance its liquidity and collateral obligations at attractive rates.

In 2015, NWB Bank issued a second Green Bond, with a value of €1 billion and term to maturity of ten years (in 2014 it issued a 5-year €500 million benchmark 'water bond' (waterobligatie)). 'Green' investors were very interested in it. This type of loan is used exclusively for water authorities' sustainable investment projects, which explains

its name 'water bond'. The issuing of these Water Bonds underlines NWB Bank's role as a robust and sustainable finance partner for the Dutch public sector, as does the awarding of a sustainability prize. The NWB Bank CSR Award was merged with the Water Innovation Prize. The Water Innovation Prize is awarded every year by the Dutch Association of Regional Water Authorities (Unie van Waterschappen) to innovative projects with applications relevant to the tasks of the water authorities: safety, clean water and sufficient water. In 2015, NWB Bank's contribution within the Water Innovation Prize was aimed primarily at the greenest entry which was rewarded with the Sustainability Prize.

At the end of 2014, NWB Bank and the European Investment Bank (EIB) decided to join forces in relation to long-term funding in the public domain. The EIB undertook to lend sums in all countries of the EU in proportion to their contribution to the EU. In 2015, the EIB and the Bank concluded a Global Loan (GL) contract worth €400 million. Under this GL the Bank can grant loans at attractive interest rate levels to smaller customers and projects which, owing to their size, would not otherwise be eligible for direct EIB funding. The focus areas for such loans include healthcare, education, social housing, renewable energy and energy savings, and water and climate adaptation and mitigation (for instance dams, dykes and locks).

After Standard and Poor's (S&P) increased the rating of the State of the Netherlands from AA+ to AAA (with a stable outlook) on 20 November 2015, NWB Bank's rating was also increased from AA+ to AAA (with a stable outlook). The Bank now has an AAA rating from S&P and also from Moody's, equal to that of the State of the Netherlands.

Net profit for 2015 rose sharply to €94.7 million; an increase of over €45 million compared with 2014. This was mainly due to an improvement of net interest income by over €62 million to €179.9 million. Results from financial transactions also improved by approximately €7 million to €9.3

million. The improvement of the net interest income is the result of, among other things, very attractive rates for the Bank's short-term financing in particular. The restructuring of the swap portfolio carried out over the last two years has also played a part. However, that contribution has been neutralised by the results from financial transactions. The restructuring has brought the Bank's interest rate risk position more into line with the standard for the equity return as agreed with the shareholders. The improvement of the results from financial transactions arose largely from customers' wish to optimise their loan portfolios, which involved loans being repaid early and replaced by longer-term, fixed-interest loans with a lower interest rate (term extensions). Those transactions were prompted in part by the very low interest rate levels and are of an incidental nature. As a result, the Bank obtained a result of €33 million, €31 million of which is accounted for in the results from financial transactions.

In 2015, operating expenses increased by about €1.5 million to €17.7 million (€16.2 million in 2014). The underlying reason for this was greater HR and supervision costs. With the increase in the number of employees, 2015 also saw preparations begin within NWB Bank for a transition to a new form of employee participation. A Works Council (Ondernemingsraad, OR) was set up as of 1 January 2016. Supervision costs have more than doubled partly in the light of the transition to direct ECB supervision as of November 2014. Bank tax rose from €14.6 million to €18.5 million as a result of the Bank's increased total assets. In 2015, the Bank made its first contribution to the resolution fund further to the entry into force of the Bank Recovery and Resolution Directive (BRRD). For the Bank, that contribution amounted to €2.7 million before tax based on the public-sector nature of the Bank and its assets (in the Capital Requirements Regulation (CRR): 'promotional'). Despite the necessary investments in the organisation and rising supervision costs, the Bank has succeeded in maintaining its compact and efficient organisational model.

On balance, at €49.1 billion as at the end of 2015, the total loan portfolio decreased slightly compared with the end of 2014 (€49.4 billion). In the same period, total assets rose by €3.1 billion to over €91.3 billion. That rise was brought about in particular by an increase of the liquidity buffer in response to the introduction of a 100% standard for the Liquidity Coverage Ratio (LCR) for the Dutch banking sector.

Despite the increase of the total assets, the leverage ratio rose by 0.3 percentage point to 2.1%. This is largely the result of the raising of hybrid capital (additional Tier 1). In September 2015, the payment of an initial tranche of €200 million took place. The investors are provincial authorities which found this an attractive investment of a public nature. The Bank plans to raise more hybrid capital in 2016 and 2017. With these loans and the addition of its annual net profits to the reserves to the maximum extent possible, the Bank is fully confident that it will satisfy the Basel capital requirements. The standard set to enter into effect on 1 January 2018 has not yet been laid down. For the time being, the Bank is continuing to work on the basis of a leverage ratio standard of 3%.

The disclosed equity stood at €1,399 million at year-end 2015 (including profit for 2015) as compared with €1,303 million at year-end 2014 (including profit for 2014). Tier 1 equity including hybrid capital stands at €1,594 million at year-end 2015 (including profit for 2015). The Bank's risk-weighted assets rose from €1,780 million at year-end 2014 to €1,998 million at year-end 2015. This increase is largely the result of an adjustment of the method for calculating the capital charge for counterparty risk (counterparty credit risk, CCR) on account of the derivatives transactions concluded by the Bank to cover interest rate and currency risks. In the first quarter of 2016, the Bank will also adjust the method for calculating the related CVA capital charge, which will result in a further increase of the weighted assets risk. The adjustment involves a more conservative calculation of potential future exposure under

what is known as the standard method, where the remaining contractual term is used for the term of the derivatives transactions and thus no account is taken of the daily exchange of collateral in the standard agreements NWB Bank uses with all its counterparties. Notwithstanding this adjustment of the method for calculating the CCR, the Tier 1 ratio rose from 73.0% at year-end 2014 to 79.8% at year-end 2015 (both including the result for the current financial year; excluding the result of the current financial year: 70.3% and 75.1% respectively) as a result of the issuing of hybrid capital and the addition of the annual net profits to the reserves to the maximum extent possible for the purposes of the leverage ratio standard. In terms of Common Equity Tier 1 (CET 1, excluding hybrid capital) the ratio of 73.0% at year-end 2014 fell to 69.9% at year-end 2015 (both including the result of the current financial year; excluding the result of the financial year 70.3% and 65.1% respectively). As a result of the adjustment of the method for calculating the CVA capital charge to be introduced (in the first quarter of 2016), the CET 1 and Tier 1 ratio will decrease by approximately 15 percentage points. As such, those ratios will still remain amply above the minimum requirements of 4.5% and 6% respectively (and of 8% for the total capital ratio), underlining NWB Bank's high creditworthiness and low risk profile.

Addition to the reserves; dividend

In early 2011, NWB Bank decided to start adding its annual net profits to the reserves to the maximum possible extent with a view to the Basel III requirements. As the announced minimum required leverage ratio that will take effect on 1 January 2018 has as yet been set at 3%, no dividend will be distributed until the Bank satisfies that minimum requirement. As stated above, the leverage ratio stood at 2.1% at year-end 2015. Besides retaining profit, the Bank can also strengthen its capital base by issuing subordinated hybrid loans. In 2015, the Bank raised €200 million in additional Tier 1 capital from four provincial authorities. This is an important step towards satisfying the leverage ratio requirement by 1 January 2018, which will be established based

on the assessment carried out by the European Banking Authority (EBA) in 2016. NWB Bank is fully confident that it will be able to continue satisfying all future capital requirements.

Against this backdrop, the Managing Board has decided, following the Supervisory Board's approval, to add the €94.7 million net profit for 2015 to the general reserves in full. Accordingly, no profits will be at the disposal of the Annual General Meeting of Shareholders to distribute as dividends for the 2015 financial year.

Outlook for 2016

The outlook for the Dutch economy is moderately favourable for 2016. Investments in the public sector will remain under pressure. According to the current forecast, the bank's interest income in 2016 is expected to be similar to the level recorded in 2015.

Funding

To raise long-term funding, NWB Bank uses its €60 billion Debt Issuance Programme (DIP) under which standardised documents are used for the lion's share of the loans raised. Funding is obtained in various currencies and immediately converted into euros. The Bank's funding strategy is to respond to investors' requirements in the most flexible manner possible, which, together with its excellent creditworthiness, enables it to raise funds on the most favourable terms.

NWB Bank has Aaa and AAA ratings from Moody's and S&P, respectively, equal to those of the State of the Netherlands. The bonds issued by NWB Bank qualify as High Quality Liquid Asset Level 1 for bank investors under the Liquidity Coverage Ratio (LCR).

In the first four months of the year the charges above Euribor that NWB Bank had to pay for funding initially increased further. In addition to the bonds qualifying as High Quality Liquid Asset Level 1, this is also due to the ECB's QE. On 15 April 2015 the ECB added NWB Bank to the list of institutions whose bonds are eligible for the Public

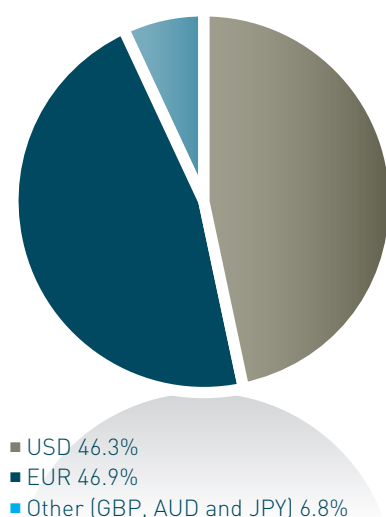
Sector Purchase Programme (PSPP). This means that in addition to Dutch government bonds the ECB (through DNB) can also buy NWB Bank bonds as part of QE.

After QE initially led to a fall in the long-term interest rate and charges to historically low levels, there was a correction in late April. Thereafter, primarily the long-term interest rate rose sharply, only to stabilise somewhat after the summer. The increase of the funding charge did continue to a limited extent, but remains at a low level in comparison with previous years.

In 2015, five benchmark loans were issued: a 3-year, 5-year and 7-year loan in USD and a 7-year and 10-year loan in EUR. Those loans were all successful, with oversubscribed order books. The 7-year loan is the first USD benchmark for NWB Bank with a term to maturity of longer than five years. The attractiveness of loans in USD, reflected in lower charges, was the outcome of a favourable basis swap from USD to EUR.

In August, NWB Bank issued a successful €1 billion 10-year benchmark loan as a 'green bond'. This was followed in October by a €2 billion 7-year benchmark loan, NWB Bank's biggest ever benchmark loan.

Of the loans in 2015, 46.9% was issued in EUR, 46.3% in USD, 3.7% in GBP, 2.5% in AUD and 0.6% in other currencies.



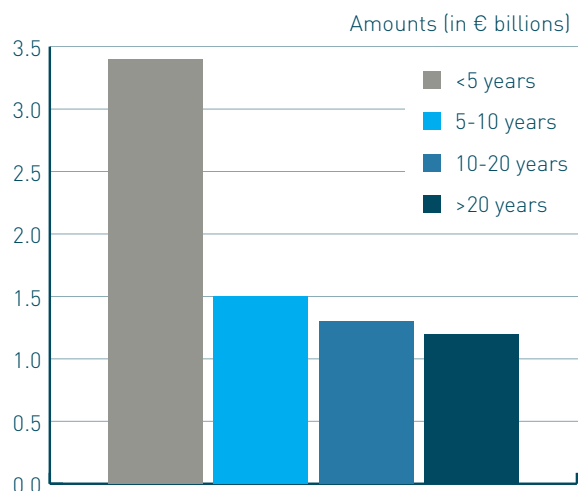
The abovementioned 'green bond' was the second 'water bond' to be issued by the Bank. With this water bond, NWB Bank attracted new investors and enlarged the market for green bonds. Besides traditional investment considerations such as investment safety and risk/return balance, many of the bonds were purchased by investors on account of their interest in supporting climate-friendly projects as part of their investment mandate. The yields from water bonds are earmarked for the financing of water authorities' activities in the field of flood prevention, water management and water quality.

To raise money market funding, NWB Bank uses commercial paper: debt instruments with maturities of up to a year. The Bank operates not only a Euro Commercial Paper programme (ECP), but also a US Commercial Paper programme (USCP) aimed solely at the US market. A total of €19.6 billion with maturities averaging 4.5 months was raised under the ECP programme and €13.4 billion with maturities averaging 4.2 months under the USCP programme.

Lending in 2015

In 2015, a record €7.4 billion was realised for long-term lending, up €1.3 billion from 2014. That amount enabled the bank to maintain its market share in the financing of the Dutch public sector at a satisfactory level, notwithstanding other lenders' increased interest in the sector and a declining demand for finance because local authorities, housing corporations and healthcare institutions are continuing to put new investments on hold as a result of new government policy.

The average term to maturity of lending was ten years. The following table shows lending broken down by maturity in 2015:



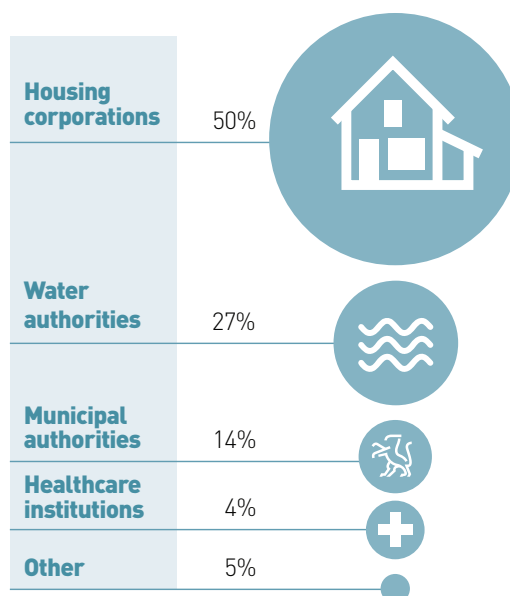
The above table shows that customers still require fixed-interest loans with long maturities. The low interest rate level, of course, plays an elementary role here. This attractive level of financing has caused NWB Bank customers to consider optimising their present loan portfolio when taking out new long-term loans. In the process, existing high-interest loans are paid back early and replaced by longer-term, fixed-interest loans with a lower interest rate. The resultant extending of the maturity of the existing loan portfolio enables them to cover interest rate risks for a long maturity and, at the same time, reduce interest expenditure straightaway. It also creates the opportunity, if required, to incorporate a cash flow schedule into the new loan portfolio so as to optimise cash management by planning coupon payments and debt service payments during a period where there is sufficient liquidity. For the customer, this also reduces the need to make adjustments in future by drawing down short-lived cash loans and short-term loans.

The bank also invested in the market for PPPs (Public-Private Partnerships) for the first time in 2015. This concerns a pre-existing loan to the Delfluent project (waster water purification plant) taken over by the Bank and the refinancing of the National Military Museum. The collections of the

former air force and army museum are housed together in this brand-new museum at the former air force base at Soesterberg. The project was completed in 2014 and enjoyed a very successful year, with over 500,000 visitors. The concession for the project runs for another 24 years, ending in 2039. That transaction is the first refinancing operation in the Dutch PPP market. NWB Bank is pre-eminently well-positioned here with its low funding costs for long maturities. The Bank also issued Export Credit Guarantee (ECG) loans, backed by the State of the Netherlands, for the first time.

Last year, 50% of the Bank's total lending was to housing corporations. The water authorities' share rose to 27%, partly because of an increased financing requirement and the desire to extend the maturities of their loan portfolios. The following table shows the total lending broken down by sector, in percentage terms:

Lending broken down by sector, 2015



Water authorities

In 2015, NWB Bank granted over 90% of long-term loan requests by water authorities, bolstering its market share in this sector as a result. This is in line with the Bank's objective of fulfilling a dominant financing role for its shareholders. Obviously, this is possible only if a very strict pricing policy is applied. The Bank aspires to strengthen its dominant role over the next few years, so as to continue fulfilling its core duty towards shareholders. The water authorities' financing requirements are set to rise over the years ahead, in view of the national Flood Protection Programme (Hoogwaterbeschermingsprogramma, HWBP). This programme, which will be in place through 2028, forms part of the national Delta Programme and is one of the most sizeable water projects ever implemented in the Netherlands. Research has shown that almost 800 kilometres of the Netherlands' dams and dykes no longer satisfy the requirements set. The Dutch government set up the Delta Programme so as to ensure that the Dutch flood prevention and water management programmes are in sync with the climate change anticipated these coming decades, taking account of both patterns of heavier rainfall and prolonged periods of drought. The water authorities and Rijkswaterstaat (the executive agency of the Dutch Ministry of Infrastructure and the Environment) are taking an array of measures to ensure once again that the primary dams meet the safety standards set, mutually agreeing that they will share equally in the required financing.

2015 saw the launch of NWB Bank's second 'green bond' issue. This bond, known as the 'water bond' (waterobligatie), is worth €1 billion (see also the CSR report). The water bond was used in its entirety for the financing of the water authorities.

Housing corporations

The lending volume of €3.7 billion is comparable with the 2014 level (€3.8 billion). That volume is related to the primary demand for loans and advances and to the review of loan charges for

basic interest rate loans. The primary demand for loans and advances concerns the refinancing of existing loans in particular. The trend towards a falling demand for loans and advances continued last year. The revised Housing Act, which forms a legal context in which corporations must operate, has led to a curtailment of the area of work of the Bank's largest customer group. It is partly for this reason that corporations are postponing new investments or selling parts of their housing portfolio. Financing or refinancing is usually no longer required when sales are realised. In this context, NWB Bank granted customers' requests to repay loans early at the market value. It is possible that housing corporations' investments will pick up again slightly in the years to come owing to the inflow of refugees and the cautious recovery of the housing market.

Provincial and municipal authorities

Due to their solid liquidity positions, provincial authorities were not in the market this past year for long-term financing. Municipal authorities again frequently used cash loans in 2015. Approximately €8 billion with an average maturity of one month was granted, keeping the interest costs low and benefiting from the present negative money market rates. NWB Bank realised a volume increase from €0.3 billion to €1.1 billion in the long-term financing of municipal authorities. Nevertheless, we have observed caution in the area of investments in this sector, too. This is partly caused by the decentralisation of the central government to municipal authorities of duties such as youth welfare and care for the long-term ill. The municipal authorities run the financial risk of the integration benefit proving insufficient to be able to meet the demand for care.

Healthcare sector

Long-term financing granted to healthcare institutions amounts to €0.3 billion in 2015, representing a slight decrease compared with 2014. Last year also saw a downward trend in demand for loans and advances from healthcare institutions with guarantees from the Guarantee

Fund for the Healthcare Sector (WFZ). Risks in the healthcare sector have increased as a result of system changes. In the first quarter of 2015, the WFZ increased the discount to reinforce its financial resilience. This was in part due to the fact that the WFZ's other key source of income (investment returns) is under pressure because of the constantly falling interest rate. Added to that is the fact that in the years to come the WFZ will have to deal with additional payment obligations on account of corporation tax and the gradual repayment of the WFZ launch capital to the Ministry of Public Health, Welfare and Sport (VWS).

Risk management

Risk management occupies a central position in the organisation. Risk awareness is an important element of the business culture and is embedded in the Bank's long-term strategy aimed at solidity. The organisation is designed to identify risks at an early stage, analyse them, set sensible limits and monitor those limits. Risk management is characterised by its effective response to changing circumstances and by providing proper parameters for Bank's operations. It helps the Bank keep its strong financial position and very low cost structure.

NWB Bank's borrowers are mainly public authorities and government-backed institutions. In addition, for liquidity purposes, the Bank holds an interest-bearing securities portfolio comprising mainly Residential Mortgage-Backed Securities that are government-backed under the National Mortgage Guarantee (NHG) scheme and bonds issued or guaranteed by the Dutch public authorities. A decision was made in 2013, in consultation with the shareholders, to expand the Bank's range of services by financing projects that use the PPP model. The Bank hired expert staff in this area and developed a risk assessment framework. The first PPP transactions were carried out in 2015. Throughout 2015 and indeed throughout its history, NWB Bank has never suffered a loan loss.

The Bank enters into swap transactions with financial counterparties to hedge against interest rate and currency risks. Management of the ensuing counterparty risk has been stepped up these past years, as regards, among other things, the frequency of the exchange of collateral. The contractual arrangements laid down in Credit Support Annexes (CSA) were also further tightened. Furthermore, the Bank is making good progress in terms of preparing for the transition to central clearing for interest rate derivatives, in conformity with the European Market Infrastructure Regulation (EMIR). Notice has been given that the transition to central clearing for interest derivatives is compulsory as from 21 December 2016 (with backloading as from 21 May 2016).

With effect from 1 October 2015 the liquidity standard LCR (Liquidity Coverage Ratio) has been in force, setting the minimum mandatory standard for the Dutch banking sector at 100%. At year-end NWB Bank satisfied the minimum requirements as regards both the LCR and also the Net Stable Funding Ratio (NSFR), which is not yet in force. The LCR and NSFR worked out at 134% and 117%, respectively.

In 2015, the Bank adjusted its framework for the management of the strategic interest rate position, bringing it into line with the standard for the return on equity that has been agreed with shareholders in 2015 (proceeds from a 10-year continuous investment in a 10-year Dutch government bond plus a surcharge appropriate to the Bank's profile).

As well as paying continuous attention to tightening the risk management of the financial risks, the Bank also took further steps in 2015 in the area of the management of non-financial risks. For instance, the policy in respect of the management of risks in the area of information security was tightened further as far as cyber crime is concerned. An overarching risk analysis in the area of integrity was also prepared and the Bank carried out an assessment to identify other areas of operational risk management that could be tightened based on current best practices.

Risk governance

The Bank's strategy places strict requirements on risk management and on the set-up and maintenance of adequate internal controls. NWB Bank adopts an organisation-wide approach to risk management and its control. As an important element of its supervisory role, the Supervisory Board, and in particular the Audit and Risk Committee of the Supervisory Board, evaluates the management of the risks associated with the banking operations. The Managing Board sets the risk management parameters. Within these parameters, the Asset & Liability Committee (ALCO) takes decisions on the risks of the Bank. The Managing Board, Treasury, Public Finance, Risk Management, Finance & Control, and Back Office are represented on the ALCO.

In conformity with the Dutch Banking Code, the Bank has laid down the level of its risk appetite, which determines the degree and areas of risk NWB Bank is prepared to accept in realising its strategic objectives. The risk appetite is approved by the Supervisory Board. In 2015 the Bank adjusted its Risk Appetite Framework in line with the recommendations of the Financial Stability Board (FSB).

Capital Management

The primary objective of capital management is to ensure that the internal targets and external capital requirements are always met and to ensure that sufficient capital is available to support NWB Bank's strategy.

Besides determining the minimum capital requirements per type of risk (credit risk, market risk, operating risk and concentration risk), the internal assessment of capital adequacy, the Internal Capital Adequacy Assessment Process (ICAAP), is a key activity within capital management. One component of the ICAAP is the conducting of stress tests to test the robustness of capitalisation. Every year, the supervisor assesses the quality of the ICAAP and its realisation in the Supervisory Review and Evaluation Process (SREP) and discusses this assessment with the Bank.

NWB Bank amply satisfies the risk-weighted capital requirements. While the Basel Committee referred to a minimum requirement of 3% for the leverage ratio, the actual requirement for the new unweighted leverage ratio due to take effect in 2018 is as yet unknown. The EBA is studying the impact the requirement has on various business models in the banking sector and will present its findings in 2016. NWB Bank's leverage ratio stood at 2.1% at year-end 2015.

Supervision

As regards prudential supervision, 2015 was characterised by the transition to supervision under the direct responsibility of the ECB. The ECB performs the supervision jointly with DNB as a national supervisor of the banking sector in what is known as a 'Joint Supervisory Team' (JST). It was in our mutual interest that the JST should gain a clear understanding of the specific profile and business model of the Bank from the outset so as to be able to structure supervision effectively and to guarantee its proportionality. In addition, the Bank's priority was to set up clear and efficient lines of communication with the supervisory body.

In 2014, at DNB's request, NWB Bank drew up a 'recovery plan' for the first time, describing the measures to be taken to keep its footing in a financial crisis. Every bank is required to draw up such a plan. NWB Bank considers it very important in such extreme circumstances to think thoroughly about its crisis management organisation and the recovery measures available to it. In 2015, the plan was in fact tested in a simulation session. Based on that experience, some adjustments have been made to, among other things, the crisis management organisation. The plan was updated on the basis of the findings of the annual SREP of the Bank's capitalisation and its liquidity position.

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, 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. With the entry into force of the BRRD in 2015, the bank now also has to deal with the SRB, which is responsible for an orderly process surrounding the recovery and possible resolution of a bank. This will require resolution plans and additional capital requirements (MREL, Minimum Requirement for own funds and Eligible Liabilities) to be drawn up. This will take place in 2016. There is a transitional phase of four years.

Corporate governance

Introduction

As a bank of and for the public sector, NWB Bank has a special responsibility towards society. In terms of corporate governance, this means that the bank should foster its robust financial position, while practising transparency in its governance and considering the interests of all stakeholders. NWB Bank's corporate governance practices include compliance with the Dutch Corporate Governance Code, the Dutch Banking Code and the Code of Conduct set out in the 'Future-Oriented Banking' package issued by the Dutch Banking Association (NVB).

The Supervisory Board and the Managing Board bear responsibility for NWB Bank's good corporate governance structure and for ensuring compliance with the governance principles.

Dutch Corporate Governance Code

The Dutch Corporate Governance Code contains principles and best practice provisions that govern the relationships between the Managing Board, the Supervisory Board, the shareholders and the General Meeting of Shareholders. The Code applies to Dutch listed companies. NWB Bank is not a listed company and therefore is not required by law to apply the Dutch Corporate Governance Code. NWB Bank has elected, however, to apply the Code on a voluntary basis, taking account of its specific feature, which is that its shares may only be held by the State of the Netherlands, water authorities and other legal entities governed by public law. The principles and best practice provisions relating to the one-tier governance structure and the issuance of depositary receipts for shares do not apply, due to the nature and specific role of the bank. As all of NWB Bank's shares are registered, the bank knows its shareholders and keeps a shareholders' register, in which the names and addresses of

the shareholders are recorded as well as the date on which they acquired shares and the amounts they paid up on them. The bank maintains direct contact with its shareholders and/or their representatives throughout the year. The bank has no formalised policy in this regard. Similarly, the principle and best practice provisions relating to the provision of information to, and the logistics of the Annual General Meeting have not been formalised.

Future-Oriented Banking

The Future-Oriented Banking package, consisting of the Social Charter, the Dutch Banking Code and the Code of Conduct, took effect on 1 January 2015. 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 conducting business operations with restraint and integrity, proper risk management as well as the structure of the Managing and Supervisory Boards. The Code of Conduct provides rules for employees on practising their profession in a prudent and ethical manner.

Dutch Banking Code

The Dutch Banking Code, which has applied since 1 January 2010, represents a form of self-regulation. The Code was updated with effect from 1 January 2015 to include the newly launched 'Future-Oriented Banking' package and applies to Dutch banks. The Dutch Banking Code is designed to make a major contribution to public trust in banks. The new principles in the Code therefore underline the importance of conducting business operations with restraint and integrity. The Dutch Banking Code contains the following elements:

- conducting business operations with restraint and integrity
- principles for executive and supervisory boards
- adequate risk policies

- adequate audit processes
- prudent, restrained and sustainable remuneration policies

Based on the new Dutch Banking Code, in 2015 the Regulations for the Managing Board, the Supervisory Board, the Audit and Risk Committee, the Remuneration and Appointment Committee, the Code of Conduct and further regulations were revised accordingly. For further information on compliance with the Dutch Banking Code by NWB Bank, please see the Summary of compliance with the Dutch Banking Code.

Comply-or-explain-statement in the Dutch Banking Code

NWB Bank fully acknowledges the significance of the Dutch Banking Code and complies with its provisions.

Code of Conduct and the banker's oath

With effect from 1 April 2015, all employees in the banking industry are required to take the banker's oath (which includes the related Code of Conduct and a disciplinary system). The banker's oath is a personal declaration by an employee, which is required to be taken in the presence of a manager. After taking the oath or affirmation, the employee must sign the oath or affirmation, which has been set out in writing, in the presence of his or her manager. Upon taking and signing the banker's oath employees must abide by the Code of Conduct and the disciplinary rules. The Code of Conduct comprises the following aspects:

- working with integrity and due care
- weighing interests carefully
- putting the customer's interests first
- complying with laws and regulations
- keeping confidential information secret
- being transparent and honest about one's conduct and being aware of one's responsibility towards society
- contributing to society's confidence in the bank

In 2015, the bank organised a workshop on the banker's oath and an information session on the disciplinary rules for its employees. Following the workshop all NWB Bank employees either took the oath or the affirmation.

The statutory obligation for executive and supervisory directors of financial institutions to take the banker's oath has applied since early 2013. NWB Bank's Managing and Supervisory Directors all took the oath or made the affirmation in 2013, either upon joining the bank or shortly afterwards, and in 2015 signed a declaration regarding disciplinary rules within the framework of the new Code of Conduct.

Notes

The following paragraphs address a number of aspects of corporate governance. They also address whether, and if so, in what way further steps have been taken in the 2015 reporting period compared with 2014.

Suitability and reliability test

Under the Financial Markets (Amendment) Act 2015 (Wijzigingswet financiële markten 2015), the number of individuals who are subject to the suitability and reliability test has been widened. In this context, all members of NWB Bank's management team passed the test in 2015.

Works Council

In 2015 preparations were made to establish a Works Council. The Works Council was established in January 2016. Both the Chairman of the Supervisory Board and the Chairman of the Remuneration and Appointment Committee will periodically attend a Works Council Meeting. Similarly, other Supervisory Directors will regularly attend a Works Council meeting.

Conducting business operations with restraint and integrity

NWB Bank attaches great value to its reputation as a solid and respectable Bank for the public sector. Checks and balances and integrity therefore play an important role in the Bank's

control mechanism. NWB Bank wishes to ensure that its customers and investors can be completely confident in using its services and secure in the knowledge that their funds are safe. The bank's Managing and Supervisory Directors are aware of the fact that they set an example for all of the bank's employees.

Conduct and culture

The Managing Board fosters responsible conduct and a healthy culture, both at the Bank's senior management level and throughout the entire organisation. In 2014 the Internal Audit Department (IAD) and the external auditor examined NWB Bank's culture and conduct (the 'soft controls'). A questionnaire was distributed to all employees to measure the quality of the soft controls. The bank looked at the following soft control elements during the survey: clarity, setting an example, feasibility, engagement, transparency, negotiability, accountability and sanctionability.

The survey of soft controls at NWB Bank was completed in 2015. The overall results of the survey showed that the bank scores above average on all aspects. The advice given, in view of the relatively small size of the organisation, is that the bank should be mindful that employees maintain a critical attitude towards each other. The bank has a flat organisational structure and an open management culture, which essentially is conducive to collaboration, commitment, knowledge-sharing, risk awareness, inspiration and the personal development of employees. The conclusion drawn was that attention should be paid to organising a counter voice and maintaining a critical attitude towards each other.

The management team held a culture session on the results of the survey. The survey results were discussed at length by the Supervisory Board in view of the fact that employee conduct and the bank's culture underpin our goal of being a conscious, engaged and reliable bank for our clients in the public sector.

Putting the client's interests first

NWB Bank is a major player in financial service provision to the Dutch public sector. It can effectively fulfil its duties only if society, and its clients in particular, are confident about the organisation and the integrity of the Bank's dealings with its business contacts. Accordingly, consciousness, engagement and reliability are NWB Bank's core values. Employees are expected to promote these core values in carrying out their duties.

The bank lends high priority to account management aimed at borrowers and product development. NWB Bank's relationship management centres on bridging the knowledge gap between the public sector and the financial world. To bridge the knowledge gap, the bank organises educational client sessions, employees participate in seminars as speakers, and client visits are made at the individual client level. Moreover, the Bank is alert to market and other trends and to shifting customer needs, and where possible responds to them by providing solutions, potentially including new products.

In 2015 the bank launched its newsletter NWB Bank Publieke Sector Actueel ('NWB Bank Public Sector Update'). The newsletter provides NWB Bank's clients with a daily update on current developments in the public sector.

Compliance and integrity

NWB Bank has assigned the compliance function to its Legal and Compliance Department. The compliance function aims to promote and monitor compliance with the existing laws and regulations, internal procedures and rules of conduct that are relevant to the organisation's integrity and associated reputation. The field of compliance comprises conduct-related risk categories.

As part of its annual audit plan, the IAD carries out compliance audits to establish whether the Bank complies with the existing laws and regulations,

internal procedures and rules of conduct. Furthermore, the IAD performs these audits to test the effectiveness of the internal procedures and rules of conduct and their correct application throughout the organisation.

Supervisory Board

General

The Supervisory Board Regulations contain rules governing its composition, the division of duties and its working methods, among other topics. These Regulations also contain provisions governing conflicts of interest and the Supervisory Board's dealings with the Managing Board and the shareholders. The Supervisory Board Regulations implement the applicable provisions of the Capital Requirements Regulation (575/2013) (CRR), the Financial Supervision Act, the Dutch Restrained Remuneration Policy (Financial Supervision Act) Regulation of 2014 (Regeling beheerst beloningsbeleid Wft 2014), the Financial Undertakings (Remuneration Policy) Act (Wet beloningsbeleid financiële ondernemingen), the Dutch Corporate Governance Code, and the Future-Oriented Banking package.

Committees

Audit and Risk Committee

The Supervisory Board has established an Audit and Risk Committee with the remit to prepare the Supervisory Board's decision-making. The Committee works on the basis of the Regulations of the Audit and Risk Committee. Following a recommendation made in an ECB audit themed around Risk Governance and Risk Appetite, the meetings held by the Committee will be divided into an audit session and a risk session in the course of 2016.

Remuneration and Appointment Committee

The Supervisory Board has established a Remuneration and Appointment Committee with the remit to make certain proposals to the Supervisory Board, to evaluate the remuneration

policy, to monitor senior management remuneration directly (including the managerial audit positions at the bank) and to draw up the remuneration report. The Committee works on the basis of the Regulations for the Remuneration and Appointment Committee.

Profile

An overall profile has been drawn up to provide guidance on the composition of the Supervisory Board and the appointment of its members. The Supervisory Board aims to achieve a diverse and balanced composition. The profile is in line with the requirements set out in the Dutch Corporate Governance Code. In addition to the overall profile, an individual profile is drawn up for each vacancy that arises on the Supervisory Board. The individual profile must be in line with the overall profile. In accordance with the Management and Supervision (Public and Private Companies) Act (Wet bestuur en toezicht), the Supervisory Board is striving for a balanced composition of at least 30% male and 30% female members. The current ratio is 57% male to 43% female members.

Managing Board

Appointment and composition

NWB Bank is managed by a Managing Board comprising three members. The Annual General Meeting of Shareholders appoints the Managing Board members for a term of four years on nominations by the Supervisory Board. The portfolios of operations for which the members of the Managing Board bear responsibility are stated on the bank's website and on pages 5 and 6 of this Annual Report. The male to female ratio on the Managing Board is 67% to 33%, thereby meeting the target figure for diversity under the Management and Supervision (Public and Private Companies) Act.

Regulations

The Managing Board's working methods have been laid down in Regulations, which contain rules relating to the division of the Managing Board's duties, its working methods and its

decision-making process. They also contain provisions governing conduct and culture, the Managing Board's dealings with and its way of providing information to the Supervisory Board, the remuneration policy and conflicts of interest. In addition, the Regulations implement the applicable provisions, including those set out in the Capital Requirements Regulation (575/2013), the Financial Supervision Act, the Restrained Remuneration Policy (Financial Supervision Act) Regulation of 2014, the Financial Undertakings (Remuneration Policy) Act, the Dutch Corporate Governance Code and the Future-Oriented Banking package.

Lifelong learning

NWB Bank considers lifelong learning by Managing and Supervisory Directors of fundamental importance. Against this background, in 2015 presentations were held by external experts themed around the risk management framework of the Guarantee Fund Public Sector Housing (WSW), integrity, works councils, the capital market union and an update on Total Loss-Absorbing Capacity (TLAC)/the Minimum Requirement for own funds and Eligible Liabilities (MREL). The Managing Directors also attended various national and international conferences, workshops and seminars on topics such as corporate governance, financial instruments, supervision of the supervisory authorities, the application of the principle of proportionality in the light of institutional and regulatory reforms and the European banking union.

New members of the Supervisory Board and Managing Board must attend an induction programme addressing, at a minimum, general financial, social and legal matters, financial reporting, the specific features of NWB Bank and its business operations, and the responsibilities of a supervisory or managing director.

Risk policy

Risk appetite

NWB Bank's risk appetite is reviewed annually and whenever significant events warrant such a

review. The description of risk appetite (the risk appetite statement) concentrates on the bank's strategy, its objectives and the manner in which the organisation can achieve those objectives. The risk appetite statement is a component of the risk appetite framework and is submitted every year, at minimum, by the Managing Board for approval to the Supervisory Board. The Managing Board also submits any interim material changes to the risk profile, which are assessed against the risk appetite, to the Supervisory Board for approval.

Audit

The IAD operates independently within the Bank. It carefully, expertly and objectively audits and tests how NWB Bank controls risks associated with its business operations and other activities. The IAD also issues recommendations on an adequate organisational structure and risk management.

The Head of the IAD reports to the Chairman of the Managing Board and also has a reporting line to the Chair of the Audit and Risk Committee. The Head of the IAD attends the meetings of the Audit and Risk Committee, as does the external auditor. In 2015, in line with the Dutch Banking Code, two tripartite meetings were held with the external auditor and the supervisory authorities (the Dutch Central Bank and the European Central Bank). During those meetings, views are exchanged about the bank's risk profile, its planned operations and the results of its activities.

At the Managing Board's request, the IAD may participate as a non-voting member in steering committees on strategically important projects. The IAD also supports the organisation in implementing and reporting on corporate social responsibility (CSR). Furthermore, the IAD verifies whether all Global Reporting Initiative (GRI) aspects are included in the Bank's CSR reporting and ensures that such reporting is based on the internal materiality analysis.

Remuneration policy

The remuneration policy for both Managing Directors and employees is in conformity with the

principles laid down in the Capital Requirements Regulation, the Financial Undertakings (Remuneration Policy) Act, DNB's Restrained Remuneration Policy (Financial Supervision Act) Regulation of 2014 and the Dutch Corporate Governance Code. The remuneration policy was approved by the Supervisory Board and is reviewed every two years by the Remuneration and Appointment Committee. The General Meeting of Shareholders adopts the remuneration policy pertaining to the Managing Directors, details of which are provided in the Remuneration Report included in this Annual Report.

Other corporate governance aspects

In 2016 NWB Bank will further assess and, where necessary, implement the Guidelines on Corporate Governance Principles for Banks issued by the Basel Committee on Banking Supervision.

In-control statement

The Managing Board is of the opinion that, in the year under review, the internal risk controls and systems were effective. This provides reasonable assurance that NWB Bank's financial reports contain no material misstatements.

Responsibility statement

The Managing Board hereby states that, to the best of its knowledge, the financial statements give a true and fair view of the Bank's assets, liabilities, financial position and profit. It also states that, to the best of its knowledge, the management report includes a fair view of the Bank's position at the balance sheet date and of its development and performance during the financial year for which the financial information is set out in the financial statements, together with a description of the principal risks the bank faces.

Corporate Social Responsibility

General

As a promotional bank, NWB Bank's mission is to provide its customers with financing at the least possible expense and to use its innovative capacity to enable the public sector to keep the cost of fulfilling its duties in Dutch society and the cost of public facilities in the Netherlands as low as possible. The recent research of the Local Government Economics Research Centre (COELO) is a useful indicator here.¹⁾ It shows that the guarantee system in social housing, where the government backs loans to housing corporations (through the Guarantee Fund for Social Housing (Waarborgfonds Sociale Woningbouw, WSW)), has generated a considerable interest benefit. The Bank Nederlandse Gemeenten (BNG Bank) and NWB Bank sector banks are far and away the biggest providers of guaranteed finance and therefore contribute to that interest benefit, which in turn contributes to the provision of social housing. Researchers Veenstra and Van Ommeren estimate this interest benefit at €700 million a year for the total guaranteed loan portfolio of the corporation sector of approximately €83 billion. The part of the total guaranteed debt provided by NWB Bank is approximately 38%. NWB Bank's creditworthiness, reflected in the highest ratings AAA/Aaa (S&P/Moody's), enable the bank to finance itself inexpensively in the international money and capital markets. Such favourable financing benefits NWB Bank's customers.

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Developments in 2015

In 2015, NWB Bank issued another Green Bond ('water bond') with a value of €1 billion and term to maturity of ten years. That second issue was again a great success and enlarged the market for green bonds. In addition to such investment considerations as investment safety and risk/return balance, a sizeable part of the bonds were purchased by investors on account of the importance they attach to supporting climate-friendly projects as part of their investment mandate.

Proceeds from the water bonds are earmarked for lending to the Dutch water authorities. The water authorities are governmental bodies, employing around 11,000 people, responsible for flood prevention, water management and water quality. Climate change adaptation is an integral part of their tasks. A large part of the future investments in flood control and water management will be executed under the umbrella of the Dutch 'Delta Plan', a plan set up by the Dutch government to make sure the Dutch flood protection and water management schemes will be able to deal with the expected climate change in the coming decades. Both heavier rainfall patterns and also longer periods of drought are taken into consideration.

1) 'Credit guarantee for corporations is worth its weight in gold.' COELO, volume 100, 13 August 2015.

In 2015, the proceeds from the water bond were used to fund eligible water authorities' projects that target:

- (a) mitigation of the effect of climate change, i.e. waterway management;
- (b) adaptation to climate change, meaning investments in climate-resilient growth (flood protection, other flood defences and pumping stations); or
- (c) biodiversity projects related to water rather than directly to the climate (i.e. sanitation and dredging of waterbeds, water treatment and cleaning of waste water and disposal of sewage sludge).

For more information on the water bond, please refer to the **NWB Bank Green Bond Newsletter**. CICERO (Centre for International Climate and Environmental Research), an independent, not-for-profit research institute, has provided a second opinion on the framework of the water bonds. In 2015, a new initiative was announced to encourage investment in social and sustainable projects. The Social Bond and Sustainability Bond Appendix ('SSBA') presented builds on the successful Green Bond Principles (GBP) launched in 2014. The initiative is intended to provide issuers and investors involved in the community with voluntary guidelines for the development and issuing of 'social bonds'. This might provide NWB Bank with options also to fund loans for social housing through the issuing of a 'social bond'. This will be investigated further in 2016.

At the end of 2015, the European Investment Bank (EIB) and NWB Bank signed a loan agreement for €400 million. The loan follows the signing of a partnership agreement at the end of last year which laid down that the two financial institutions would start exchanging knowledge and experience so as to be better able to support public projects in the Netherlands. The EIB has provided NWB Bank with €400 million. It will invest that sum in projects involving social housing, the environment, knowledge-based economy and the water sector developed by local authorities. NWB Bank is continually seeking new opportunities to maximise its availability as backer of its customers in the Dutch public sector on the most favourable terms possible. Using this EIB loan, NWB Bank is also offering smaller projects and customers who would otherwise not be eligible the opportunity to benefit from inexpensive EIB funding. This means they pay less in interest payments which should help, among other things, to make social housing and the water authorities' projects more affordable. Since the EIB is never allowed to finance more than 50% of the total value of a project, a total of €800 million will be invested in projects jointly with NWB Bank.

Vice-president Pim van Ballekom of the EIB: *'Although we bring with us much financial and technical expertise, the EIB cannot be in the market at certain levels because we simply do not have the manpower and specific knowledge of the market. The productive partnership we agreed on last year with NWB Bank will now translate into specific support for projects to the benefit of Dutch citizens.'*

The respected German ratings agency in the area of Corporate Social Responsibility (CSR), Imug Beratungsgesellschaft, gave NWB Bank a sustainability rating for 2015. The bank ended in the top three of all rated bond issuers and was second in the group of fourteen promotional banks.

In 2015, the NWB Bank CSR Award was merged with the Water Innovation Prize. The Dutch Association of Regional Water Authorities (Unie van Waterschappen) and NWB Bank joined forces to encourage sustainable innovations and to offer a platform for raising the profiles of those projects. Through the NWB Bank CSR Award, first issued in 2013, the bank hopes to encourage its customers to develop socially responsible projects.

NWB Bank applies high standards in the area of sustainable corporate social responsibility and pursues the goals based on its CSR policy. NWB Bank acknowledges the importance of increased transparency and accountability to the outside world. In 2015 the bank again participated in the Transparency Benchmark. The Transparency Benchmark is an initiative of the Ministry of Economic Affairs and the Netherlands Institute of Chartered Accountants (NBA). The Transparency Benchmark is based on a qualitative and quantitative study on CSR reporting features in the annual reports of large companies and state-owned enterprises in the Netherlands. The criteria were again tightened further this year, but NWB Bank managed to stay in the lead group with a ranking of 31st (2014: 28th) out of a total of 461 participants. This means that the objective of a position in the top 10% of the Transparency Benchmark was met again this year. Furthermore, NWB Bank reported at application level 'Core' of the Global Reporting Initiative (GRI) in the year under review. The Bank's ambition is to continue reporting with GRI support and to optimise the monitoring of and planning for the related performance indicators.

In 2015, NWB Bank signed the United Nations Global Compact principles. In so doing, NWB Bank is committing itself to integrating the ten principles concerning human rights, employment, the environment and anti-corruption into its strategy, policy and daily activities. NWB Bank has prepared an analysis of the ten principles which is included in the GRI table. The accompanying Communication-on-Progress, as regards the ten principles, is provided in this paragraph, in the introduction of the Report of the Managing Board and in the GRI table.

NWB Bank also plans to become a member of the group of financial institutions supporting the Equator Principles in 2016. 'The Equator Principles is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects.' These principles are already included in the risk analysis of project financing and where possible in existing project financing when loans are taken over.

Management approach

Effective 2013, NWB Bank linked its CSR policy to four themes fitting in with the Bank's core values (consciousness, engagement, reliability). The themes selected naturally followed from and are consistent with the Bank's general objectives, such that they contribute to the achievement of those objectives. Being a public-sector bank, NWB Bank's interests and values differ from those of strictly commercial parties. Those differences are reflected in the themes:

- 1. sharing financial expertise with the public sector;**
- 2. providing finance in a sustainable and committed way;**
- 3. operating in a sustainable and socially relevant way;**
- 4. acting with integrity and transparency.**

These themes formulated by NWB Bank take into account the various stakeholders' interests, which have been duly weighed. Measurable objectives have been linked to them, on which the Bank reports annually. In so doing, NWB Bank seeks to account for its social performance in addition to accounting for its financial performance. The CSR policy includes the qualitative objectives for the next three to five years. Those objectives are summarised in a table on page 43 and detailed below within the context of the various themes.



Vision

Enriching our objectives as a public-sector bank with a proactive approach, in order to make a positive impact in social, environmental and economic terms.



Mission

Entering into lasting relationships with stakeholders as a customer-focused, robust and sustainable finance partner and enabling them to fulfil their duties in Dutch society in the best possible manner.



Strategy

NWB Bank's strategy is focused on catering efficiently to the combined finance needs of customers in the public arena, aiming to lower the public sector's finance charges.



Core values

Consciousness, engagement and reliability.



Themes

Sharing financial expertise, providing finance in a sustainable and committed way, operating in a sustainable and socially relevant way, acting with integrity and transparency.



Targets

Verifiable annual objectives for each theme.

NWB Bank has set up a CSR Committee in which staff of various departments, as well as one Managing Director and the CSR Coordinator, participate. The CSR Committee reports to the Managing Board, which is responsible for policy-making, the management approach and the evaluation of the material social aspects of running a business. CSR subjects are also expressly discussed in meetings of the Audit and Risk Committee, and the Supervisory Board monitors compliance with the CSR policy and performance. Each member of the CSR Committee carries operational co-responsibility for his or her specific task in the themes, objectives and associated reporting. The Managing Board bears overall responsibility for the Bank's CSR policy. Risk management includes CSR aspects and forms an integral part of NWB Bank's processes. The Internal Audit Department reviews all key processes at least every other year, in addition to acting in a CSR advisory role and safeguarding the reliability of the CSR information provision.

NWB Bank has adopted its CSR management approach and selected its GRI performance indicators in the area of sustainability with due consideration to its relatively small office-based organisation and the duties it fulfils as a financial service provider in the public sector. This approach provides the best match with the Bank's compact organisational structure at present and is expected to continue to do so going forward. The CSR Committee has selected themes that are material to the Bank from a stakeholder's perspective. After having discussed those themes, the CSR Committee submits them to the Managing Board for approval.

NWB Bank's themes and objectives

The table below provides a list of objectives for 2014 and 2015 and the achievements in 2014 and previous years, broken down – within the four themes – according to the associated GRI performance indicators. The themes formulated by NWB Bank take into account the various stakeholders' interests, which have been duly weighed. Measurable objectives have been linked to them, on which the Bank reports annually and which the CSR Committee discusses and monitors half-yearly (at minimum). NWB Bank reports yearly in its annual report and in the GRI table on its CSR policy and the achievement of the accompanying objectives, based on the materiality of the selected subjects. The members of the CSR Committee are also responsible for the objectives relevant to their departments and for the allocation of time and resources so as to be able to undertake specific actions, monitor them and, ultimately, implement them. The monitoring process led to subjects like absenteeism, training, conduct and corporate culture, and traineeships being placed on the agendas of the management team and the Management Consultative Meetings. The performance indicators are explained in more detail in the GRI table.

Major CSR performance targets (PTs) and minimum requirements (MRs) have been defined for the long term (three to five years), broken down by theme. The performance targets are measurable and can be influenced, and here lies the challenge for the Bank. The minimum requirements have been adopted with reference to applicable legislation, governance codes and internal codes of conduct. In view of the impact NWB Bank can exert, the theme 'Providing Finance in a Sustainable and Committed Way' is the top priority, where the bank can make the greatest contribution to society through inexpensive financing.

In support of the choices made by NWB Bank, the opinions of a number of experts have been added in this Chapter. We refer to the article on the NWB Fonds, the interview with the winner of the sustainability award within the Water Innovation Prize and the stakeholders' quotes.

Achieved 2015	Objective 2015	Objective 2016	Objective Long term	Description
Theme 1: Sharing financial expertise with the public sector				
Keeping employees' knowledge of finance and trends up to date (MR).				
all	all	all	all	Attending annual training sessions by Front Office
Bridging the knowledge gap between the financial markets and the public sector (PT).				
5	3	3	3	Number of events hosted for specific target groups
52	52	52	52	Sending out Financial Markets Overviews each week
all	all	all	all	Performing Treasury scan on request
all	all	all	all	Approaching customers proactively in the event of new finance opportunities

Achieved 2015	Objective 2015	Objective 2016	Objective Long term	Description
Theme 2: Providing finance in a sustainable and committed way				
Selecting and dovetailing products and services to a customer's needs and their suitability for that customer, also taking account of the specifics of the sector and the views of the competent supervisory authority (MR).				
yes	yes	yes	yes	Coordinating products offered (internally/externally)
Putting customers' interests first (MR).				
yes	yes	yes	yes	Generally cooperating in requests for early repayment
none	none	none	none	Number of complaints filed
all	all	all	all	Issuing rates for loans under 1m
Sustainable and responsible funding and investments with due regard to CSR exclusion criteria (PT).				
yes	yes	yes	yes	Complying with exclusion criteria
Promoting CSR projects to the Bank's customers (PT).				
€1 b	€500 m	€500 m	€500 m	Finance volume linked to Green Bond
yes	yes	yes	yes	Presenting annual Water Innovation Award
Theme 3: Operating in a sustainable and socially relevant way				
Promote sustainable procurement and the achievement of environmental and social objectives (PT).				
in part	in part	in part	100%	Applying PIAN0o procurement criteria (fully carried out in 2017)
Fostering a healthy workplace and healthy personal development (MR).				
1	≤ 3	≤ 2	≤ 2	% Regular absenteeism rate
4,158	2,950	3,250	3,000	Training costs per employee in euros
none	none	none	none	Number of incidents of discrimination reported
all	all	all	all	Number of employees subject to performance and career development plans
100	100	100	100	Percentage of employees with pensions covered under NWB Bank pension plan
A more conscious use of assets and vehicles, taking into account the environment (MR).				
25	< 33	< 27	< 25	Estimated paper use in kilograms
33%	> 25%	> 30%	> 30%	Bicycle scheme (percentage of employees)
214	< 230	< 230		CO ₂ emissions caused by business operations
Offering traineeships to pupils from secondary vocational and higher professional schools, as well as university students (PT).				
2	≥ 2	≥ 1	≥ 2	Number of traineeships
Increasing social engagement by the organisation and the employees (PT).				
50%	50%	60%	60%	Active staff involvement in CSR (percentage of employees)
1	≥ 2	≥ 2	≥ 2	Participating in social projects
Theme 4: Acting with integrity and transparency				
Awareness among staff of what integrity entails (MR).				
all	all	n/a	1* every 2 year all	Number of employees who took anti-corruption/integrity training
all	all	all	all	Code of conduct for employees/taken bankers' oath
The Bank wants to hold its own with the best of its peers in the Transparency Benchmark (PT).				
yes	yes	yes	top 10%	Top 10% of Transparency Benchmark until 2020
Promoting optimal transparency on processes, risks and rates towards customers and other stakeholders (MR).				
yes	yes	yes	yes	Rates available via interest calculator on website
yes	yes	yes	yes	Product risks described on website
2	≥ 2	≥ 2	4	Number of ERB/WC meetings
Screening of new employees (MR).				
all	all	all	all	PES for new employees

Theme 1: Sharing financial expertise with the public sector

As a public-sector bank, NWB Bank shares its experience and knowledge of financial trends and products with the Dutch public sector.

Bridging the knowledge gap between the financial markets and the public sector

NWB Bank uses various channels to communicate with its customers and other stakeholders. For instance, it sends out weekly Financial Markets Overviews, providing insight into current and historical market movements, drivers of market interest rates, and funding rates. This enables customers to monitor market developments and assess risks, and to anticipate developments immediately when market conditions change.

Maarten Coenjaerts, treasurer at Servatius: *'Servatius finds the weekly overview containing capital market information very useful because it provides an in-depth insight into the trends and current state of affairs in the capital markets.'*

In addition, NWB Bank hosts annual events tailored to its customer segments, where the workings of the financial markets and related current developments are explained and specific funding-related topics are discussed. These educational events aim to enhance customers' financial knowledge and help improve their financial processes. In hosting these events, NWB Bank bridges the knowledge gap between the public sector and the financial community, which ties in with the Bank's duty of care and its policy aimed at putting customers' interests first in its provision of services.

Philip Daelmans, Finance Coordinator of the Roer en Overmaas water authority: *'NWB Bank's events give us an insight into current events affecting the prices of our financing in a simple and accessible way.'*

NWB Bank's account managers attend seminars and periodically call on customers and other stakeholders to discuss developments and address specific needs. This allows current and potential customers to discuss financial issues and finance requirements with NWB Bank, have a treasury scan performed of their loans portfolios or learn about new finance instruments available in the market. CSR is regularly addressed during customer visits, as the Bank encourages its customers to devote increased attention to the subject. CSR is now high on customers' agendas.

Finally, 2015 saw NWB Bank start informing our customers in the daily newsletter 'NWB Bank Public Sector Update' of media reports concerning the public sector. This way, customers and other interested parties are informed of developments in the markets relating to housing corporations, local authorities and education.

Keeping employees' knowledge of finance and trends up to date

At least once a year, all employees from the Public Finance and Treasury departments attend a training session or relevant conference. Employees also keep track of financial and other developments by reading newspapers and trade journals. This ensures that employees are able to anticipate and face developments that are relevant to the Bank and its customers, so that NWB Bank can respond to the need for professional financial guidance among its borrowers.

Theme 2: Providing finance in a sustainable and committed way

As a public-sector bank, NWB Bank subjects funding and investments to internal requirements in order to safeguard its reputation and its relationships with stakeholders in the long term.

Customers' interests are key in lending transactions

As a bank of and for Dutch local public authorities, it is important that NWB Bank performs a portal function for its regular public-sector borrowers. NWB Bank can always provide its customers with quotes for money market and capital market loans. NWB Bank also issues quotes for loans with principal amounts below €1 million, so that it can also serve customers with more modest financing needs.

In addition, NWB Bank devotes the needed attention to all its customers, irrespective of their size or that of their loans. For instance, the Bank always responds to requests for face-to-face meetings and is always prepared to consider bespoke arrangements. As a rule, the Bank is willing to cooperate in arranging early repayments, either in whole or in full, without charging early repayment penalties except for a settlement price at market value.

In 2015, the Bank helped customers with early repayments by optimising their loans portfolios (extending maturities). This resulted in existing loans being replaced by longer-term loans at the current low interest rate.

Sustainable and responsible funding and investments

In 2015, NWB Bank again contributed to keeping down the costs of the Dutch public sector through the provision of inexpensive financing. NWB Bank was also able to participate in bespoke arrangements for the funding of sustainable projects including wind turbines and a water purification plant, as well as social projects such as a museum.

Within the CSR policy, the CSR exclusion criteria are applied to NWB Bank's lending and liquidity portfolio. As a bank of and for Dutch public authorities, NWB Bank lends only in the Dutch public sector market. This is defined in the objectives clause in Article 2.1 of the Articles of Association as regards lending. The exclusion criteria form an integral part of the Bank's CSR policy, which can be found on the **NWB Bank website**. This means that all parties outside the framework provided for by the Articles of Association are excluded from the provision of loans by NWB Bank. In addition, in 2015, NWB Bank applied the Equator Principles guidelines in the tendering process when evaluating the social and environmental risks of financing Public-Private Partnership (PPP) projects.

Product suitability

NWB Bank selects and dovetails its products and services to customer's needs and their suitability for that customer, also taking account of the specifics of the sector and the views of the competent supervisory authority. New financial instruments undergo the Bank's internal product approval process before being offered. This process ensures that products are tested on their suitability for a specific customer group, among other criteria.

The internal product approval process is one of the subjects addressed in the Dutch Banking Code (see: Corporate Governance) and is explained in more detail in the GRI Table. Since it is a key feature in the Bank's product responsibility, the process involves all of the Bank's relevant departments.

Theme 3: Operating in a sustainable and socially relevant way

As a public-sector bank, NWB Bank believes it is important that it is seen to lead by example in terms of its organisation and the environment.

Fostering the development of socially responsible projects

NWB Bank seeks to encourage its customers to invest in socially responsible projects. The Bank has the following initiatives in this area: the NWB Fonds and the Water Innovation Prize. With the Water Innovation Prize, the Association of Regional Water Authorities and NWB Bank joined forces to encourage sustainable innovations and to offer a platform for raising the profile of those projects. Within the Water Innovation Prize NWB Bank sponsored the sustainability prize.

NWB Fonds

The **NWB Fonds** embodies the type of long-term corporate social responsibility NWB Bank has opted to support. Established in 2006, the fund serves as a source of financing of and for water authorities in shaping their international partnerships. It offers them the financial means to contribute to solutions to global water issues, based on their core tasks and core values. The fund's initial capital in 2007 was €4 million. The amount was increased in 2008 and subsequent years to reach €20.5 million.

Download the NWB Fund chapter from our 2015 annual report here:

Director Henk Loijenga and Programme Manager Paul Langeveld have provided a topical explanation of the Fund's activities. That explanation forms part of this report.

Sustainable procurement

When purchasing facilities-related products and services, the Bank aims to consistently apply the public procurement criteria drawn up by PIANOo, the Dutch Public Procurement Expertise Centre. When renegotiating existing contracts and concluding new ones, care is taken to ensure that the contracts satisfy the PIANOo criteria wherever possible. When buying items for everyday use, sustainability aspects are taken into account, with the PIANOo procurement criteria being the standard. By way of comparison: as from 1 January 2015, all government authorities are committed to making 100% sustainable purchases. NWB Bank aims to achieve that goal as of 2017.

In undertaking sustainable procurement, the Bank seeks to make a contribution to better social conditions in production chains (e.g. with regard to the cleaning of its office). The social aspects of the purchase criteria focus on improving labour conditions throughout the chains. By including the criteria in its tender documents, NWB Bank encourages observance of internationally accepted labour standards and respect for human rights.

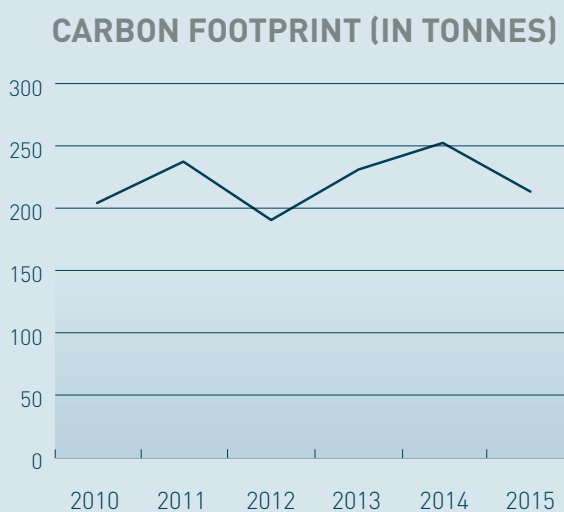
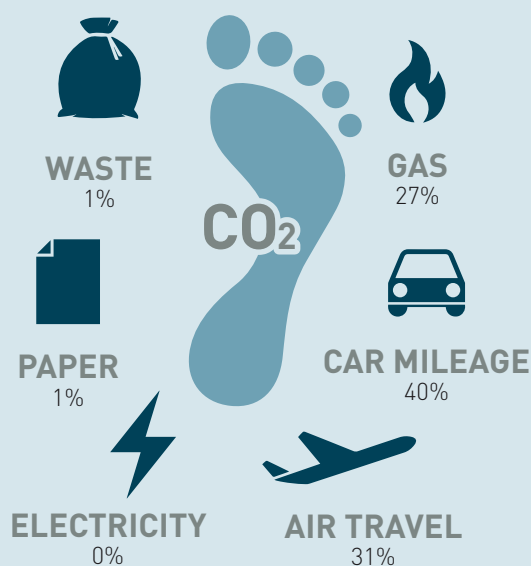
Suppliers who are discovered not to be meeting, or no longer meeting, the required level of corporate social responsibility are assessed on a case-by-case basis to establish whether there is cause to change supplier.

In a joint effort headed by the Dutch Ministry of Infrastructure and the Environment, local authorities boost the market for sustainable products by applying sustainable procurement criteria. NWB follows this lead of its customers and, through its purchases, endeavours to influence suppliers' conduct in areas such as labour conditions, employee rights and the environment. NWB Bank maintains an ongoing dialogue with suppliers on the application of procurement criteria and improving sustainability. As of 1 January 2015, all Dutch government authorities are committed to making 100% sustainable purchases.

Preserving the Environment

The purpose of the following part of the report is to provide an insight into the organisation's results in relation to the environmental aspects of business operations as regards emissions, in particular in relation to greenhouse gases and ozone-depleting gases.

Our gross carbon footprint, of which the office building and travel are major components, was again established for 2015. The Bank's total carbon emissions in 2015 were an estimated 214 tonnes, a drop of more than 15% (2014: 254 tonnes). The gross carbon footprint was calculated on the basis of estimates. Further details are provided in the GRI Table on the website. NWB Bank offsets all carbon emissions, 155 tonnes through the Climate Neutral Group, an organisation striving towards a 100% climate neutral world, and the rest through Greenchoice (gas). Offsetting carbon emissions through the Climate Neutral Group reduces the Bank's negative impact on the climate to zero in all relevant categories, i.e. for all



relevant greenhouse gases converted into carbon equivalents. Offsetting takes place by investing in the Climate Neutral Group's sustainable energy projects, which ensure a reduction of carbon emissions elsewhere. The project selection criteria included the impact of the projects on the local population and the region in terms of factors such as employment, transfer of knowledge, improvements in healthcare, economic growth, and local environmental improvements.

Carbon emissions caused by the processing of company waste, with paper and residual waste being separated, were also offset through the Climate Neutral Group.

As in previous years, NWB Bank exclusively used electricity from renewable energy sources (green electricity) in 2015. Carbon emissions associated with air travel were offset for 2015.

Corporate culture, development and trainee posts

The organisation's success depends in part on a healthy and well-balanced corporate culture, a corporate culture in which the Bank's core values and the social objectives are firmly rooted. The conduct of its people is at least as important as a well-worded mission. There are many good aspects of the family culture which characterises the Bank, aspects which are aimed at ethical business operations. Based on an internal and external audit, in the year ahead we will work on themes including 'checks and balances',



the registering and monitoring of incidents and the creation of a climate which encourages adjustment to external changes and critical thought. That latter aspect will be fleshed out further with the 'disruptive thinking' theme. The impact of the family culture and open management style has been dealt with in depth within the management team.

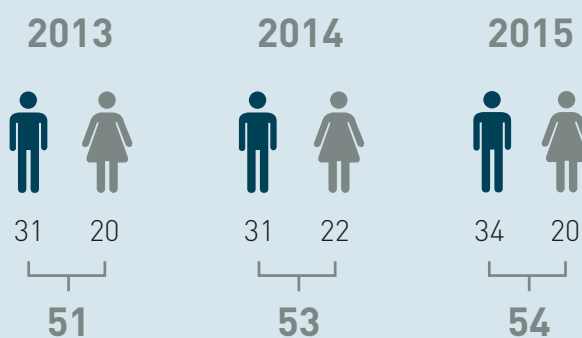
Training expenses

The Bank attaches great importance to well-trained employees, and devotes a great deal of attention to external and internal training and the supervision of employees by external experts.

In 2015, an average amount of €4,158 per employee was spent on training (including in-company training). It is estimated that a total of 2034 hours was devoted to training; this amounts to an average of 37 hours per employee.

NWB Bank makes trainee posts available to pupils from secondary vocational and higher professional schools, as well as university students. Upon request, it also facilitates work experience placements for pre-university pupils. Given the relatively small number of staff available and the intensive level of supervision required, the Bank aims to provide at least one trainee post each year. In 2015, the Bank supervised two trainees.

Working flexibly



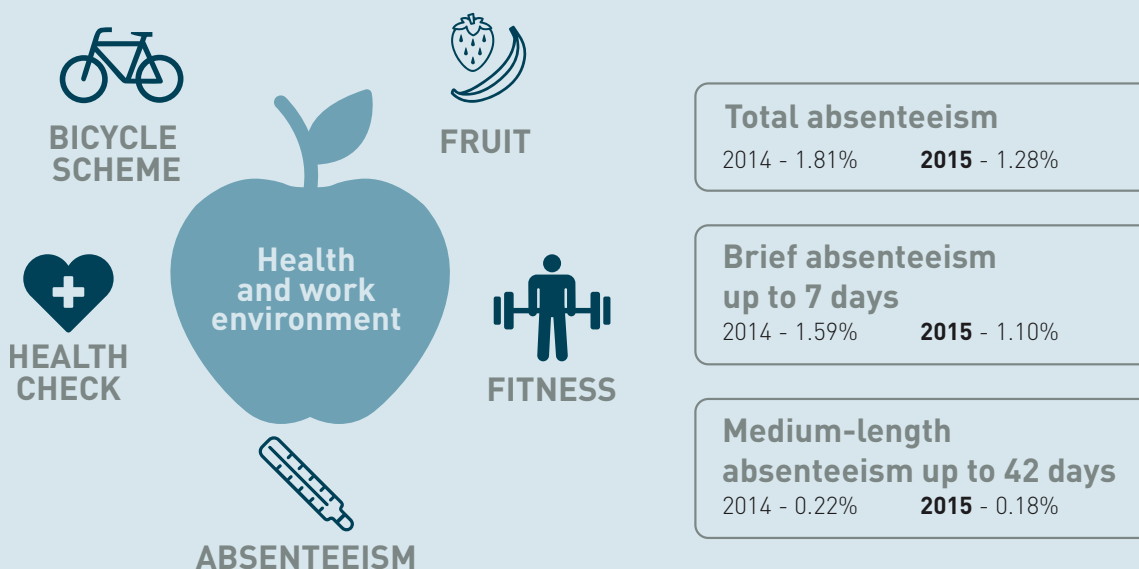
Diversity and inclusiveness

As required by law and the Collective Labour Agreement in place, NWB Bank approaches its employees respectfully and with due care, without in any way discriminating. There has been virtually no staff turnover in the past few years (2015: two employees), so that a further increase in diversity will be difficult to achieve, and a further hiring of people with a weak position in the labour market will also be difficult. As it is, in 2015, NWB Bank again worked with, and temporarily hired employees from organisations that assist and coach people who have impairments in terms of participation in the labour market.

As provided in the Dutch Management and Supervision (Public and Private Companies) Act (Wet bestuur en toezicht), the Bank strives towards a minimum gender representation on its Supervisory Board and Managing Board of 30% men and 30% women. At this point, one woman and two men serve on the Bank's Managing Board and two women and four men serve on the Supervisory Board.

	2014	2014	2015	2015
	number of employees	%	number of employees	%
Employees aged 60 to 70	1	1.9	1	1.9
Employees aged 50 to 60	11	20.8	13	24.1
Employees aged 40 to 50	24	45.3	24	44.4
Employees aged 30 to 40	14	26.4	12	22.2
Employees aged 20 to 30	3	5.6	4	7.4

Environmentally-friendly and active transport for employees



The fleet comprises 15 cars whose impact is limited. New company cars must have an 'A' energy label. Travel using public transport is offered within the travel policy. With its bicycle scheme the Bank gives employees an incentive to commute by bicycle. In 2015, 33% of employees (2014: 30%) used that scheme.

Health and work environment

There was no prolonged absenteeism (43 days or more) in 2015 either. As in 2014, there were no physical accidents in the workplace.

Complaints procedure

The Bank's customers may submit complaints under the General Terms and Conditions. The Bank received no complaints in 2015.

The Bank also operates a whistle-blowing procedure, which enables employees to report alleged irregularities of a general, operational or financial nature at NWB Bank, on an anonymous basis if needed, without jeopardising their legal position.

NWB Bank invites its stakeholders to submit suggestions they may have with respect to the Bank's CSR policy and to share any other comments on this issue. Effective 2014, the Bank has opened a dedicated email address for that purpose: mvo@nwbbank.com.

Raising awareness in society of such themes as 'money'

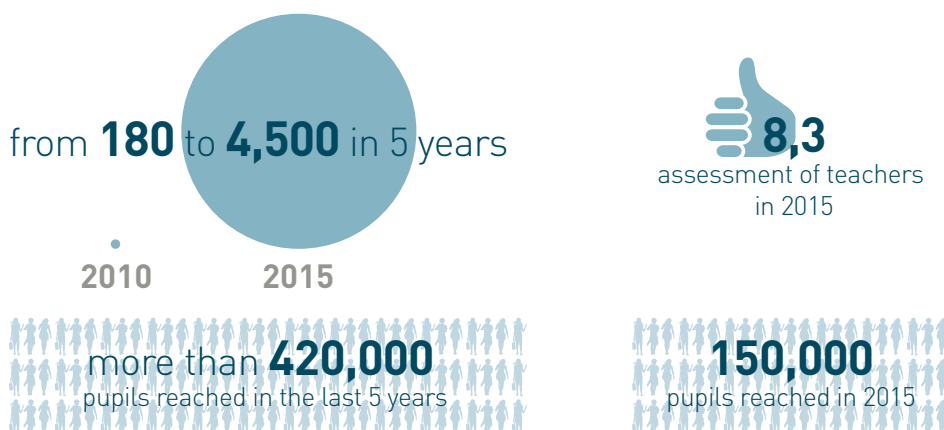
The project entitled 'Money. Just imagine you had it!' (Geld: Je zult het maar hebben!) was cancelled in 2015. As a result, the objective of participating in two social projects was not achieved in 2015.

Project 'Money Week/The Classroom Bank'

Money Week is an initiative of the Dutch Money Wise (Wijzer in geldzaken) platform whose purpose is to teach primary school pupils how to deal with money. By making children financially aware at a young age, the foundations are laid for financial self-reliance in adulthood. After all, what is learned in the cradle is taken to the grave!

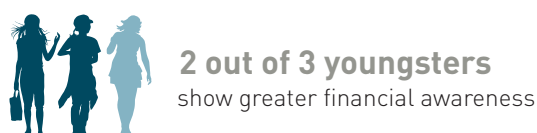
In collaboration with the Dutch Banking Association (Nederlandse Vereniging van Banken, NVB), partner of Wijzer in geldzaken, a total of 4,500 guest lessons have been taught. The NWB Bank actively supports Money Week by making a financial contribution to the project and by providing guest lessons. In 2015, no fewer than 12 guest teachers out of a work force totalling 54 people provided 14 guest lessons with much enthusiasm. The Bank is proud of its participation. For more information go to www.bankvoordeklas.nl. For an overview of the process from 2010 to 2015, please see below:

Guest lessons



Source: Dutch Banking Association (Nederlandse Vereniging van Banken, NVB)

Impact of guest lessons



Source: National Institute for Family Finance Information (Nibud), report on the evaluation of the impact of guest lessons, 2014

Project 'CSR trip'

In 2015, the Bank started organising trips to increase employee participation in respect of the Bank's green character. This involved the Bank visiting sustainable projects to improve employees' knowledge and awareness of how our customers contribute to a better society. The aim is to organise one such trip once a year.

Project 'Voluntary work (NL Doet)'

The participation of a group of NWB Bank employees in a joint NL Doet (The Netherlands Does) activity will be a new feature in 2016. It offers employees the opportunity to familiarise themselves quickly with volunteer work and its aim is to support people, associations or foundations on a one-off basis with a voluntary activity.

In addition, since 2015 the Bank has been offering employees carrying out voluntary work an incentive in the form of time off. NWB Bank gives a maximum of one day's leave in a calendar year for voluntary work which has demonstrably been carried out. This arrangement is included in the Bank's annual leave scheme.

NWB Bank being a small organisation, participation required extra efforts from the employees involved in the project. It was gratifying to see their active participation and enthusiasm.



Sponsorship

Besides its sponsoring of the aforementioned NWB Fonds and the Water Innovation prize (2015: NWB Bank contributed €25,000), the Bank also sponsors projects in the areas of water, cultural heritage and history.

Sponsorship funds totalled €56,270 (2014: €43,666) in 2015. The increase in sponsorship funds was due to a large number of sponsorship applications with a larger amount per project. In 2015, of the 23 applications made, 17 were granted (in 2014, 14 of the 16 applications made were granted). The applications that were rejected lacked the necessary connecting factors with the sponsorship objectives. In 2015, the NWB Bank sponsored, among others, the following projects:

- Water – the Bank gave a grant for the furnishing of the Boat House for the Berkelvaart in the Lochemaan Foundation “De Berkelzomp”.
- Cultural heritage – the Bank made a financial contribution to the hiking trail app along twenty cultural and historical locations in The Hague for ‘Naar Zee! De Scheveningse Zee-straat’, a project of ‘Stichting TOEN’ in connection with the project The Hague, Cultural City by the Sea, in which various The Hague museums participated.
- History – the NWB Bank sponsored the drafting of the book ‘Tussen Stoom en Stroom’ (Between Steam and Stream) at the request of the Dutch Pumping Stations Foundation.
- Sponsorship on the initiative of employees. Since 2015 NWB Bank has been offering employees the opportunity to propose CSR activities with which he or she feels a connection and in which he or she is not participating per se for a contribution from NWB Bank’s sponsorship budget for gifts.

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Theme 4: Acting with integrity and transparency

Being reliable and acting transparently are imperative for a public-sector bank. The same standards must be applied in communications with employees.

Transparent working methods and rates

NWB Bank explains its working methods to customers and stakeholders, both individually and during group presentations, to provide them with insight into the backgrounds to the Bank’s actions and the associated costs incurred. The Bank acts transparently with respect to the costs involved in, and the calculations underlying, more complex products, e.g. when taking over derivatives or restructuring loans. Processes that must be followed are explained upfront, allowing all parties involved to know what is expected of them. If so wished, the Bank always cooperates in dry runs, during which processes are completed in advance to minimise the likelihood of uncertainties and unpleasant surprises.

Indicative rates may be requested through the Bank’s website or the Public Finance department. The Bank’s weekly Financial Markets Overviews also list the indicative rates, making a distinction between the swap interest and interest surcharges. These rates enable customers to monitor market trends and base their investment decisions on correct interest cost assumptions.

Internal transparency

NWB Bank strives to maintain an open dialogue among its employees, which means, in practical terms, that employees are encouraged to exchange knowledge and information as much as possible. In its effort to optimise internal transparency, the Bank has placed an interim evaluation of the annual departmental plans on the management team's agenda for discussion during their meeting schedule. Furthermore, an annual review of the description of AO/IC procedures (Administrative Organisation and Internal Control) will be made an integral part of the in-control statements.

The Bank attaches importance to a high level of involvement on the part of its employees. This is reflected by, among other things, the consultation with the Bank's employee representative body (ERB). Effective 2016, a Works Council has been set up owing to the growth and size of the workforce. In the past year, the Managing Board had several meetings with the ERB at which at least one member of the Supervisory Board was present also. In consultation with the ERB, the Bank adjusted various terms and conditions of employment and discussed the Bank's developments.

Integrity of employees

In 2015, all employees took the bankers' oath. The oath of is part of the Future-Oriented Banking package of the Dutch Banking Association. By way of introduction, the disciplinary rules linked to the bankers' oath and how employees should comply with the code of conduct belonging to the bankers' oath is discussed with all employees in separate sessions. This provides a framework for the two-yearly cycle during which attention is given to specific compliance topics.

In addition, in 2015, the Dutch Central Bank tested managers from the second echelon for suitability and reliability; no discrepancies were revealed as a result of that test. For NWB Bank, this applies to the entire management team.

Another aspect demonstrating our commitment to society is the Bank's efforts to combat corruption and bribery. In 2015, no case of corruption or bribery was reported internally. NWB Bank has implemented various preventive measures, the most important of which are Pre-Employment Screening, the Insider Regulation and the Code of Conduct.

Transparency Benchmark

The Bank aims to secure a place in the top 10% on the Transparency Benchmark. In 2015, the bank ended in 31st place (2014: 28th) out of a total of 461 participating companies. Ninth place was maintained within the financial sector. At 170 points, the 2015 score within the Transparency Benchmark was 3 points higher than in 2014. The table below shows how NWB Bank compares with other state holdings:

Participant in Transparency Benchmark	Score in 2015
Stichting Exploitatie Nederlandse Staatsloterij	110
COVRA NV	117
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden NV	146
Nederlandse Waterschapsbank N.V.	170
Bank Nederlandse Gemeenten N.V.	179
Nederlandse Gasunie N.V.	181

Dilemmas

This section contains a number of issues in respect of which the Bank has weighed the various available options to solve CSR issues.

Generic financing

In the Bank's systematic application of CSR-related exclusion criteria and its policy of fostering responsible investments, generic financing is a dilemma. Often, the intended purpose of the funds lent is to finance cash deficits or refinance existing loans. This means there is no specific project that can be tested against CSR aspects.

New products

When addressing specific customers' needs, situations may arise in which the pros and cons of launching a new product must be weighed. NWB Bank's product approval process involves weighing up the risks involved for both the customer and the Bank itself. Those risks may occasionally prompt the Bank not to serve a customer entirely in accordance with the customer's wishes. This presents NWB Bank with a dilemma, as it seeks to assist its customers at all times, while also adhering to its internal policies.

Mutual lending between local public authorities

The Treasury Banking Act (Wet Schatkistbankieren) obliges all local public authorities to maintain surplus funds as treasury funds. All funds that the authorities do not need immediately for fulfilling their specific duties in society are considered 'surplus' funds. An exception applies when local public authorities mutually lend those funds on specific conditions. This will see them enter into direct competition with NWB Bank. The dilemma that presents itself is that customers will obtain financing at the lowest possible cost – which ties in with the Bank's principal mission – while there is no level playing field, since the parties to the transaction are not subject to any capital or solvency requirements or to any special duty of due care. This may involve risks to both the customer and the local public authority concerned.

Rebound clause

Some of the payment agreements concluded by the group of municipal customers with their principal bank contain a rebound clause. A rebound implies that the principal bank is given an opportunity to issue a second, better quotation. Since this is at the expense of a fair and transparent quotation procedure, NWB Bank refuses to issue quotations in such procedures. The rebound results in three dilemmas. First and foremost, the Bank seeks to provide finance to its customers at all times. This is not the case if no quotation is issued. In addition, customers should receive a minimum of two quotations. Since other finance providers will not offer quotations either, if they know a rebound is involved, those customers will often apply to NWB Bank. Finally, a customer is not always familiar with the disadvantageous effects of the rebound, which is kept in place if a quotation is always offered.

Providing finance without guarantees

Pursuant to its Articles of Association, NWB Bank may provide financing only to Dutch local public authorities or closely related or government-backed institutions, e.g. housing corporations and healthcare institutions that are backed by guarantee funds such as the WSW and the Guarantee Fund for the Healthcare Sector (WfZ). This means that the Bank will not grant loans to housing corporations or healthcare institutions that are not backed in this way. The dilemma that presents itself is that those customers are finding it hard in present market conditions to obtain loans for the financial needs for which no guarantees

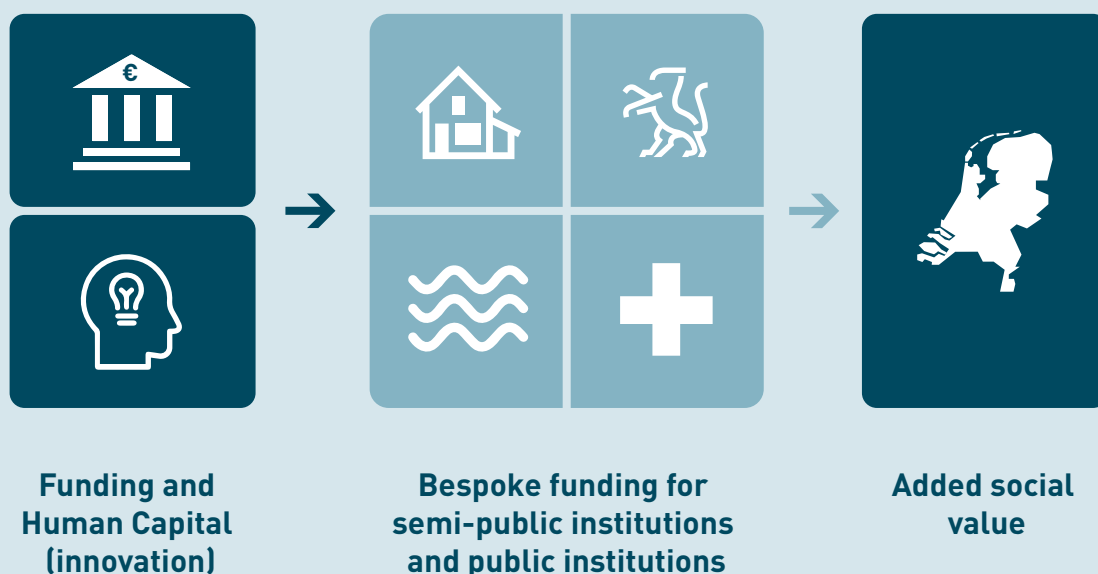
are available. As regards those loans, the lack of guarantees makes it impossible for NWB Bank to fulfil its core duty under its current Articles of Association, which is to provide financing to its customers at the highest possible quality and the lowest possible cost. The only solution would be for NWB Bank to amend its Articles of Association such that the Bank is permitted to provide finance without guarantees.

Derivatives

In principle, NWB Bank does not enter into swaps or options with its customers. Where housing corporations and healthcare institutions are concerned, the Bank refrains from doing so because such transactions are not covered by the relevant guarantee funds. Furthermore, the Bank believes such instruments are not suitable for every customer, which means they cannot be generally provided. At the same time, there is the fact that most customers are bound by the 'Ruddo rules' (rules on lending and entering into derivatives transactions with local public authorities) or the 'policy rules on derivatives for housing corporations' when selecting a derivative counterparty. Both sets of rules require of counterparties that they meet a minimum rating. Since an ever smaller number of financial institutions meet the minimum rating requirements, customers ask the Bank from time to time whether it would be willing to act as a counterparty for derivatives. This presents NWB Bank with a dilemma, as it seeks to assist its customers at all times, while also adhering to its internal policies.

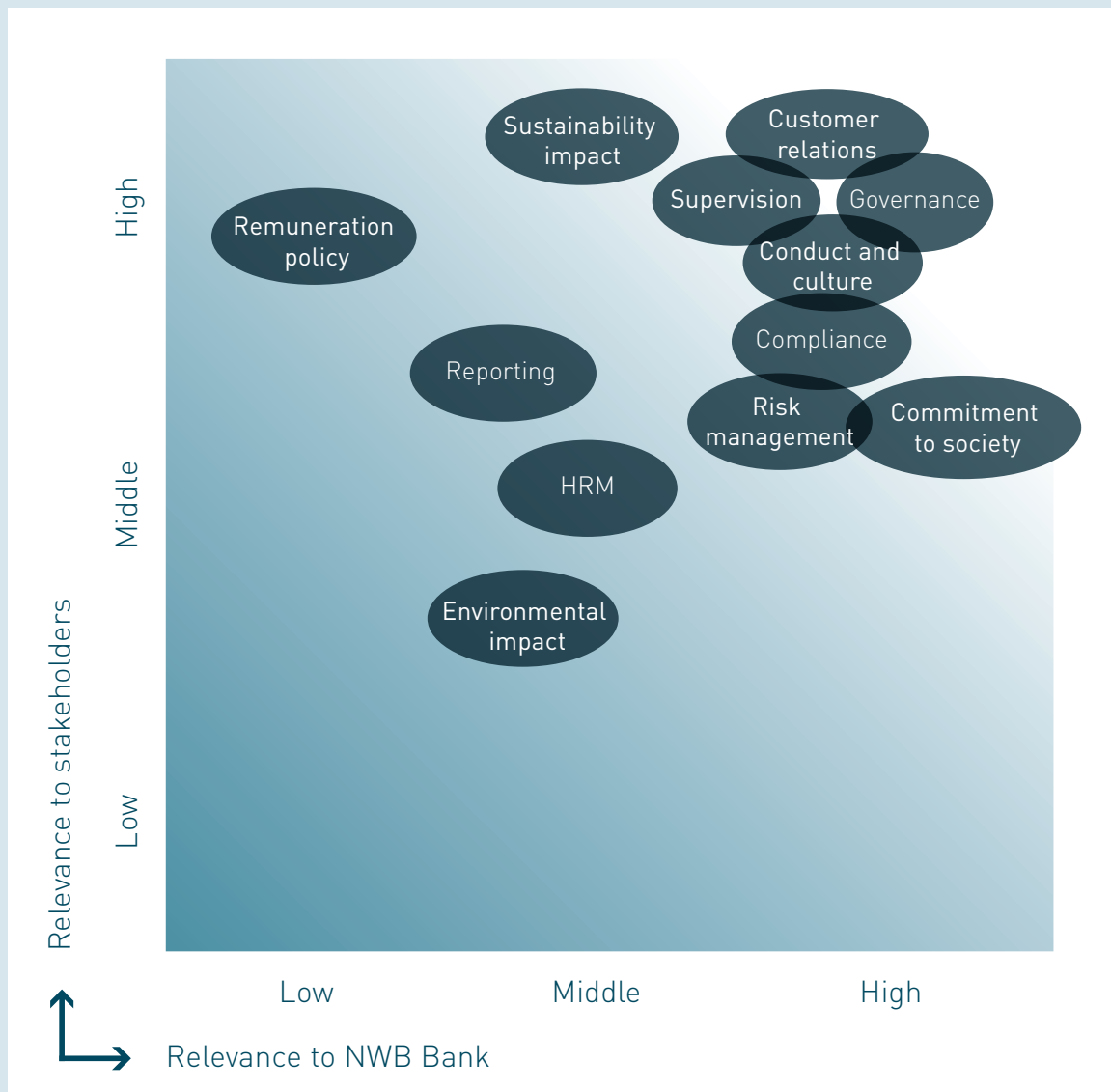
Supply chain responsibility

The following chain is relevant to NWB Bank. The options for reporting in the value chain are based on the Material Issues Plot. NWB Bank obtains its funding in the international capital market and uses those resources to issue loans in the Dutch public sector. The main impact of the NWB Bank therefore lies in its lending operations, with approximately 65% of the credit portfolio being owed by housing corporations. The financing concerned is backed by the WSW, which calculates its impact in the form of an interest rate reduction (approximately 1.5% on an outstanding financing volume of over €30 billion). By using green bonds to finance the funding of water authorities, NWB Bank has made the impact it has on water authorities much more transparent for its investors in the capital market. The impact on the other sectors mentioned is also important, albeit to a lesser extent. By contrast, being a small organisation NWB Bank has a very limited impact on the environment and in terms of social issues.



Stakeholder dialogue

NWB Bank communicates with its stakeholders on a regular basis. Within a CSR context, the Bank defines as its stakeholders those individuals and organisations with whom it collaborates or that have an interest in the specific role in society NWB Bank fulfils as a public-sector bank. As a minimum, the Bank considers its shareholders, customers, investors, employees, the supervisory authorities, and the government to be stakeholders. As in previous years, a materiality assessment of the CSR issues relevant to the Bank was made in 2015. The issues were charted based on discussions held with stakeholders and, where possible, the policies they pursue with respect to both general social and sector-specific issues. This has resulted in the Material Issues Plot shown below, which was extensively debated with the CSR Committee members. Governance, supervision, compliance/integrity and customer relations, in particular, are highly relevant issues affecting both the stakeholders and NWB Bank. Their relevance is apparent from such aspects as supervisory policies, discussions with shareholders, the focus on credit ratings in the financial markets and the Bank's own policies. Explanatory notes to the table below can be found in the GRI Table.



The Material Issues Plot was prepared from the stakeholders' perspective – discussions were held with them, an online survey was conducted and benchmarks were used to compare against peers and establish the issues that stakeholders consider important. Based on the impact issues have on stakeholders and using their feedback, an estimate was made of the relevance of each issue to those stakeholders, taking into account the fact that not all stakeholders have the same interests. The relevance of those issues to NWB Bank was subsequently established by the CSR Committee, in which the Managing Board is also represented. A number of issues considered to be of less relevance were not included in the Material Issues Plot. The most important issues considered material by the CSR Committee were customer relations and impact of sustainability. Governance, supervision and compliance were issues considered material primarily by the Managing Board. The stakeholders realise that the small size of NWB Bank's organisation prevents the Bank from having any significant impact on the environment.

In the table below, the material issues identified are coupled to the Bank's CSR policy and are categorised by most significant stakeholder. The material issues are covered in more detail in this annual report.

Stakeholder	Material issue	Theme and CSR policy
Shareholders	Remuneration policy	Acting with integrity and transparency
	Social engagement	Providing finance in a sustainable and committed way
Customers	Customer relations	Sharing financial expertise with the public sector
	Social engagement	Providing finance in a sustainable and committed way
Investors	Sustainability impact	Providing finance in a sustainable and committed way
	Reporting	Acting with integrity and transparency
	Governance	Acting with integrity and transparency
Employees	HRM	Acting with integrity and transparency
	Conduct and culture	Acting with integrity and transparency
	Social engagement	Providing finance in a sustainable and committed way
Government	Facilitating	Operating in a sustainable and socially relevant way
Supervisors	Conduct and culture	Acting with integrity and transparency
	Supervision	Acting with integrity and transparency
	Compliance	Acting with integrity and transparency
	Risk management	Acting with integrity and transparency

Shareholders

Once a year, an Annual General Meeting of Shareholders is convened. During the Meeting, the Managing Board renders account of objectives (including CSR), corporate strategy, policies and financial results, among other matters. Furthermore, periodic shareholder consultations are held to address recent developments within the Bank and trends in society that may impact the Bank or its shareholders. Issues such as the Bank's governance and developments in that field are also discussed with the shareholders with some frequency.

Customers

The Bank's customers (the Dutch public sector) already bear their own great social responsibility for which they are under scrutiny by public opinion, democratic processes and laws and regulations. To increase further awareness, NWB Bank discusses sustainability issues with customers whenever possible and provides a platform for innovative products by means of the Water Innovation Prize. The sustainability of customers is discussed regularly during meetings and events hosted by the Bank.

NWB Bank engages in a permanent dialogue with supervisory authorities, industry organisations and sector-specific guarantee funds. The dialogue provides the Bank with information on and backgrounds to new and existing policies conducted in the various sectors, as a result of which the Bank can respond appropriately to customers' interests. Furthermore, the dialogue allows the Bank to gain insight into the needs of supervisory authorities and guarantee funds, on the one hand, and customers, on the other, allowing it to propose solutions in consultation with those stakeholders. Depending on the subject and the customer's wishes, such dialogue takes place by telephone and also during visits. The shared knowledge and experience of NWB Bank employees ensures customers have more information, placing them in a better position to make weighed decisions.

NWB Bank hosts events for specific target groups to provide more in-depth and broader insights into financial market developments, products, and working methods of third parties that may be of relevance to customers. Customer input is used when compiling the programmes for such events, which cater to a need, as the high turnout shows. When invited to do so, NWB Bank also holds presentations on specific topics during network and regional meetings.

Investors

Throughout the year, Managing Directors and Treasury Department staff visit investors to explain the Bank's half-year figures and annual financial statements and other trends. To fund its operations, NWB Bank mainly issues negotiable debt instruments in the international money and capital markets, which means that many of the investors are not known by name to the Bank. NWB Bank informs investors through international road shows, the Annual Report, and information posted on the website. If investors are known to the Bank, they are subjected to a 'Know your customer' assessment when starting to do business with the Bank and funds are accepted from them only if they pass this due diligence assessment. NWB Bank seeks to enter into an active dialogue with investors who engage in sustainable investment, aimed at finding areas for improvement in its own CSR policy. Investors use research agencies in the area of sustainability, which, using questionnaires, assess NWB Bank's CSR policy and its transparency. NWB Bank helps those research agencies with their assessments by including additional information in the GRI table and entering into discussions with them.

Employees

Employees are important stakeholders in NWB Bank. Indeed, the Bank's success depends on the professionalism and commitment of its employees, which is why it is of fundamental importance that employees permanently develop their knowledge and skills. Accordingly, NWB Bank has a generous budget for training. Both individual and in-company training sessions are organised to educate employees on a range of different aspects, including compliance and information security.

NWB Bank strives to maintain an open dialogue among its employees, which means, in practical terms, that employees are encouraged to exchange knowledge and information as much as possible. This is done, for example, by distributing the minutes of management team meetings and holding consultative

work meetings, both one-on-one and for departments as a whole. Knowledge is also exchanged in multi-disciplinary consultation groups and project teams. The Bank invites its employees to express their wishes and ideas with respect to the organisation and working at the Bank at all times, notably during performance and assessment interviews. Combined, these elements contribute to our employees' engagement in the Bank's organisation as a whole.

The consultations between the Employee Representative Body (ERB) and the Bank are an expression of the Bank's endeavour to engage employees. In the past year, the Managing Board had several meetings with the ERB at which, among other things, the general affairs of the organisation and, in particular, the implementation of the Financial Undertakings (Remuneration Policy) Act (Wet beloningsbeleid financiële ondernemingen) were discussed. Preparations were made in 2015 for the establishment of the Works Council, which will replace the ERB as of 1 January 2016.

Supervisory authorities and sector organisations

Several meetings are held each year with the statutory supervisory authorities – the Dutch Central Bank, the European Central Bank and the Netherlands Authority for the Financial Markets – which oversee compliance with laws and regulations.

Together with the other Dutch banks, NWB Bank acknowledges the risks of climate change. The banks are jointly taking further steps. That is the background to the climate statement, comprising ten points, which the Dutch banks presented to the Dutch government authorities and non-governmental organisations working on issues relating to climate change. Climate change is one of the most important issues of our time. As a contribution to the international climate summit, which started in Paris on 30 November 2015, Dutch banks published this statement on their role and on the additional contribution they wish the Dutch government to make.

Government

As a bank of and for the public sector, NWB Bank operates within the field of operations demarcated by the central government for local public authorities and the institutions they back. NWB Bank participates in meetings with various relevant Dutch government ministries on a regular basis, contributing its expertise on policy issues. For instance, the Bank is an active participant in the Local Public Authorities Financing Working Group.

CSR reporting standards

NWB Bank's disclosure policy is geared towards reporting on its operations in a transparent manner. In reporting on its CSR policy, the Bank uses the Global Reporting Initiative guidelines (which can be found on www.globalreporting.org); this report has been drafted in accordance with the GRI's G4 guidelines. We report at GRI application level 'Core'. The chapter on Corporate Social Responsibility was verified by KPMG (see appended report on the next page). For a full overview of relevant substantial criteria and performance indicators, reference is made to the GRI table, which can be found on the Bank's website.

NWB Bank's environmental and social impact is felt primarily within its own organisation. This is why this CSR report concerns the business and performance of NWB Bank, with its office in The Hague. Our choice for GRI is motivated by the fact that we wish to achieve good international comparability with other institutions, i.e. other Dutch banks and state-held enterprises. NWB Bank also anticipates doing so in the long term.

NWB Bank subscribes to the UN Global Compact principles, in so doing committing to take into account important topics such as human rights, labour laws, the environment and anti-corruption in its business operations. Its subscription also implies that NWB Bank will hold its stakeholders responsible for observing the contents of these principles, where possible and relevant. Further information on the implementation of these principles can be found in the GRI-table on the Bank's website.

Independent auditor's assurance report

To: the readers of the 2015 Annual Report of Nederlandse Waterschapsbank N.V.

Our opinion

We have audited the chapter 'Corporate Social Responsibility' (hereafter: 'the CSR chapter') of the Annual Report 2015 of Nederlandse Waterschapsbank N.V. (further 'NWB Bank').

In our opinion, the information in the CSR chapter is presented, in all material respects, in accordance with the G4 Guidelines of the Global Reporting Initiative and supplementary internal guidelines.

Our report on consistency

We report, to the extent we can assess, that the information on CSR in the other sections of the Annual Report is consistent with the information in the CSR chapter.

Basis for our opinion

We conducted our engagement in accordance with the Dutch Standard 3810N: "Assurance engagements relating to sustainability reports".

We do not provide any assurance on the achievability of the objectives, targets and expectations of NWB Bank.

Our responsibilities under Standard 3810N and procedures performed have been further specified in the paragraph titled "Our responsibility for the audit of the CSR chapter".

We are independent of Nederlandse Waterschapsbank N.V. in accordance with the Regulation regarding the independence of auditors in case of assurance engagements ('Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO)) and other relevant independence requirements in the Netherlands. Furthermore we have complied with the Regulation code of conduct and professional practice for auditors ('Verordening gedrags- en beroepsregels accountants' (VGBA)).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Managing Board for the CSR chapter

The Managing Board is responsible for the preparation of the CSR chapter in accordance with the Sustainability Reporting Guidelines G4 of the Global Reporting Initiative and supplementary internal guidelines as described in paragraph 'CSR reporting guidelines' of the CSR chapter. It is important to view the information in the CSR chapter in the context of these criteria.

As part of this, the Managing Board is responsible for such internal control as it determines is necessary to enable the preparation of the CSR chapter that is free from material misstatement, whether due to fraud or error.

Our responsibility for the audit of the CSR chapter

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

We apply the Further Regulations for Audit Firms Regarding Assurance Engagements ('Nadere voorschriften accountantskantoren ter zake van assurance opdrachten') and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud when these exist.

The procedures selected depend on our understanding of the information in the CSR chapter and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

The following procedures were performed:

- A risk analysis, including a media analysis, in order to deepen our insight in relevant CSR issues for NWB Bank in the reporting period;
- Evaluating the suitability and application of NWB Bank's reporting standards used in the preparation of the CSR chapter;
- Evaluating the design and implementation of the reporting processes and testing the operating effectiveness of the controls regarding the qualitative and quantitative information in the CSR chapter;
- Interviewing members of the Managing Board and members of the CSR committee responsible for the CSR policy;
- Interviewing relevant staff and members of the CSR committee responsible for providing the information in the CSR chapter;
- Evaluating internal and external documentation, based on sampling, to determine whether the information in the CSR chapter is supported by sufficient evidence.

Amstelveen, 16 March 2016
KPMG Sustainability,
Part of KPMG Advisory N.V.
W.J. Bartels RA

The Water Innovation Prize (Water Innovatie Prijs)

As of 2015, the NWB Bank CSR Award has been merged with the Water Innovation Prize. The Dutch Association of Water Authorities and NWB Bank joined forces to encourage sustainable innovations and to offer a platform for raising the profile of those projects.

Winner of the sustainability prize

Each year, several thousand kilometres of timber shoring is replaced in the Netherlands' wetlands. Shoring ensures that the banks and embankments of waterways do not collapse. The hardwood required annually for this shoring covers a forest the size of the entire municipality of Delft! In a market faced with sharply rising timber prices, increasing pressure on local authority budgets, ever-rising local charges for citizens and increasing attention to the environmental footprint of products, an inexpensive and environmentally-friendly solution is more than welcome. GEOWALL® was developed in response to this.

GEOWALL® is a simple, inexpensive, environmentally-friendly and robust shoring system of pressed dredged material. This involves a simple technical engineering process which ensures that locally available dredged material can be converted in situ into a useful soil component. The soil from the bank or dredged material is excavated from the water bed and then mixed with a percentage of natural binders such as lime and pozzolana. Pozzolana are natural rocks which reinforce soil. After the addition of the binders, the soil goes into a press, producing a wall element of pressed natural material.



The jury of the Water Innovation Prize:

Chair: Annemieke Nijhof, CEO Tauw Group B.V.

- Renée Bergkamp, director Vewin
- Jan-Hendrik Dronkers, Director-general of Rijkswaterstaat
- Hans Huis in 't Veld, Topsector Water
- Josée van Eijndhoven, former Technology Assessment professor, former Director of the Rathenau Institute
- Hendrik Postma, Chairman of the Association of Hydraulic Engineers and Director of Boskalis Nederland
- Hans van der Vlist, Chairman of the Advisory Committee, Water
- Ron Walkier, Chairman of NWB Bank (Nederlandse Waterschapsbank N.V.)



Expectations are that GEOWALL® will be 25% to 50% cheaper than timber shoring. TNO has been brought in to help with product development. Timber shoring has to be replaced every 20 to 30 years. TNO expects GEOWALL® to last at least 50 years, making it an alternative half as expensive as timber shoring which will last twice as long.

The jury's verdict

The jury has judged the submission to be an attractive product which can be used in urban areas, contributes to the success of a circular economy and fosters Public-Private Partnerships. GEOWALL® shows that shoring can be produced to last longer and more cheaply. Working with natural materials and reducing transport costs by reusing dredged material in situ are the eye-catching elements. The innovation is readily scalable and, the jury believes, has potential export value.



‘With NWB Fonds, NWB Bank is helping the water authorities cross borders. Globally, Dutch Water Authorities are the exclusive government experts in the area of regional integral water management.’

Henk J. Loijenga, director of NWB Fonds

NWB Fonds

Governance to Governance (G2G) for global water challenges

In 2014, the water authorities joined forces and launched the international brand name Dutch Water Authorities for their international partnership activities. Under this umbrella, the water authorities plan to join forces, also in 2015, with each other, and also with other parties in the Dutch water sector. In so doing they intend to position themselves internationally as the exclusive government experts in the area of regional integral water management.

Using the slogan ‘cross-border water authorities’, Dutch Water Authorities hope to have fulfilled their ambition in 2019. NWB Fonds is going to offer targeted help and has tailored priorities and the budget accordingly. Additional funds are being invested in this operation aimed at increasing professionalism. The water authorities are also benefiting from this: knowledge and experience of working in a different social and cultural context, as well as added motivation for yet more commitment and devotion to the unique and essential work carried out by water authorities.

In this way, NWB Bank is helping the water authorities, through NWB Fonds, to meet the sharply rising demand for their expertise and efforts in solving global water-related issues. The focus is on the areas of expertise in which the water authorities are making a difference throughout the world: local and regional water governance and sustainable management and maintenance of the water infrastructure, including individual means of financing.

NWB Fonds has made €800,000 available for this purpose on an annual basis. Countries where collaboration is taking place at the moment include Bangladesh, Egypt, Ethiopia, Indonesia, Mozambique, Nicaragua, Vietnam and South Africa. New countries with which so-called G2G relationships are being built up include Burkina Faso, Colombia and Swaziland. In substantive terms, Dutch Water Authorities plans to contribute to the United Nations' new Sustainable Development Goals.

An attractive partnership project that was launched in 2013 and is set to run until 2018 is the Water Governance Implementation Programme for the Awash basin in Ethiopia. This is the water catchment area of the 1280 kilometre-long Awash river in the heart of Ethiopia, with its increasingly robust economy. Under the banner of Dutch Water Authorities, more than thirty water authority officials are helping the young River Basin Authority to tackle the huge water-related challenges on its own. The programme is aimed at the four most important mandates of the Awash Basin Authority:

- policy development and planning;
- information management;
- regulation (granting of licences and levies) and enforcement;
- interstate and inter-sector coordination and collaboration.

Ethiopian and Dutch collegiate groups of experts have been formed and have set to work on each of the mandates and on some crucial supporting processes. Two local and one Dutch YEP Water trainees have also been deployed.

With the rolling-out of the licence-granting procedure, specific attention is also being paid to integrity-related aspects. The Water Integrity Network Association (WIN) is involved as supplier of knowledge and provider of subsidies.

Dutch Water Authorities YEP trainee Kevin Oosterloo is experiencing events at close hand. He has the following to say: 'By participating in water management in an entirely different context, you also learn to see your own situation through different eyes. Cross-border collaboration is inspiring, both because of the contributions made to development elsewhere and also the opportunity to make new contacts and experience different ways of thinking and form new impressions.'

For more information: www.nwbfonds.nl

Remuneration report 2015

NWB Bank seeks to express the role it fulfils in society, as a bank of and for the public sector, in its remuneration policy: one that is moderate and sustainable, that is in keeping with its strategy, risk profile and risk appetite, that is unambiguous and transparent and in line with national and international rules and regulations. In addition, the bank's policy is aimed at recruiting and retaining qualified and knowledgeable employees.

Since 2011, specific rules have applied to remuneration policies with respect to 'identified' staff under the Dutch Restrained Remuneration Policy (Financial Supervision Act) Regulation of 2011 (Regeling beheerst beloningsbeleid Wft 2011) issued by the Dutch Central Bank (DNB). These rules were amended on the basis of the Capital Requirements Directive IV (Directive 2013/36/EU; CRD IV). Pursuant to DNB's Regulation providing for rules with respect to the Dutch Restrained Remuneration Policy (Financial Supervision Act) Regulation of 2014 (Regeling beheerst beloningsbeleid Wft 2014, the 'Rbb'), the relevant provisions of CRD IV were implemented on 1 August 2014. A Dutch-language document entitled 'Assessment of NWB Bank's remuneration policy' (Toetsing beloningsbeleid NWB Bank) is available on the Bank's website, www.nwbbank.com, providing a section-by-section overview of the Rbb's implementation.

On 7 February 2015, the amendment of the Financial Supervision Act providing for rules on financial undertakings' remuneration policies, the Financial Undertakings (Remuneration Policy) Act (Wet beloningsbeleid financiële ondernemingen, Wbfo), entered into force. Consequently, the remuneration policy for Managing Directors and employees was revised on the same date. The main changes in the Act pertaining to NWB Bank relate to the composition of the variable remuneration and a claw-back scheme for all employees.

During the Annual General Meeting (AGM) of NWB Bank held on 23 April 2014, it was agreed that a shareholders' committee would be established to review the remuneration policy for members of NWB Bank's Managing Board. The Shareholders' Committee on Remuneration Policy was established at the end of 2014, consisting of representatives from four shareholder water authorities and the Ministry of Finance. In addition the Chairman of NWB Bank's Supervisory Board and the Chairman of the Remuneration and Appointments Committee joined the Committee as observers. During the Shareholders' Committee meetings in 2015, discussions were held on the system for the remuneration of executives of publicly held participating interests applied by the Ministry of Finance since 2008. The government concluded that publicly held participating interests do not fall under the scope of the Executives' Pay (Standards) Act (Wet Normering Topinkomens, WNT). However, the Ministry of Finance applies a remuneration framework, based on which it assesses, as a shareholder, the remuneration policy of publicly held participating interests. The objective of the Shareholders' Committee was to keep the remuneration policy balanced in terms of adopting moderate remuneration commensurate with the public interest the bank serves, on the one hand, and taking account, as appropriate for a private institution, of remuneration paid at comparable institutions, on the other. This method partially takes account of the standard of pay under the WNT (60%), and for the remaining part takes account of the level of remuneration in the relevant employment market (40%). The Shareholders' Committee adopted this line of reasoning and system. The application of the above system resulted in a 5% reduction of the maximum total (fixed and variable) remuneration for new members of the Managing Board compared with the total maximum remuneration applicable at that time. During an Extraordinary General Meeting held on 14 September 2015, the AGM

adopted the new remuneration policy for Managing Board members, which will be evaluated after five years.

This remuneration report explains the remuneration policy applicable to NWB Bank's Managing Board and employees in 2015.

Remuneration policy for the Managing Directors

Fixed remuneration

The remuneration policy for the Managing Directors was most recently amended and adopted by the Annual General Meeting of Shareholders on 14 September 2015. The policy – which applies to Managing Directors appointed on or after 14 September 2015 – entails a maximum salary of €272,000, including the variable component, to be paid to the Chairman of the Managing Board and a maximum of 85% of that amount for the other Managing Directors. Deviations are permitted should labour market conditions put the continuity of the bank's high-quality management at risk. The Supervisory Board will ensure that this step will only be taken if absolutely necessary, and only after consent has been obtained from the representative of the shareholder water authorities and the Ministry of Finance. The fixed remuneration is subject to annual indexation in line with the indexation set out in the Collective Labour Agreement for the Dutch Banking Industry.

Variable remuneration

The Managing Directors' variable remuneration equals no more than 15% of their fixed remuneration and therefore remains below the 20% bonus cap laid down in the Financial Undertakings (Remuneration Policy) Act. The variable remuneration is based on the relevant Managing Director's performance, that of the business units he or she is responsible for and that of the Bank as a whole. Such performance has been quantified in terms of predetermined and assessable performance criteria, set out in a performance contract that is updated each year. The variable remuneration of the Managing

Directors comprises a short-term component and a long-term component. The short-term component (equalling no more than 10% of the fixed remuneration) is paid after the relevant performance year. The long-term component (equalling no more than 5% of the fixed remuneration) is paid in the fourth year after the year to which it relates, provided the pre-agreed additional long-term targets have also been achieved.

The short-term component of the variable remuneration is determined on the basis of the following categories:

- profit (in line with the targets set out in the annual budget) and benchmark return – a maximum of 3%;
- risk management (in line with internal and external sets of standards) – a maximum of 3%;
- implementation of strategy/CSR policy – a maximum of 3%;
- personal areas for attention and targets – a maximum of 6%.

The long-term categories are:

- ratings – Standard & Poor's and Moody's ratings for the Bank must equal the sovereign rating for the State of the Netherlands;
- strategy – the Bank's market position must have been bolstered.

Following each year, performance is assessed against the targets. The variable remuneration component for the Managing Board is granted at the sole discretion of the Supervisory Board. The variable remuneration, including the conditionally granted component, will only be paid if NWB Bank's financial position allows it and if it can be justified on the basis of the bank's and the relevant Managing Board member's performance. Furthermore, the Supervisory Board is authorised to apply a penalty or a claw-back with respect to the variable remuneration. The authority to apply a claw-back applies to the short-term component of the variable remuneration and is valid for up to three years following payment.

Pensions

The pension benefits of NWB Bank's Managing Directors – and of the employees – come under a group pension plan, which has been insured with an insurance company. A new five-year contract was concluded with effect from 1 January 2015, in which three old pension plans were harmonised into a single average pay plan for the Managing Directors and the employees alike. The new pension plan better suits the current times but differs from the previous plans in that it provides for members' own contributions.

The pension contribution has increased mainly on account of the higher life expectancy and the sharply lower interest rate. The new statutory provisions applicable from 1 January 2015 in relation to maximum pension accrual and contribution percentages and the cap on pensionable income of €100,000 have been included in the new pension plan. The employer has offered employees earning more than €100,000 a net pension plan, which enables them to accrue pension on their gross salary exceeding €100,000.

Other terms and conditions of employment

The Bank makes a car available to the Managing Directors. Otherwise, their terms and conditions of employment are the same as those of the bank's employees.

Managing Board remuneration in 2015

Fixed remuneration

Both Lidwin van Velden, who was appointed to the Managing Board on 1 January 2010, and Frenk van der Vliet, who has been employed as a Managing Director since 1 January 2012, are subject to the remuneration policy applicable prior to 14 September 2015, which was adopted as at 1 January 2010. Ron Walkier has been a Managing Director since 1993 and Chairman of the Managing Board since 2008. Accordingly, he is subject to the remuneration policy in place before 1 January 2010. Indexation of the fixed remuneration amounted to 1% in 2015 in connection with the increase under the CLA with effect from 1 January 2015.

Remuneration of the Managing Board members

(in thousands of euros)	Fixed remuneration	Short-term variable remuneration	Payment of long-term variable remuneration 2012	Pension	
				Contribution	Benefit in connection with cap on pensionable salary at €100,000
2015					
Ron Walkier	280	-	-	98	13
Lidwin van Velden	212	18	10	58	7
Frenk van der Vliet	212	18	10	53	10
Total	704	36	20	209	30

(in thousands of euros)	Fixed remuneration	Short-term variable remuneration	Payment of long-term variable remuneration 2011	Pension contribution	
2014					
Ron Walkier	277	-	-		94
Lidwin van Velden	210	19	10		57
Frenk van der Vliet	210	18	n/a		49
Total	697	37	10		200

Variable remuneration

In February 2016 the Remuneration and Appointment Committee assessed NWB Bank's actual results against the targets set, concluding that those targets had almost been fully achieved. The 2015 targets placed greater emphasis on the personal areas of attention (6% as compared with 4% in 2014). Despite the efforts of the Managing Board the odd target was not fully achieved, which was mainly due to market circumstances. On that basis, the Remuneration and Appointment Committee submitted a proposal to the Supervisory Board.

Performance assessment of the Managing Directors

The table shows the results of the performance assessment adopted by the Supervisory Board.

Of the maximum 15% variable remuneration to be granted to the Managing Directors, 13% was granted to all the members.

Managing Board Chairman Ron Walkier waived his variable remuneration for 2015, given the

prevailing suspension of dividend distributions.

The table on the previous page provides a breakdown of the remuneration of the Managing Board members:

The members of the Managing Board are granted a partly taxed annual expense allowance of €2,800 each.

With effect from 1 January 2015, the pension plan based on average earnings was brought into line with the new tax requirements (under the so-called Witteveen Framework, which limits the tax-deductible pension accrual). In addition, the five-year pension administration contract with the pension insurer was renewed with effect from the same date. As a result, and due to the lower interest rates and the higher life expectancy, the Managing Directors' pension costs rose as of 1 January 2015. Moreover, a different method is now used to calculate the pension contribution, which means that the contribution during the initial years is higher than under the old calculation method. In the longer term this will result, on balance, in lower cost of contributions for the Bank.

Category	Target	Result
Profit and benchmark return (3%)	Profit in line with the targets set out in the annual budget	3% – fully achieved
Risk management (3%)	In line with internal and external sets of standards	3% – fully achieved
Implementation of strategy / CSR policy (3%)	In line with targets in the annual Policy Memorandum	2% – almost fully achieved
Personal areas for attention (6%)	Walkier	5%
	Van Velden	5%
	Van der Vliet	5%

Long-term variable remuneration 2012

In February 2016, the Remuneration and Appointment Committee assessed NWB Bank's actual results against the long-term targets defined in 2012 (a rating at least equal to that of the State of the Netherlands and the bank's market position must have been bolstered), concluding that those targets had been achieved. At the proposal of the Remuneration and Appointment Committee, the Supervisory Board decided to make the deferred long-term component payable (see the above breakdown). As stated earlier, Managing Board Chairman Ron Walkier waived his long-term variable remuneration for 2012, given the prevailing suspension of dividend distributions.

Employee remuneration policy

Fixed remuneration

The employee remuneration policy applies in full to all employees, irrespective of their positions or job scales, in terms of both fixed and variable remuneration. NWB Bank applies the Collective Labour Agreement for the Dutch Banking Industry (the CLA). Fixed remuneration comprises 12 monthly salaries, 8% holiday allowance and a 13th month's salary payment, subject to annual indexation in line with the structural salary adjustments laid down in the CLA. Furthermore, a maximum performance assessment supplement of 15% may be granted in excess of the job-specific salary. This supplement is applied with restraint and in stages, usually only if an employee has performed well and has reached the end of his or her salary scale.

Variable remuneration

Employees' variable remuneration comprises a bonus payment of up to 7% and a profit-sharing payment of up to 7.5%. Following the entry into force of the Financial Undertakings (Remuneration Policy) Act, the bank amended its bonus and profit-sharing plan. Pursuant to the provision under the Act which lays down that at least 50%

of the variable remuneration must be based on non-financial criteria, the bank increased the assessment criteria under the profit-sharing plan, to which a maximum payment of 7.5% applies. A penalty and a clawback provision have also been included in the bonus and profit-sharing plans. The payment under the profit-sharing plan will be made following the adoption of the financial statements by the Annual General Meeting of Shareholders.

To determine the variable remuneration under the bonus plan, employee performance is carefully assessed on the basis of the following aspects:

- achievement of the targets defined for the relevant calendar year;
- the manager's final assessment;
- any applicable adjustment in connection with findings relating to unwarranted risks or compliance issues;
- the Managing Board's opinion.

NWB Bank's remuneration policy principally centres on performance criteria that relate to quality and the performance of an employee's duties. In setting the targets, account is taken of the bank's long-term objectives as set out in its Policy Memorandum and its core values, which are consciousness, engagement and reliability. Also attention is being paid to acting with due care and acting in the customer's interest. Employees have a say in setting and adjusting their targets. An average variable remuneration under the bonus plan of 4.92% per employee (excluding the Managing Directors) was granted in 2015. The total variable remuneration for employees (for 2015) that will be paid in 2016 amounts to €354,454.48 (bonus plan and profit-sharing plan).

Pensions

As stated earlier in this remuneration report, with effect from 2015 a new pension plan applies to the bank's employees and Managing Directors, which differs from the previous plans in that it provides for members' own contributions. The employer offers a net pension plan for salaries exceeding €100,000.

Other terms and conditions of employment

The bank offers its employees various other secondary employment conditions, such as supplementary incapacity for work insurance, a staff mortgage loan discount plan, reimbursement of study expenses and a bicycle plan. Cars are made available to employees whose positions necessitate or justify the use of a car.

Remuneration of the Supervisory Directors in 2015

The remuneration of the Supervisory Directors is regularly compared with that in similar companies and is set by the Annual General Meeting of Shareholders. In early 2015, a consultancy firm performed a benchmark study. Based on the outcome it was established that the Supervisory Directors' remuneration levels were relatively low, compared with peers. The results were shared with the Shareholders' Committee referred to earlier. As soon as the Dutch Ministry of Finance's policy on the remuneration of Supervisory Directors at publicly held participating interests is

known, the Bank's remuneration will be assessed. The Supervisory Directors' remuneration has not changed since 2003, nor has it been subject to indexation.

The current remuneration levels are as follows:

Chairman	€18,570 per annum
Deputy Chairman	€14,350 per annum
Members	€12,380 per annum

Effective 1 July 2007, the following allowances have been applied to committee members:

- An attendance fee of €750 for each meeting, both for members of the Audit and Risk Committee and for members of the Remuneration and Appointment Committee.
- A fixed annual fee of €4,000 for members of the Audit Committee and €3,000 for members of the Remuneration and Appointment Committee.

The Supervisory Directors' remuneration includes no variable components or options plans.

The remuneration of the Supervisory Directors was as follows:

(in thousands of euros)	2015	2014
Age Bakker ¹⁾²⁾⁴⁾	32	27
Maurice Oostendorp ³⁾⁴⁾	21	19
Else Bos ⁴⁾	19	19
Dolf van den Brink ⁵⁾	-	10
Peter Glas ²⁾⁶⁾	18	16
Victor Goedvolk ⁷⁾	-	11
Petra van Hoeken ⁴⁾⁸⁾	14	-
Sjaak Jansen ⁵⁾	-	4
Albertine van Vliet-Kuiper ²⁾	18	17
Berend-Jan van Voorst tot Voorst ²⁾	16	19
Total	138	142

The above amounts exclude general expense reimbursements, health insurance premiums, travel expense allowances and VAT, where applicable.

- 1) Chairman
- 2) Member of the Remuneration and Appointment Committee
- 3) Deputy Chairman with effect from the 23 April 2015 Annual General Meeting
- 4) Member of the Audit and Risk Committee
- 5) Dolf van den Brink en Sjaak Jansen resigned on 23 April 2014
- 6) Deputy Chairman until the 23 April 2015 Annual General Meeting
- 7) Victor Goedvolk resigned on 1 August 2014
- 8) Petra van Hoeken was appointed Supervisory Director on 23 April 2015

Financial Statements

Statement of income

for the year ended 31 December 2015

(in millions of euros)	Notes	2015	2014
Interest and similar income		1,759	1,852
Interest and similar expenses		1,579	1,735
Net interest income	1	180	117
Results from financial transactions	2	-9	-16
Other operating income		0	0
Total operating income		171	101
Employee benefits expense	3	8	6
Other administrative expenses	4	8	7
Contribution to Stichting NWB Fonds	5	0	1
Employee benefits expense and other administrative expenses		16	14
Depreciation, amortisation and value adjustments of tangible and intangible assets	6	2	2
Bank tax and resolution levy	7	21	15
Total operating expenses		39	31
Profit from ordinary operations before tax		132	70
Tax on profit from ordinary operations	8	37	21
Net profit		95	49

Balance sheet

as at 31 December 2015 before profit appropriation

(in millions of euros)	Notes	2015	2014
Assets			
Cash, cash equivalents and deposits at the Central Bank	9	6,766	502
Banks	10	8,908	10,174
Loans and receivables	11	63,576	64,666
Interest-bearing securities	12	3,851	4,360
Intangible assets	13	3	3
Tangible assets	14	5	5
Other assets	15	0	65
Income tax	16	-	32
Derivative assets	17	8,204	7,651
Prepayments and accrued income	18	1	791
Total assets		91,314	88,249
Liabilities			
Banks	19	2,455	1,276
Funds entrusted	20	5,371	5,325
Debt securities	21	67,478	63,178
Deferred tax liabilities	22	15	69
Income tax	16	29	-
Other liabilities	23	53	53
Derivative liabilities	24	14,302	16,302
Accruals and deferred income	25	1	734
Provisions	26	9	9
		89,713	86,946
Subordinated debt	27	202	-
Paid-up and called-up share capital	28	7	7
Interest-bearing securities revaluation reserve	29	0	0
Other revaluation reserves	29	0	0
Other reserves	30	1,297	1,247
Unappropriated profit for the year	31	95	49
Equity		1,399	1,303
Total liabilities		91,314	88,249
Irrevocable commitments	32	2,518	2,111
Contingent liabilities	33	68	75

Statement of comprehensive income

for the year ended 31 December 2015

(in millions of euros)	2015	2014
Net changes in the interest-bearing securities revaluation reserve	0	0
Net changes in other revaluation reserves	0	-
Net changes in other reserves	1	-2
Income tax on income and expenses recognised directly in equity	0	0
Income and expenses recognised directly in equity	1	-2
Net profit	95	49
Comprehensive income	96	47

Statement of changes in equity

for the year ended 31 December 2015

(in millions of euros)	Paid-up share capital	Interest- bearing securities revaluation reserve	Revaluation reserves	Other reserves	Unappro- priated profit for the year	Total
As at 1 January 2014	7	0	0	1,215	34	1,256
Profit appropriation of previous year				34	-34	-
Dividend				-		-
Change in value of interest-bearing securities		0				0
Changes in value as part of the pension provision				-2		-2
Profit for the year					49	49
As at 31 December 2014	7	0	0	1,247	49	1,303
As at 1 January 2015	7	0	0	1,247	49	1,303
Profit appropriation of previous year				49	-49	-
Dividend				-		-
Change in value of interest-bearing securities		0				0
Changes in value as part of the pension provision				1		1
Profit for the year					95	95
As at 31 December 2015	7	0	0	1,297	95	1,399

Statement of cash flows

for the year ended 31 December 2015

(in millions of euros)

	2015	2014
Profit before income tax and bank tax	153	85
Adjusted for:		
Depreciation, amortisation and value adjustments of tangible and intangible assets	2	2
Change in the value of assets and liabilities for fair value hedge accounting	-261	-92
Bank loans and receivables not available on demand	2,487	-3,171
Public sector loans and receivables	-48	794
Funds entrusted	-39	1,445
Income tax paid	-32	7
Bank tax paid	-21	-15
Other assets and liabilities	218	-954
Net cash flows used in operating/banking activities	2,459	-1,898
Additions to interest-bearing securities	-1,290	-4,438
Sales and redemptions of interest-bearing securities	1,774	2,457
Balance	484	-1,981
Additions to property and equipment	-1	-1
Disposals	0	0
Balance	-1	-1
Additions to intangible assets	-1	-1
Net cash flows used in investing activities	482	-1,982
Issued bond loans, notes	9,397	12,405
Repayment of bond loans, notes	-11,258	-9,200
Issued CP	33,103	16,429
Repayment of CP	-28,119	-17,655
Issued subordinated debt	200	-
Balance	3,323	1,979
Dividend paid	-	-
Net cash flow from financing activities	3,323	1,979
Net cash flow	6,264	-1,901

(in millions of euros)

	2015	2014
Cash flow	6,264	-1,901
Cash and cash equivalents as at 1 January	502	2,403
Cash and cash equivalents as at 31 December	6,766	502

The amount disclosed under 'Change in the value of assets and liabilities for fair value hedge accounting' comprises changes in the value of financial assets and liabilities for fair value hedge accounting, changes in the value of derivatives, and penalties paid and exchange differences.

In 2015, the interest paid amounted to €1,574 million (2014: €1,769 million) and the interest received amounted to €1,760 million (2014: €1,877 million). These amounts are included under Other assets and liabilities in the statement of cash flows.

Notes to the financial statements

Corporate information

The 2015 financial statements of Nederlandse Waterschapsbank N.V. (NWB Bank) were prepared by the Managing Board and authorised for issue by the Supervisory Board on 16 March 2016 and will be submitted for approval to the Annual General Meeting of Shareholders (AGM) on 26 April 2016.

NWB Bank is a public limited liability company under Dutch law with its official place of business in The Hague, whose shares are owned by public authorities. NWB Bank's services are geared towards the public sector. It finances water authorities, municipal and provincial authorities as well as other public-sector bodies, such as housing corporations, hospitals and educational institutions.

Basis of preparation

Statement of compliance

The financial statements of NWB Bank have been prepared in accordance with the statutory requirements contained in Title 9 of Book 2 of the Dutch Civil Code and the accounting principles generally accepted in the Netherlands (NL GAAP). NWB Bank, which consists of one single entity, prepares company financial statements.

Summary of significant accounting policies

General

These financial statements have been prepared on the basis of historical cost, with the exception of certain interest-bearing securities, derivatives and property. These are stated at fair value. The matching principle is applied to costs and revenue. The financial statements are presented in millions of euros and all amounts in the Notes are rounded to the nearest thousand (€000), unless stated otherwise.

A number of items used in the Annual Accounts Formats Decree have been renamed, as these new names 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 if it is probable that the future economic benefits will flow to the company and the asset can be measured reliably. A liability is recognised if it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which settlement will take place can be measured reliably.

A financial asset or financial liability is recognised at its transaction date. Accordingly, a financial asset or financial liability is recognised from the time the company has the right to the benefits from or is bound by the obligations arising from the contract terms of the financial instrument.

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

Derecognition of financial assets and liabilities

An asset or liability presented in the balance sheet continues to be recognised where a transaction does not result in a significant change in the economic reality with respect to such an asset or liability. Likewise, such transactions must not result in the reporting of income or expenses.

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

Measurement

Upon initial recognition, financial assets and liabilities are stated at fair value, including transaction costs directly attributable to the asset's or liability's acquisition or issue, with the exception of the transactions recorded at fair value 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 could be exchanged or a liability settled in a transaction between knowledgeable, willing and independent parties.

If a relevant middle rate is available, it is used as the best indication of fair value. For the majority of NWB Bank's financial instruments, the fair value 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 assets and liabilities 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 loans and receivables, interest-bearing securities held to maturity, other unlisted interest-bearing securities as well as banks are stated at amortised cost. Other listed interest-bearing securities and derivative assets are subsequently 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. Derivative liabilities are stated at fair value.

Hedge accounting

The bank hedges most interest rate and foreign exchange risks related to financial assets and liabilities by using financial instruments. In terms of market value, value changes due to interest rate and foreign exchange fluctuations are set off. 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 permitted only if adequate documentation has been prepared and the required effectiveness of the hedge is demonstrated. NWB Bank only uses derivative financial instruments as hedging items, 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 which are part of the fair value hedge are recorded in profit or loss as results on financial transactions.

NWB Bank applies two types of fair value hedge accounting, which are micro hedging and macro hedging. Micro hedging relates to individual transactions which 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. There is no 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 set off the fair value changes caused by interest rate fluctuations.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the spot middle rates (ECB) ruling at the balance sheet date. 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 foreign currency-denominated flows of funds to be virtually nil.

Gains or losses arising from transactions in foreign currencies are translated at the rates ruling 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 translated at the fair value of the instrument ruling at the balance sheet date. The results are recorded as results from financial transactions.

Loans and receivables and banks

Loans and receivables and banks are stated at amortised cost using the effective interest method. A provision for uncollectibility is formed in the event of expected uncollectibility.

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 interest rates. They are initially stated at fair value. For subsequent measurement, interest-bearing securities can be divided into the following three categories.

Interest-bearing securities held to maturity

Loans granted and receivables and purchased bonds with fixed or determinable payments which NWB Bank firmly intends to hold to maturity, and has the contractual and economic ability to do so, are stated at amortised cost using the effective interest method.

Other unlisted interest-bearing securities

Other unlisted interest-bearing securities are stated at amortised cost using the effective interest method.

Other listed interest-bearing securities

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 derecognised, the cumulative unrealised gain or loss on an individual asset 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. If financial assets are derecognised, the cumulative profit recognised in equity or the cumulative loss is recognised in profit or loss.

Intangible assets

This item includes the 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 fixed assets

Tangible fixed assets are property and equipment. They are stated at fair value and cost, respectively, net of straight-line depreciation. The fair value of property is assessed annually and measured regularly based on valuations conducted by independent property valuers. Depreciation of these assets is recognised in profit or loss over the expected useful lives of the assets concerned.

Annual depreciation rates are:

■ Building	2.5%
■ Fixtures and installations	10%
■ Equipment, furniture and fittings, etc.:	
- furniture and fittings, etc.	10%
- office equipment	20%
■ Computer equipment:	
- personal computers	20%
- other 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 rate, creditworthiness or other variable (the underlying value).
- No or 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 also 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 Result on financial transactions. In 2013, NWB Bank reviewed its method for measuring the fair value of the outstanding swap portfolio, prompted by evolved best practices. Its hedge accounting models were modified for the same reason. Generally accepted measurement models are applied, based on the most appropriate valuation curves, which include the OIS curve. Effective 2013, valuation also included what is known as a credit valuation adjustment.

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; and
- A separate instrument having the same characteristics would be classified as a derivative.

Derivatives meeting these characteristics 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 - defined benefit plan liabilities

Pursuant to Dutch Accounting Standard 271 Employee Benefits, NWB Bank applies the IFRS-EU standard on pensions and other post-retirement benefits (IAS 19R) in full.

NWB Bank has agreed a defined benefit pension plan with its employees. The plan is funded by paying premiums to an insurance company based on regular actuarial calculations.

A defined benefit plan is a scheme in which the payment to the retired plan participant is defined, taking account of factors such as age, years of service and salary. 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. These are adjusted for unrecognised results and costs relating to past years of service.

The pension liabilities are calculated annually by an independent actuary using the projected unit credit method based on the expected return on plan assets.

Netting of financial assets and financial liabilities

A financial asset and a financial liability are netted and reported on a net basis if there is a legally enforceable right to set off 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 accordance with 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.

Bank tax

The bank tax is calculated on the basis of the prevailing rates and tax legislation and stated on an undiscounted basis.

Resolution levy

The resolution levy is calculated pursuant to current legislation and is stated on an undiscounted basis.

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 tax authorities. 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-forwards 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 set off, and the deductible temporary differences, carry-forwards 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 are 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.

In recognising deferred tax assets, account is taken of the income tax due on the changes in value of the interest-bearing securities included under Available-for-sale financial assets.

Deferred tax assets and liabilities are netted if a legally enforceable right to set them off 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 those assets which can be converted into cash without restriction, including the cash available as well as balances payable on demand at central banks.

The changes in loans and receivables, funds entrusted and those based on the bank deposit operations are stated under cash flows from operating/banking activities given the nature of the operations. Changes in interest-bearing securities not held to maturity are also stated under cash flows from operating/banking activities.

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

Segment information

As the Bank's organisation is not geared towards operations in different sectors, NWB Bank's Managing Board 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.

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, which 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 liabilities stated at fair value, as well as to the assumptions underlying the hedge accounting models.

1 Net interest income

Interest income consists of interest income on loans and receivables, interest-bearing securities and commissions having the nature of interest, penalty interest on early redemptions, 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 expense on liabilities, whether or not embodied in debt securities, and derivatives, as well as commissions having an interest nature, penalty interest on early redemptions, 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.

	2015	2014
Interest income on loans and receivables at amortised cost	1,731,804	1,819,183
Interest income on interest-bearing securities	26,987	32,606
Interest income	1,758,791	1,851,789
Interest expense on banks, funds entrusted and debt securities at amortised cost	-711,462	-872,762
Derivatives (net interest income/expense)	-867,468	-861,674
Interest expense	-1,578,930	-1,734,436
Net interest income	179,861	117,353

2 Result on financial transactions

NWB Bank applies two types of fair value hedge accounting, which are micro hedging and macro hedging. Micro hedging relates to individual transactions which 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. There is no 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 set off the fair value changes caused by interest rate fluctuations.

The result on financial transactions can be broken down as follows.

	2015	2014
Macro hedge accounting	-34,591	-23,638
Micro hedge accounting	-110	5,917
Gain on maturity extensions and early redemptions	30,920	-
Other results	-5,545	1,349
Total	-9,326	-16,372

In 2015 a gain of €31 million was realised on maturity extensions and the early redemption of loans.

The result on financial transactions comprised realised and unrealised gains and losses.

The result can be broken down as follows.

	2015	2014
Unrealised changes in value:		
Revaluation of hedged positions recognised in profit or loss	-1,155,846	5,860,996
Revaluation of hedging instruments	1,417,028	-5,769,439
Unrealised revaluation of interest-bearing securities	-299	-54
	260,883	91,503
Realised changes in value:		
Realised net loss	-270,209	-107,875
Total	-9,326	-16,372

The realised changes in value include premiums and fees received and paid on settlement of derivative contracts, realised (revaluation) results on the sale of interest-bearing securities and commission. On the assets side of the balance sheet, the fair value when applying hedge accounting of the financial instruments is €16,982 million at 31 December 2015 (31 December 2014: €19,387 million). On the liabilities side, the fair value of the hedging instruments is €16,469 million at 31 December 2015 (31 December 2014: €19,135 million).

The realised changes in value in 2015 and 2014 relate mainly to the restructuring of the derivatives portfolio. The other results relate to changes in value arising from new transactions, portfolio movements and yield curve changes.

NWB Bank borrows significant amounts in foreign currency. The associated risks are immediately and fully hedged by means of currency swaps. The currency risks run by NWB Bank are minimal.

3 Employee benefits expense

The average number of employees expressed in FTEs, including the Managing Board, totalled 49.6 (2014: 48.5).

	2015	2014
Wages and salaries	4,729	4,449
Pension costs	1,454	205
Other social security costs	458	451
Other	869	715
	7,510	5,820

In 2015, salary costs rose as a result of an increase in headcount and as a result of index-linked negotiated wages plus annual increments. Pension costs were lower in 2014 as a one-off result of the increase in pensionable age.

The remuneration, including pension costs and excluding a number of specific elements listed below, of the members of the Managing Board amounted to €980,000 in 2015 (2014: €934,000). With effect from 2015 the pensionable salary has been maximised for tax purposes at €100,000. The compensation received by the Managing Board is included in 'Pension contribution' shown in the table below.

Remuneration of members of the Managing Board

	Fixed remuneration	Variable remuneration (short-term element)	Pension contribution
2015			
Lidwin van Velden	212	18	65
Frenk van der Vliet	212	18	63
Ron Walkier	280	-	112
	704	36	240
2014			
Lidwin van Velden	210	19	57
Frenk van der Vliet	210	18	49
Ron Walkier	277	-	94
	697	37	200

The fixed remuneration comprises the fixed salaries for 13 months as well as an 8% holiday allowance. The members of the Managing Board are granted a taxed annual expense allowance of €3,000 (2014: €3,000) per person, per year. In addition, the Bank has made a car available to them. Furthermore, they can use a staff mortgage loan discount plan. In 2015, this taxed benefit amounted to €7,000 for Lidwin van Velden (2014: €7,000) and €1,000 for Frenk van der Vliet (2014: €2,000).

The Supervisory Board has decided to definitively grant the long-term component of the variable remuneration for 2012. Managing Board Chairman Ron Walkier has waived his variable remuneration for 2015, given the prevailing suspension of dividend distributions. His variable remuneration comprises a short-term component of €24,000 and a long-term component for 2012 of €14,000.

The long-term components of the variable remuneration for 2013, 2014 and 2015 conditionally granted to Ron Walkier amount to €14,000, €12,000 and €12,000, respectively, representing 5% of his fixed remuneration for 2013, and 4.3% of his fixed remuneration for 2014 and 2015 respectively.

The long-term components of the variable remuneration for 2013, 2014 and 2015 conditionally granted to Lidwin van Velden amount to €10,000, €10,000 and €9,000, respectively, representing 5% of her fixed remuneration for 2013, and 4.7% and 4.3% of her fixed remuneration for 2014 and 2015 respectively. The Supervisory Board has decided to definitively grant the long-term component of the variable remuneration for 2012 (€10,000).

The long-term components of the variable remuneration for 2013, 2014 and 2015 conditionally granted to Frenk van der Vliet amount to €10,000, €9,000 and €9,000, respectively, representing 5% of his fixed remuneration for 2013 and 4.3% of his fixed remuneration for both 2014 and 2015. The Supervisory Board has decided to definitively grant the long-term component of the variable remuneration for 2012 (€10,000).

The amounts stated above have been rounded to thousands.

4 Other administrative expenses

This item includes accommodation, office and general expenses. The remuneration of the seven (2014: nine) Supervisory Board members, which is also included in this item, amounted to €155,000 (2014: €164,000).

Remuneration of the Supervisory Board members

	2015	2014
Age Bakker	36	31
Else Bos	22	21
Dolf van den Brink	-	11
Peter Glas	20	17
Petra van Hoeken	16	-
Sjaak Jansen	-	7
Victor Goedvolk	-	13
Maurice Oostendorp	24	22
Albertine van Vliet-Kuiper	19	19
Berend-Jan van Voorst tot Voorst	18	23
	155	164

The above amounts include membership fees for committees, general expense reimbursements, health insurance premiums and travel expense reimbursements. They exclude VAT where applicable.

Auditor's fees

In the financial year, the following fees were recognised, within the meaning of Section 382a of Book 2 of the Dutch Civil Code. The amounts include VAT.

	2015	2014
Audit of the financial statements	319	299
Other assurance engagements	201	220
Other non-assurance services	-	-
	520	519

5 Contribution to Stichting NWB Fonds

In 2015 no contribution was made to Stichting NWB Fonds (2014: €500,000). Established in 2006, the fund serves as a source of co-financing of and for water authorities in shaping their international partnerships. It offers them the financial means to contribute to solutions to global water issues in developing countries, based on their core tasks and core values. The Association of Regional Water Authorities nominates the majority of members of the board of Stichting NWB Fonds.

6 Depreciation

This item 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 Property and equipment. The amortisation of intangible assets is also included in this item.

7 Bank tax and resolution levy

NWB Bank has been liable for bank tax with effect from October 2012. The amounts for 2015 and 2014 are based on the balance sheet at year-end 2014 and 2013, respectively, and charged to profit for 2015 and 2014, respectively.

The resolution levy, which is levied for the purpose of establishing the Single Resolution Fund, amounted to €2.7 million in 2015 and was paid in the financial year.

8 Income tax expense

	2015	2014
Profit before income tax	131,686	70,175
Income tax at 25.0%	32,922	17,544
Non-deductible expenses relating to bank tax	4,617	3,644
Other non-deductible expenses and adjustments for prior financial years	-559	-9
Income tax expense	36,980	21,179
Effective tax burden (%)	28.1%	30.2%

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

	2015	2014
Current tax		
For the current financial year	28,809	-3,393
Income tax adjustments for prior financial years	-553	-
	28,256	-3,393
Deferred tax		
Release of deferred tax asset arising when the Bank first became liable for tax	1,916	2,330
Release/addition relating to provision for pensions	66	-550
Income tax on income and expenses recognised directly in equity	-287	690
Results from 'basisrentelening' loans deferred for tax purposes	-786	-786
Results from maturity extensions deferred for tax purposes	6,794	-
Change due to unrealised changes in value and changes in measurement	1,021	22,888
	8,724	24,572
Income tax expense	36,980	21,179

The current tax charge for the 2015 financial year is 21.5%, which is lower than the 25.0% statutory tax rate. This is mainly attributable to the deferral of results not yet realised relating to loans for which a maturity extension has been agreed.

9 Cash, cash equivalents and deposits at the Central Bank

This item consists of legal tender and on-demand and other balances at the Dutch Central Bank (De Nederlandsche Bank, DNB) and the ECB.

10 Banks

This item mainly comprises collateral held under collateral arrangements related to derivative contracts, which is not at the Bank's disposal. With effect from 2015 the accrued interest on collateral is no longer stated under prepayments and accrued income but under banks.

This item can be broken down as follows.

	2015	2014
Balances payable on demand	55	199
Receivables under collateral arrangements	8,865,921	10,174,161
Receivables from or under guarantee from the Dutch government	41,709	-
Total	8,907,685	10,174,360

11 Loans and receivables

This item consists of loans and receivables, other than interest-bearing securities, from customers other than banks. The receivables, which, apart from several employee loans, are all to public-sector customers, 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.

Changes in loans and receivables were as follows.

	2015	2014
Balance as at 1 January	64,665,625	57,385,229
Newly granted long-term loans	7,112,769	6,394,431
Newly granted short-term loans	15,200,399	13,488,190
Redemptions	-21,320,214	-20,616,190
Value adjustment for fair value hedge accounting	-2,081,742	8,001,838
Value adjustment for separated derivatives embedded in loans and receivables	-1,076	12,127
Balance as at 31 December	63,575,761	64,665,625

Breakdown of loans and receivables by nature of the receivable:

	2015	2014
Receivables from or under guarantee from the Dutch government	51,550,221	50,700,417
Other loans to and receivables from the public sector and others	492,387	349,237
Value adjustment for fair value hedge accounting	11,536,152	13,617,894
Fair value of separated derivatives embedded in loans and receivables	-2,999	-1,923
	63,575,761	64,665,625

Receivables from or under guarantee from the Dutch government can be broken down as follows.

	2015	2014
Water authorities	6,340,761	5,769,960
Municipal authorities	7,144,581	6,611,920
Social housing	33,153,922	33,293,991
Other	4,910,957	5,024,546
	51,550,221	50,700,417

Given the risk profile of NWB Bank's counterparties, a provision for uncollectibility is not necessary as at the balance sheet date.

The separated derivatives embedded in the loans and receivables are separated structured components included in the interest terms.

The collateral value of the portion of the loans and receivables portfolio contributed as collateral to DNB was €12.1 billion as at 31 December 2015 (€12.7 billion as at 31 December 2014).

Loans and receivables totalling €3.3 billion (2014: €3.1 billion) have a term to maturity of less than twelve months.

With effect from 2015 the accrued interest is no longer stated under prepayments and accrued income but under loans and receivables.

	2015	2014
Outstanding loans to and receivables from former members of the Managing Board:	294	294

12 Interest-bearing securities

This item can be broken down as follows:

	2015	2014
Interest-bearing securities held to maturity	2,897,527	3,722,616
Interest-bearing securities held to maturity	887,006	627,782
Other unlisted interest-bearing securities	66,631	10,056
	3,851,164	4,360,454

The movement in interest-bearing securities in 2015 and 2014 was as follows:

	Public sector bodies	Other	Total
Balance as at 1 January 2015	1,798,067	2,562,388	4,360,455
Purchases	1,075,000	215,000	1,290,000
Sales and redemptions	-1,539,400	-234,359	-1,773,759
Changes in value of other interest-bearing securities	-30,515	4,983	-25,532
Balance as at 31 December 2015	1,303,152	2,548,012	3,851,164

The collateral value of the portion of the interest-bearing securities portfolio contributed as collateral to DNB was €1.6 billion as at 31 December 2015 (€0.8 billion as at 31 December 2014). Furthermore in 2015 €0.2 billion in collateral was issued to a banking counterparty.

	Public sector bodies	Other	Total
Balance as at 1 January 2014	414,731	1,935,097	2,349,828
Purchases	3,142,000	1,295,968	4,437,968
Sales and redemptions	-1,786,970	-670,295	-2,457,265
Changes in value of other interest-bearing securities	28,306	1,618	29,924
Balance as at 31 December 2014	1,798,067	2,562,388	4,360,455

Interest-bearing securities totalling €1,161 million (2014: €1,361 million) have a term to maturity of less than twelve months. With effect from 2015 the accrued interest is no longer stated under prepayments and accrued income but under interest-bearing securities.

13 Intangible assets

This item comprises capitalised expenses related to software. The breakdown of this item in 2015 and 2014 is as follows:

	2015	2014
Carrying amount as at 1 January	2,790	3,389
Additions	1,166	599
Amortisation	-1,345	-1,198
Carrying amount as at 31 December	2,611	2,790

The cumulative amounts as at 31 December were as follows:

	2015	2014
Additions	8,752	7,586
Amortisation	-6,141	-4,796
Carrying amount as at 31 December	2,611	2,790

14 Tangible assets

This item comprises capitalised expenses related to the office building and other equipment. Other equipment consists mainly of furniture and fittings, computer equipment and cars. The breakdown of this item in 2015 is as follows.

	Property in use by the bank	Other operating assets	Total
Carrying amount as at 31 December 2014	4,384	818	5,202
Additions 2015	334	343	677
Disposals 2015	-	-6	-6
Depreciation in 2015	-526	-303	-829
Carrying amount as at 31 December 2015	4,192	852	5,044

The cumulative amounts as at 31 December were as follows:

	Property in use by the bank	Other operating assets	Total
Additions	9,621	7,290	16,911
Depreciation	-5,687	-6,438	-12,125
Amortised cost	3,934	852	4,786
Revaluations	258	-	258
	4,192	852	5,044

The breakdown of this item in 2014 is follows:

	Property in use by the bank	Other operating assets	Total
Carrying amount as at 31 December 2013	4,616	912	5,528
Additions 2014	270	238	508
Disposals 2014	-	-6	-6
Depreciation in 2014	-502	-326	-828
Carrying amount as at 31 December 2014	4,384	818	5,202

The cumulative amounts as at 31 December were as follows:

Additions	9,287	6,953	16,240
Depreciation	-5,161	-6,135	-11,296
Amortised cost	4,126	818	4,944
Revaluations	258	-	258
	4,384	818	5,202

15 Other assets

This item relates principally to amounts receivable and payments in transit on the balance sheet date.

16 Income tax

With effect from 1 January 2005, NWB Bank has been liable for income tax. In 2008, the tax authorities approved the fair values applied in the opening balance sheet for tax purposes and the allocation of the fair value difference over future accounting periods.

Income tax payable in 2015 and 2014 can be broken down as follows:

	2015	2014
2013	0	-28,121
2014	0	-3,393
2015	28,809	-
Carrying amount as at 31 December	28,809	-31,514
The amounts payable for the financial years can be broken down as follows:		
	2015	2014
Current tax expense	28,809	-3,393
Advances paid	0	0
Total	28,809	-3,393

In 2015, the unrealised results relating to the restructuring of the derivatives portfolio in 2013 and 2014 were settled in consultation with the tax authorities.

17 Derivative assets

This 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 include the OIS curve. Furthermore with effect from 2013 a credit valuation adjustment was included in the measurement, and a debt valuation adjustment with effect from 2015.

Breakdown by remaining term to maturity of fair values as at 31 December 2015:

	<3 months	3-12 months	1-5 years	>5 years	2015 Total
Interest rate swaps	34,545	29,212	725,547	1,972,653	2,761,957
Currency swaps	742,884	622,581	2,443,581	1,398,264	5,207,310
Caps, floors and swaptions	-	-	59	234,647	234,706
Total	777,429	651,793	3,169,187	3,605,564	8,203,973

Breakdown by remaining term to maturity of fair values as at 31 December 2014:

	<3 months	3-12 months	1-5 years	>5 years	2014 Total
Interest rate swaps	978	35,217	848,262	2,428,572	3,313,029
Currency swaps	391,290	924,649	1,585,426	1,191,411	4,092,776
Caps, floors and swaptions	-	-	62	244,743	244,805
Total	392,268	959,866	2,433,750	3,864,726	7,650,610

18 Prepayments and accrued income

This item comprises prepaid amounts for costs related to the next accounting period(s) and the uninvoiced amounts to be received regarding income recognised in the current or previous accounting period(s). With effect from 2015 the accrued interest is no longer stated under prepayments and accrued income but under the balance sheet item to which the interest relates.

19 Banks

This item consists of liabilities, other than debt securities, due to domestic and foreign banks. The collateral included in this item concerns collateral held under collateral arrangements related to derivative contracts.

This item can be broken down as follows:

	2015	2014
Loans taken out at banks	9,329	10,655
Value adjustment for fair value hedge accounting	1,877	2,253
Liabilities under collateral arrangements	2,443,300	1,262,720
	2,454,506	1,275,628

With effect from 2015 the accrued interest is no longer stated under accruals and deferred income but under banks.

20 Funds entrusted

This item consists of liabilities due to parties other than banks, including *Namensschuldverschreibungen* and *Schuldscheinen*. This item can be broken down as follows:

	2015	2014
Funds entrusted	4,743,945	4,481,648
Value adjustment for fair value hedge accounting	627,496	843,744
	5,371,441	5,325,392

With effect from 2015 the accrued interest is no longer stated under accruals and deferred income but under funds entrusted.

21 Debt securities

This item, which consists of negotiable interest-bearing debt instruments, can be broken down as follows:

	2015	2014
Bond loans	51,809,169	51,729,021
Short-term debt securities	13,530,413	8,805,920
Value adjustment for fair value hedge accounting	2,184,280	2,886,029
Fair value of separated derivatives embedded in debt securities	-45,759	-243,285
	67,478,103	63,177,685

Of the total amount in long-term debt securities issued, €6.4 billion (2014: €9.9 billion) carries a variable interest rate. Debt securities totalling €21.9 billion (2014: €19.6 billion) have a term to maturity of less than twelve months.

The separated derivatives embedded in the debt securities are separated structured components included in the interest terms.

With effect from 2015 the accrued interest is no longer stated under accruals and deferred income but under debt securities.

22 Deferred tax liabilities

The changes in deferred tax liabilities were as follows:

	2015	2014
Balance as at 1 January	69,421	45,538
Release of deferred tax liability arising when the Bank first became liable for tax	1,916	2,330
Change as a result of tax adjustments for previous years	-62,955	-
Change as a result of temporary differences in the financial year recognised in profit or loss	154	22,339
Results from 'basisrentelening' loans deferred for tax purposes	-786	-786
Results from maturity extensions deferred for tax purposes	6,794	-
Balance as at 31 December	14,544	69,421

In 2015 the unrealised results relating to the restructuring of the derivatives portfolio in 2013 and 2014 were settled in consultation with the tax authorities. The change resulting from temporary differences in the financial year recognised in profit or loss relates predominantly to the difference between measurement of the financial instruments for tax purposes and that for financial reporting purposes. It also includes the different tax treatment of pension costs.

23 Other liabilities

This item consists principally of amounts payable and offsetable in connection with amounts to be amortised, payments in transit on the balance sheet date and VAT payable.

	2015	2014
Prepaid interest and redemptions	49,465	51,901
Other liabilities	3,942	923
	53,407	52,824

This item relates principally to amounts payable and offsetable in connection with payments in transit on the balance sheet date.

24 Derivative assets

This 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 include the OIS curve. Furthermore with effect from 2013 a credit valuation adjustment was included in the measurement, and a debt valuation adjustment with effect from 2015.

Breakdown by remaining term to maturity of negative fair values as at 31 December 2015:

31 December 2015	<3 months	3-12 months	1-5 years	>5 years	2015 Total
Interest rate swaps	23,094	68,817	1,208,438	12,310,613	13,610,962
Currency swaps	59,408	34,426	120,358	250,153	464,345
Caps, floors and swaptions	-	-	59	226,977	227,036
Total	82,502	103,243	1,328,855	12,787,743	14,302,343

Breakdown by remaining term to maturity of negative fair values as at 31 December 2014:

31 December 2014	<3 months	3-12 months	1-5 years	>5 years	2015 Total
Interest rate swaps	28,467	62,435	1,186,017	14,331,130	15,608,049
Currency swaps	12,542	52,820	96,647	295,342	457,351
Caps, floors and swaptions	-	-	4	236,787	236,791
Total	41,009	115,255	1,282,668	14,863,259	16,302,191

25 Accruals and deferred income

This item comprises advance receipts for income attributable to the next accounting period(s) and uninvoiced amounts payable in relation to expenses attributable to the past accounting period(s). With effect from 2015 the accrued interest is no longer stated under accruals and deferred income but under the balance sheet item to which the interest relates.

26 Provisions

This item only comprises a provision for pensions. The changes in this provision are as follows:

	2015	2014
Current service costs	1,102	884
Past service cost	0	-1,079
Interest cost	694	885
Expected return on plan assets	-507	-664
Administrative and other costs	56	75
Employee benefits expenses	1,345	101
Defined benefit obligation	32,321	33,447
Fair value of plan assets	-23,318	-24,180
Provision for employee benefits	9,003	9,267
Opening balance defined benefit obligation	33,447	25,374
Interest cost	694	885
Current service costs	1,102	884
Benefits paid	-803	-649
Past service costs	0	-1,079
Employee contributions	18	-
Gain (loss) caused by changes (in assumptions) in plan assets	-2,137	8,031
Closing balance defined benefit obligation	32,321	33,447
Opening balance fair value of plan assets	24,180	18,309
Expected return	507	664
Employer contributions	758	715
Employee contributions	18	-
Benefits paid	-803	-649
Loss (gain) caused by changes in assumptions or actuarial losses (gains) on liabilities	-1,342	5,140
Fair value of plan assets as at 31 December	23,318	24,180

With effect from 2015 the pensionable salary has been maximised for tax purposes at €100,000, the effect of which has been recognised in the financial year.

The one-off gain presented under Past service costs relates to the increase in the normal retirement age from 65 to 67 and the adjustments to pension plans in line with market trends. The projected employer contributions for 2016 to the defined benefit plans as at 31 December 2015 amount to €1.4 million (2014: €1.3 million).

The principal assumptions used in determining the employee benefits provision (for pensions) are shown below.

	2015	2014
Discount rate	2.40%	2.10%
Expected rate of return on assets	2.40%	2.10%
Future salary/pay increases	1.50%	1.50%
Future pension increases	1.50%	1.50%

Changes in these assumptions may significantly impact the measurement of defined benefit obligations and plan assets.

27 Subordinated debt

In view of the leverage ratio requirements due to be implemented by the regulatory authority, the bank began raising hybrid capital (in the form of subordinated loans) in 2015. The first tranche of €200 million was issued in September. These loans are intended to boost NWB Bank's Tier 1 capital in order to meet the leverage ratio requirement.

The loans were issued by Dutch public sector parties. The loans are subordinated to receivables from creditors with a higher order of priority than ordinary shares. The loans are perpetual and do 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 3.1% for the first ten years and will be subsequently reviewed provided no early repayments have been made. Interest payments by the bank are entirely discretionary. If the Tier 1 core capital ratio declines below 5.125%, the nominal principal amount of this and all similar type loans will be reduced by the amount required to take the Tier 1 core capital ratio above the 5.125% level.

28 Paid-up and called-up share capital

This item 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 shareholders' meetings.

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 4 votes at shareholders' meetings.

Breakdown at year-end 2015:

A shares

Balance as at 31 December 2015 (50,478 shares)

Issued

Paid-up

5,805

5,805

B shares

Balance as at 31 December 2015 (8,511 shares)

Of which unpaid: (74% of 8,510 shares)

3,915

-2,896

1,019

Total paid up as at 31 December 2015

6,824

Total paid up as at 31 December 2014

6,824

29 Revaluation reserves

Movements in the revaluation reserves in 2015 and 2014 were as follows.

	Interest-bearing securities revaluation reserve	Other revaluation reserves	Total
Balance as at 1 January 2014	-	267	267
Changes in the value of interest-bearing securities	40	-	40
Balance as at 31 December 2014	40	267	307
Changes in the value of interest-bearing securities	225	-	225
Changes in the value of shares	-	-7	-7
Balance as at 31 December 2015	265	260	525

NWB Bank states certain assets, notably derivatives, at fair value. It has elected to consider the unrealised changes in their value arising upon the revaluation of such assets and the unrealised changes in the value of liabilities stated at fair value in the aggregate, given that these positions are also assessed in the aggregate as part of the Bank's risk management. If and to the extent that increases in the value of such assets must be included in a revaluation reserve pursuant to Section 390(1) of Book 2 of the Dutch Civil Code, the net amount in unrealised changes in fair value at 31 December 2015 did not give the Bank reason to form a revaluation reserve.

30 Other reserves

Changes in other reserves were as follows.

Balance as at 1 January 2014	1,215,132
Appropriation of 2013 profit	33,893
Distribution for 2013	-
Changes in value as part of the pension provision	-2,112
Balance as at 31 December 2014	1,246,913
Appropriation of 2014 profit	48,997
Distribution for 2014	-
Changes in value as part of the pension provision	638
Balance as at 31 December 2015	1,296,548

31 Unappropriated profit for the year

The balance sheet is presented before profit appropriation. The proposed profit appropriation for 2015 is included under Other information.

32 Irrevocable commitments

These commitments relate to:	2015	2014
Loans granted but not yet paid	705,681	693,494
Collateral commitments	15,870	109,700
Unused current account overdraft facilities	784,784	680,392
Unused financing facilities	1,009,823	625,046
Guarantees issued	1,926	2,124
	2,518,084	2,110,756

33 Contingent liabilities

The item Contingent liabilities not included in the balance sheet consists of commitments which could arise on guarantees issued (Standby Letters of Credit) in connection with the cross-border financing of water authorities and bank guarantees issued to clients amounting to €68 million (2014: €75 million).

34 Fair value of financial instruments

General

The fair value is the amount for which an asset could be exchanged or a liability settled in a transaction between knowledgeable, willing and independent parties.

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 use 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.

The Bank establishes on a regular basis 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 require the Bank to adjust, on a regular basis, the measurement parameters that serve as inputs for the measurement models.

Loans and receivables, and debt securities

A measurement model is used to determine the fair value of loans and receivables, 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 pursuant to which the Bank i) generally grants loans that it holds until they mature and ii) funds the relatively long-term loans with shorter-term loans on average.

The measurement curve is based on the average cost of funding, which is the swap interest rate plus a spread. The spread is effectively a measure of the additional funding charges the Bank pays on account of liquidity and credit risks. Those additional charges are determined based on the funding outstanding as at the reporting date. The spread 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.

Interest-bearing securities

Other listed interest-bearing securities are carried at market prices. Fair values of the other interest-bearing securities are determined using the model that is also used for loans and receivables.

Derivatives

Derivatives are measured by applying generally accepted valuation models, based on the most appropriate valuation curves, which include the OIS curve. Effective 2013, valuation also included what is known as a credit valuation adjustment. Furthermore with effect from 2015, valuation also included what is known as a debt valuation adjustment.

The curves used reflect the price level at which the Bank closes swaps. Credit risks associated with the derivatives transactions entered into are largely mitigated by exchanging collateral.

Overview of fair values of financial instruments

The table on next page sets out the estimated fair value of the financial assets and liabilities and other financial instruments not disclosed on the face of the balance sheet. For comparative purposes, accrued interest is allocated to the carrying amounts. A number of items are not included in the table as they do not meet the definition of a financial asset or liability. The total of the fair values disclosed below does not represent the underlying market value of NWB Bank and therefore should not be interpreted as such.

Assets

Cash, cash equivalents and deposits
at the Central Bank

Banks

Loans and receivables

Interest-bearing securities

Derivatives

Shares

Liabilities

Banks

Funds entrusted

Debt securities

Subordinated debt

Derivatives

	Carrying amount 31-12-2015	Fair value 31-12-2015	Carrying amount 31-12-2014	Fair value 31-12-2014
Cash, cash equivalents and deposits at the Central Bank	6,766,469	6,766,469	502,243	502,243
Banks	8,907,685	8,907,685	10,174,360	10,174,360
Loans and receivables	63,575,761	66,206,119	65,439,969	67,584,850
Interest-bearing securities	3,851,164	3,882,749	4,372,362	4,390,999
Derivatives	8,203,973	8,203,973	7,650,610	7,650,610
Shares	199	199	205	205
Liabilities				
Banks	2,454,506	2,553,754	1,275,628	1,343,010
Funds entrusted	5,371,441	4,965,247	5,399,432	4,850,433
Debt securities	67,478,103	68,119,670	63,821,872	64,663,051
Subordinated debt	202,067	239,648	-	-
Derivatives	14,302,341	14,302,341	16,302,190	16,302,190

Determining fair values of financial instruments

The table below sets out how the fair values of financial instruments carried at fair value in the balance sheet are determined.

31 December 2015 (in millions of euros)	Measurement based on market prices	Measurement based on models using data available in the market data	Measurement based on models using data unavailable in the market data
Assets			
Other listed interest-bearing securities	887	-	-
Derivatives	-	8,204	-
Separated derivative liabilities	-	-3	-
Liabilities			
Derivatives	-	14,302	-
Separated derivative liabilities	-	-43	-
31 December 2014 (in millions of euros)	Measurement based on market prices	Measurement based on models using data available in the market data	Measurement based on models using data unavailable in the market data
Assets			
Other listed interest-bearing securities	552	75	-
Derivatives	-	7,651	-
Separated derivative liabilities	-	-2	-
Liabilities			
Derivatives	-	16,302	-
Separated derivative liabilities	-	-243	-

Other financial instruments listed above under 'fair values of financial instruments' were measured based on models using data in part available in the market.

Financial derivatives

	2015	2014
Notional amounts of interest rate swaps		
Breakdown according to remaining terms to maturity:		
Up to one year	6,659,955	6,304,825
Between one and five years	23,757,972	23,008,220
More than five years	46,943,480	45,787,393
	77,361,407	75,100,438
Notional amounts of currency swaps	2015	2014
Breakdown according to remaining terms to maturity:		
Up to one year	18,603,193	15,399,309
Between one and five years	13,049,498	14,207,709
More than five years	6,863,646	6,247,442
	38,516,337	35,854,460

The notional amounts of the caps and floors total €124 million (2014: €176 million) and those of the swaptions amount to €1,005 million (2014: €1,005 million). These derivatives are included under the interest rate swaps in the previous table.

35 Risk management

This section describes the internal risk management system for each relevant type of risk. The Bank lends almost exclusively to public authorities and to companies and institutions related to the public sector. The counterparty risk arising from derivatives and money market transactions is limited as much as possible by applying a limit system, minimum creditworthiness requirements and collateral requirements. On balance, the credit risks are low and, consequently, so are the interest margins.

INTEREST RATE RISK: 'The possible impact on profit and capital of interest rate fluctuations'

The Bank's exposure to fluctuations in interest rates arises from differences in the interest rate and terms between lending and borrowing. The Bank pursues a prudent policy towards these risks. The policy is to manage the interest rate risk bank-wide by closing interest rate swap transactions for both the asset and the liability side of the balance sheet, in which the Bank agrees to exchange, at specified intervals, the difference between fixed and variable interest rates calculated by reference to an agreed-upon notional amount.

The spreads payable by the Bank when raising long-term funds fluctuate against its benchmark, i.e. the swap interest rates. These spread developments lead to changes in the fair value of assets and liabilities and also have an impact on net interest income (interest received less interest paid).

Prudent policy, supplemented by a management system tailored to that policy, constitutes the basis for the calculation, monitoring and management of the interest rate risks. The Asset & Liability Committee (ALCO) decides on the size of the risks within the parameters set. To manage risks, a gap analysis according to the interest rate period, risk measures such as (spread) DV01 (see explanation below), and Earnings at Risk, and scenario analyses are used. Outcomes from positions adopted are analysed using profit forecasts, interest margin analysis and performance analysis. This management information is also important for the decision-making process within the ALCO.

Interest rate sensitivity analysis (DV01)

NWB Bank uses DV01 (the dollar value of a basis point) as the key measure of interest rate risk. An absolute measure derived from duration, it 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. These relate to the strategic interest rate risk position, which is based on the NWB Bank's benchmark return agreed with the shareholders. The strategic position is dependent on having a certain vision for interest rate developments.

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 this spread risk, 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 2015, it was within the limit set.

Earnings at Risk

In addition to the DV01 analysis, which provides an insight into the interest rate risk for the total term of the portfolio, NWB Bank applies the Earnings at Risk measure for the short term, with the aim of setting limits to the volatility of interest income during the next 365 days. This is a simulation measure, comparing the expected net interest income or expense for the next twelve months under various interest rate scenarios with the outcome of a baseline scenario. At year-end 2015, the outcomes for those scenarios were within the limits set.

Gap analysis

An example of a gap analysis according to interest rate period is shown below. The table is based on internal reports. The ALCO uses this analysis to review the positions of the Bank on the yield curve.

31 December 2015 (in millions of euros)	Total	<3 months	3-12 months	1-5 years	>5 years
Assets					
Loans and receivables	81,565	21,378	4,757	17,236	38,194
Interest-bearing securities	3,887	2,134	676	1,061	16
Fixed-interest derivative assets	54,533	8,965	4,773	24,215	16,580
Variable interest derivative liabilities	-46,272	-40,798	-5,825	43	308
Total assets	93,713	-8,321	4,381	42,555	55,098
Liabilities					
Banks, funds entrusted and debt securities	76,444	23,046	6,556	25,795	21,047
Subordinated debt	244	-	6	25	213
Fixed-interest derivative liabilities	49,386	225	1,802	15,475	31,884
Variable interest derivative liabilities	-35,321	-29,952	-5,224	-21	-124
Total liabilities	90,753	-6,681	3,140	41,274	53,020
Total assets less liabilities in 2015	2,960	-1,640	1,241	1,281	2,078
Total assets less liabilities in 2014	2,762	-2,283	1,973	1,161	1,911

The present value of all instruments is presented on the basis of the swap curve. The derivatives include notional amounts to give a clearer picture of interest rate positions. Accordingly, no direct link can be made to the balance sheet.

Scenario analysis

NWB Bank performs scenario analyses to gain an additional insight into the interest rate risk. A common scenario is to calculate the changes in the fair value of equity in the event of a parallel shift in the yield curve of -100 basis points (bp) and +100 bp. The effect of this sudden change in the interest rate as at 31 December 2015 is shown in the table on the next page. It shows the consequential changes in fair value which have been subsequently broken down into the effect on the annual result and the effect on future annual results. The long-term effect merely indicates an opportunity loss. In other words, if NWB Bank had fully hedged its interest rate position, its future financial results would have been €88 million higher (2014: €95 million higher) in the event of a 100 bp rise in interest rates.

(in millions of euros)

	Total change in fair value	Immediate effect on profit or loss	Long-term effect on profit or loss
Interest rate shock of +100 bp	-73	15	-88
Interest rate shock of -100 bp	38	-4	42

LIQUIDITY RISK: 'The possible impact on profit and capital of not being able to meet current obligations without incurring unacceptable losses'

NWB Bank has an AAA/Aaa credit rating identical to that of the State of the Netherlands. With this credit rating, under normal circumstances, NWB Bank should always easily be able to cover its current and future liquidity requirements in the market. In case of market stagnation, NWB Bank has sufficient means, among other things in the form of liquid assets and collateral pledged with DNB to repay loans and finance new loans at all times. NWB Bank currently has an ample collateral position at DNB. Virtually the entire loans portfolio of NWB Bank is accepted as collateral at DNB. The collateral value of the portion of portfolio contributed as collateral to DNB was €13.6 billion as at 31 December 2015 (€13.5 billion as at 31 December 2014). However, NWB Bank did not call on this position. In terms of short-term funding, NWB Bank mainly relies on the commercial paper market. The bank uses a Euro Commercial Paper programme capped at €25 billion and a U.S. Commercial Paper programme capped at \$10 billion. The Bank has the highest short-term ratings (A-1+/P-1) with respect to those programmes. As at 31 December 2015, €13.5 billion (as at 31 December 2014: €8.8 billion) in commercial paper was outstanding.

The liquidity position is monitored daily. The aim of liquidity management is to ensure that 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 by means of a liquidity gap analysis, containing differences between the cash flows receivable and payable. The liquidity position is subject to a system of limits. One limit relates to the Liquidity Coverage Ratio (LCR), a liquidity ratio set out in CRD IV/CRR to which a minimum requirement applies with effect from 1 October 2015. DNB requires Dutch banks to maintain a minimum LCR of 100% as at the effective date. The internal LCR limit is higher than the minimum requirement. Along with LCR, another liquidity risk has been included in the regulations, the Net Stable Funding Ratio (NSFR). A minimum requirement of 100% is expected to apply with effect from 1 January 2018. NWB Bank meets both minimum requirements as at 31 December 2015. The LCR was 134% and the NSFR was 117% as at the balance sheet date.

The balance sheet categories according to remaining contractual term, including all future undiscounted interest cash flows and before proposed profit appropriation, are presented below.

(in millions of euros)	Total	<3 months	3-12 months	1-5 years	>5 years
Assets					
Cash, cash equivalents and deposits at the Central Bank	6,766	6,766	-	-	-
Banks, loans and receivables	88,093	1,774	5,605	24,616	56,098
Interest-bearing securities	3,895	8	1,176	2,688	23
Intangible assets	3	-	-	-	3
Tangible assets	5	-	-	-	5
Derivative assets	16,096	1,222	1,074	4,715	9,085
Other assets	0	-	0	-	-
Prepayments and accrued income	1	-	1	-	-
Total as at 31 December 2015	114,859	9,770	7,856	32,019	65,214
Total as at 31 December 2014	112,387	3,405	8,749	31,303	68,930
Liabilities					
Banks, funds entrusted and debt securities	85,901	15,641	7,331	29,448	33,481
Subordinated debt	262	-	6	25	231
Other liabilities	53	-	53	-	-
Derivative assets	25,382	404	1,006	4,507	19,465
Accruals and deferred income	1	-	1	-	-
Provision	9	-	-	-	9
Deferred tax liabilities	15	-	-	-	15
Income tax	29	-	29	-	-
Equity	1,399	-	-	-	1,399
Total as at 31 December 2015	113,051	16,045	8,426	33,980	54,600
Total as at 31 December 2014	110,671	7,646	15,778	34,507	52,740

CREDIT RISK: 'The possible impact on profit and capital of counterparties not meeting their obligations'

The Bank's policy is geared towards an extremely high-quality loans portfolio. NWB Bank principally lends to governments and government-backed institutions. It also provides loans to water supply companies, without a government guarantee, and, in addition to Public-Private Partnership (PPP) projects with the government as the contracting authority, other new client groups may also be added to the loans portfolio. NWB Bank's Articles of Association prohibit lending to the private sector. To a very small extent, the Bank also purchases bonds issued by governments in other Western European countries, particularly with a view to increasing the liquidity portfolio, applying the same quality standards as for domestic lending. Finally, the Bank enters into agreements with banks for money market transactions and currency and interest rate swaps, which result in counterparty risk.

The Bank applies no credit limits to Dutch public authorities. The other loans are included in the bank's credit assessment system pursuant to its credit risk management policy. If a credit limit is set for a counterparty, it is adjusted annually, at a minimum, in line with the latest developments. Given the public sector nature of most of its customers, who are, moreover, exempt from solvency requirements, the credit portfolio's credit risk is limited, which is also expressed in the robust capital ratios.

The weighted credit risk (including commitments for unpaid loans) to which NWB Bank is subject in accordance with standards prescribed by the CRD IV/CRR was as follows on the reporting date:

(in millions of euros)	Nominal 2015	Weighted 2015	Nominal 2014	Weighted 2014
Central governments	7,558	-	2,046	-
Regional governments	15,666	-	15,599	-
Institutions with delegated government duties	48,235	488	50,162	378
Development banks	66	-	63	-
International organisations	353	-	194	-
Banking counterparties *	8,984	480	10,174	292
RMBS (NHG) notes *	2,189	441	2,347	472
Covered bonds	50	5	-	-
Others	7	7	10	10
Total	83,108	1,421	80,595	1,152

* Based on ECAI rating

Most of NWB Bank's lending comes under the category of 0% weighting, which means that the credit risk is considered to be very limited. The counterparty risks and potential money market lending by banking counterparties come under the 20% and 50% weighting categories.

The portfolio of residential mortgage-backed securities (RMBS) with government-backed National Mortgage Guarantee (NHG) notes comes under the 20% weighting category if they are senior A notes. A smaller portion (lower S notes) comes under the 100% weighting category. Lastly, loans provided to Dutch water supply companies (government-controlled public limited liability companies) are included in the 100% weighting category.

The table below provides an insight into the breakdown of loans granted by the Bank:

Loan portfolio in nominal amounts (in millions of euros)	2015	2014
Water authorities	5,494	5,285
Municipal authorities	6,667	6,604
Other public authorities	314	337
Social housing	31,632	32,301
Healthcare institutions	3,577	3,695
Other borrowers under government guarantee	641	626
Joint schemes	218	224
Government-controlled public liability limited companies	353	296
Public-private partnerships	78	-
Credit institutions	42	-
Other	53	53
	49,069	49,421

NWB Bank's borrowers as listed above are mainly public authorities and entities in social housing and healthcare to which funds are lent under the guarantee of public authorities. The Bank has never suffered a loan loss. Owing to the adequate guarantees obtained and the very limited credit risk, no losses on the loans granted are expected. There is, therefore, no provision for uncollectibility, nor were any loans written down on account of the credit risk involved. Both during the year and at the balance sheet date, arrears were low in monetary terms (non-material) and of very short duration.

In 2015 NWB Bank held six notes of RMBS programmes from five Dutch originators in its portfolio. The RMBS notes are securitised by Dutch mortgage loans backed by the government under the National Mortgage Guarantee scheme (NHG). By purchasing these bonds, NWB Bank contributes to the financing of government-guaranteed private home loans. NWB Bank only actively uses securitisation in its role as an investor, monitors the associated credit, market and liquidity risks during the period to maturity and firmly intends to hold the RMBS (NHG) notes until the expected call date. Credit risk is expressed in risk-weighted assets based on the Standard 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 2015.

Rating	Nominal amount (million)	Last call date	Class
AAA	1,837	2020	A
AA	351	2018	A
BBB+	4	2018	S

To manage the interest rate and currency risks, NWB Bank uses derivatives. To limit the credit risks associated with these derivatives as much as possible, in principle, NWB Bank only enters into transactions with counterparties with a single A rating at a minimum and limits are set to minimise the total exposure from derivatives. The fair values of these derivatives are hedged by collateral agreements (also known as CSAs) using mostly zero thresholds and exchanging collateral on a daily basis. The Bank's policy is to conclude agreements with counterparties within the ISDA framework consisting of at least

agreements in CSAs and Schedules and to ensure that netting agreements apply. ISDA agreements concluded with the majority of counterparties in recent years were amended to bring them more into line with the market standard for exchanging collateral (zero thresholds and daily valuation). Portfolio management, monitoring and collateral management have been stepped up over the past years with respect to individual derivatives portfolios for all counterparties, as well as for the total derivatives portfolio. This involves monitoring sensitivities in counterparty-specific portfolios and the option of novating a portfolio, or part thereof, to a central counterparty under central clearing in due course. In addition, concentrations in the swap portfolio are assessed and adjusted in terms of both interest-rate sensitivities, credit ratings and other early warning signals for each counterparty. The total fair value exposure from derivatives to financial counterparties at year-end 2015 was €2,472 million, of which €2,294 million was covered by collateral pledged to the Bank (2014: €1,432 million and €1,263 million respectively). The total fair value exposure from derivatives from financial counterparties at year-end 2015 was €8,799 million, of which €8,795 million was covered by collateral provided by the Bank (2014: €10,328 million and €10,174 million respectively).

The tables below show the net fair values of the derivatives, i.e. including collateral received and provided.

(in millions of euros)

Assets	Positive fair value of derivatives	Netting with negative fair value derivatives	Cash collateral received	Net position
Banking counterparties	7,969	-5,497	-2,294	178
Non-banking counterparties	235	-	-	235
Total for 2015	8,204	-5,497	-2,294	413
Total for 2014	7,651	-5,974	-1,263	415
Liabilities	Positive fair value of derivatives	Netting with positive fair value derivatives	Cash collateral provided	Net position
Banking counterparties	-14,302	5,497	8,795	-10
Non-banking counterparties	-	-	-	-
Total for 2015	-14,302	5,497	8,795	-10
Total for 2014	-16,302	5,974	10,174	-154

The derivatives entered into with non-banking counterparties are primarily embedded derivatives in the form of agreements which are included in the loan contracts. No ISDA or CSA agreements have been made, which means that no netting takes places for these parties.

Settlement risk refers to the risk that, in settling a transaction, a counterparty fails to meet its obligations while the Bank meets its own. Instances in which this may happen include when the notional amount of a foreign exchange swap is ultimately exchanged, which is used to repay associated foreign currency funding. The currency risk from foreign currency funding is hedged on a one-to-one basis using

foreign exchange swaps. The Bank monitors settlement risks that arise chiefly upon payment and receipt of foreign currency during foreign exchange swaps.

CURRENCY RISK: 'The possible impact on profit and capital of changes in exchange rates'

The Bank's policy is to eliminate all currency risks on both loans granted and borrowings. Currency risks arise primarily in respect of funds borrowed by the Bank. NWB Bank borrows significant amounts in foreign currency. The resulting currency risks are fully hedged immediately by entering into currency swaps.

The table below shows the nominal values in millions in local currencies.

CCY				2015				2014
	Asset	Liability	Derivatives	Total	Asset	Liability	Derivatives	Total
AUD		-2,705	2,705	-		-2,152	2,152	-
CAD		-493	493	-		-512	512	-
CHF		-3,840	3,840	-		-4,450	4,450	-
GBP		-4,021	4,021	-		-2,871	2,871	-
HKD		-100	100	-		-100	100	-
JPY		-189,899	189,899	-		-234,600	234,600	-
NOK		-4,125	4,125	-		-4,125	4,125	-
NZD		-179	179	-		-165	165	-
SEK		-1,100	-1,100	-		-2,450	2,450	-
USD	126	-31,313	31,186	-	131	-32,150	32,019	-
ZAR		-116	-116	-		-	-	-

OPERATIONAL RISK: 'The possible impact on profit and capital of inadequate or ineffective internal processes and systems, inadequate or ineffective human actions or external events'

For NWB Bank, the main components of operational risk are losses incurred due to disruptions to the information, transaction processing and settlement systems, and ineffective procedures, particularly with respect to new services or products, as well as fraudulent and/or unauthorised actions on the part of employees or third parties.

Procedures

As part of the management of operational risks, all important processes are described. The Internal Audit Department checks regularly whether the various procedures are being properly adhered to and whether they are still effective. All important operating processes were reviewed and updated in the year under review.

New products or services

The product approval process refers to the procedures the Bank follows in deciding whether it will produce or distribute a certain product, either at its own risk and expense or for the benefit of its

clients, or whether it will enter a new market. This process involves a widely-scoped review in terms of transparency and risk management. No new product is marketed or distributed without careful consideration of risks by those responsible for risk management and meticulous checks against other relevant aspects. The Managing Board is responsible for the effectiveness of the product approval process. The Internal Audit Department, based on its annual risk assessment, each year verifies the process' design, existence and effectiveness and reports its findings to the Managing Board and the Audit and Risk Committee.

Incidents

Any incidents are reported to the Compliance Officer and/or the Operational Risk Officer. Any incidents are reported to the Management Board and the bank's management team. If so requested by the Managing Board, the Internal Audit Department investigates the causes. The Compliance Officer and/or the Operational Risk Officer propose measures where necessary to prevent similar incidents from occurring in the future.

Information systems

To prevent disruptions to the information systems, NWB Bank makes ongoing investments to improve its systems. Key words include security, integrity, manageability and continuity. A transparent infrastructure and ICT organisation and optimum security of ICT components are in place to limit as far as possible the impact of operational disruptions at NWB Bank. For this purpose, adequate service and maintenance contracts have been concluded for all relevant hardware and software, IT employees receive ongoing training through classes and seminars and contracts have been entered into with external parties for back-up, recovery and contingency facilities. In the event of a disaster, NWB Bank has access to an external location where it can continue all its core activities. Using a data warehouse, the Bank has a reliable management information system available based on integrity for generating reports that meet its business demands. In addition, the firewall infrastructure is up to date, so as to offer robust protection against cybercrime and other irregularities that might affect NWB Bank's ICT infrastructure. The Bank's information security policy is based on ISO-27002 (NEN), the internationally recognised information security standard.

Outsourcing

NWB Bank has outsourced its back office for customer funds transfers and the related ICT support operations. This means that certain services are performed outside the core of the business. The direct organisational management has therefore been reduced. As a result, an additional control mechanism has been set up because NWB Bank continues to be responsible for funds transfers. This control mechanism focuses on a controlled and hence measurable and verifiable service.

Integrity and compliance

NWB Bank attaches great value to its reputation as a solid and respectable Bank for the public sector. For this reason, compliance and integrity play an important role in the Bank's control mechanism. The Bank wishes to ensure that its customers and investors can be completely confident in using its services and secure in the knowledge that their funds are safe.

The members of the Managing and Supervisory Boards took the banker's oath in 2013, pursuant to the Dutch Oath or Promise (Financial Sector) Regulation (Regeling eed of belofte financiële sector), which came into effect on 1 January 2013. In compliance with the new Dutch Banking Code, which took effect on 1 January 2015, all bank employees took the banker's oath (which includes the related Code of Conduct and

a disciplinary system). The members of the Managing and Supervisory Boards also signed a declaration regarding disciplinary rules. NWB Bank updated its Code of Conduct on the basis of the new Banking Code. The NWB Bank Code of Conduct forms part of the employment contracts, and it was posted on both the Intranet and the Bank's website.

NWB Bank has assigned some of the compliance-based duties to the Legal & Compliance Department and, where supervision of compliance with the Insider Regulation is concerned, to an external party. The external supervisor reports to the Managing Board and the Supervisory Board, while the internal Compliance Officer reports directly to the Managing Board. These reporting lines confirm the value that the Bank attaches to the internal supervision and the work of both Compliance Officers. The supervision-based rules and code of conduct are an important element of the compliance role.

Legal risk

Like any other bank, NWB Bank is exposed to legal risk. NWB Bank operates on the principle of providing proper and sound financial services. The rapid succession of new and complex laws and regulation over the past few years is putting pressure on legal risk management. By keeping tabs on new trends in laws and regulations, and using standard contracts whenever possible, the Bank seeks to limit the legal risks for both NWB Bank and its customers. If needed, external advisers are consulted on legal issues and to review documents relating to these transactions.

MINIMUM CAPITAL REQUIREMENTS

The standardised method for credit risk uses external ratings linked to certain risk weightings. NWB Bank uses the credit ratings of Moody's, S&P and/or Fitch¹⁾ for this purpose. The capital requirement pursuant to the 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 terms of derivatives positions entered into with counterparties, among other things. The market risk concerns risks in the trading portfolio and currency and commodity risks. NWB Bank does not keep a trading portfolio and has no commodity positions. Due to its stringent policy on currency risk, on balance there are no outstanding currency positions, and therefore the minimum capital requirement for market risk is nil. When calculating qualifying capital for operational risk, NWB Bank uses the basic indicator 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. For NWB Bank, the indicator is limited to the net interest income. The Large Positions rules limit the concentration risk of a bank. NWB Bank's large positions are mainly connected to the swap portfolio. These positions are limited as much as possible by concluding CSAs and applying netting.

1) See Article 1 Joint Consultation Paper (EBA, 06-03-2015) Draft Implementing Technical Standards on the allocation of credit assessments of ECAs to an objective scale of credit quality steps under Article 109 (a) of Directive 2009/138/EC.

Calculation of the Tier I capital ratio as at the reporting date:

(in millions of euros)	2015	2014
Equity excluding profit for the current financial year	1,304	1,254
Intangible assets	-3	-3
Prudential filters	-1	-
CET1 capital	1,300	1,251
Additional Tier 1 capital	200	-
Tier I capital (A)	1,500	1,251
Weighted credit risk	1,421	1,152
Capital charge under CVA	411	455
Weighted operational risk	166	173
Risk-weighted assets (B)	1,998	1,780
Tier I ratio (A/B)	75%	70%

At the end of 2015 visible equity totalled €1,304 million (excluding profit for the current financial year) against €1,254 million at the end of 2014 (excluding profit for the current financial year). As at the end of 2015, CET1 capital including the additional Tier I capital amounted to €1,500 million (excluding profit for the current financial year). The bank's total risk-weighted assets rose from €1,780 million as at the end of 2014 to €1,998 million as at the end of 2015. The increase was largely brought about by a different method of calculating the capital requirement for counterparty risk from derivative transactions the bank concludes to hedge interest rate and currency risks.

See also the section entitled 'NWB Bank in 2015' in the Report of the Managing Board.

36 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, as well as the contribution to Stichting NWB Fonds, please refer to Notes 4 and 5.

As at 31 December 2015 an amount of €5,807 million in loans had been granted to shareholders on market terms (2014: €5,620 million).

37 Events after the balance sheet date

No material events occurred between the reporting date and the date of the preparation of the financial statements that had such an impact on the overall presentation of the financial statements that disclosure in this section was considered necessary.

38 Members of the Managing Board and Supervisory Board

Managing Board

Ron Walkier

Lidwin van Velden

Frenk van der Vliet

Supervisory Board

Age Bakker

Maurice Oostendorp

Else Bos

Peter Glas

Petra van Hoeken

Albertine van Vliet-Kuiper

Berend-Jan van Voorst tot Voorst

The Hague, 16 March 2016

Other information

Independent auditor's report

To the General Meeting of Shareholders and the Supervisory Board of Nederlandse Waterschapsbank N.V.

Report on the audit of the 2015 financial statements

Opinion

In our opinion the financial statements give a true and fair view of the financial position of Nederlandse Waterschapsbank N.V. as at 31 December 2015 and of its result and the cash flows for 2015 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Scope of our audit

We have audited the 2015 financial statements of Nederlandse Waterschapsbank N.V. (the company) based in The Hague.

The financial statements comprise the following:

1. The balance sheet as at 31 December 2015.
2. The following statements for 2015; the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows.
3. 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 Nederlandse Waterschapsbank N.V. in accordance with the Regulation regarding the Independence of Accountants performing Assurance Engagements (*Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten*) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the Code of Conduct and Professional Practice for Accountants Regulation (*Verordening gedrags- en beroepsregels accountants*).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit method

Summary

Audit opinion

- Unqualified audit opinion

MATERIALITY

- Materiality of 12 million
- 7% the interest margin

OUR KEY AUDIT MATTERS

- Valuation of derivatives
- Hedge accounting
- Reliability and continuity of electronic data processing
- Result on financial transactions, including disclosure

Materiality

Misstatements may arise from fraud or error and will be 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 used our professional judgement to determine that materiality for the financial statements as a whole was set at EUR 12 million (2014: EUR 8 million). The materiality is based on the interest margin, which has risen considerably relative to 2014. We consider the interest margin as the most appropriate benchmark because we regard it as a key consideration for stakeholders in assessing the financial performance of Nederlandse Waterschapsbank N.V. The stability of the interest as a source of income, combined with a relatively low profit before tax, led us to choose interest as the most appropriate benchmark for materiality. We also take misstatements and/or possible misstatements into account that in our opinion are material to users of the financial statements on qualitative grounds

We agreed with the Audit and Risk Committee of the Supervisory Board to report any misstatements in excess of EUR 600,000 that we identified through our audit as well as other misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our key audit matters

Key audit matters are those matters which, in our professional judgement, were of the most significance in our audit of the financial statements. Although we have communicated the key audit matters to the Supervisory Board, they do not constitute a complete representation of all that was discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Elements of estimation in the valuation of derivatives

Description

NWB Bank has substantial positions in derivatives as part of its policy to hedge interest rate risk and currency risk. As disclosed in Notes 17 and 24 of the financial statements, derivative assets totalled EUR 8.2. billion and derivative liabilities EUR 14.3 billion as at 31 December 2015. Derivatives are stated at fair value. The fair value of the derivatives is subject to estimation uncertainty as subjective variables need to be used to determine fair value. As explained in Note 34, NWB Bank does not hold level 3 type derivatives, being derivatives with the highest level of valuation uncertainty. Models and market data are used to determine the value of type 2 derivatives. Based on the size of the derivative positions and the elements of estimation in determining their value, we consider the valuation of derivatives a key audit matter.

Elements of estimation in the valuation of derivatives

Our approach

The bank performs regular tests to verify whether the collateral value calculated by derivative counterparties reconciles with the value of the derivatives recognised in the accounts. We tested this internal control. We also examined the valuation of a substantial share (more than 85%) of the total value of the derivatives portfolio in detail. The selection included various types of derivatives and derivative maturities. We engaged our valuation specialists to conduct this examination. They applied their own valuation models and used the available market data to verify fair value.

Our observation

Our audit procedures have shown that the valuation of derivatives has resulted in an appropriate determination of the fair value of the derivatives disclosed in the financial statements.

Hedge accounting

Description

NWB Bank applies macro and micro hedge accounting to reduce the accounting mismatch in the reporting between the accounting of assets/liabilities and the accounting of the related derivative contracts. As a result of applying hedge accounting, assets increased by EUR 11.5 billion and liabilities by EUR 2.8 billion as at 31 December 2015. NWB Bank uses complex hedge accounting models. The proper functioning of the hedge accounting models and the integrity of the data used as input in these models are highly important in safeguarding accurate calculations of hedge accounting adjustments. In view of the complexity and the materiality of hedge accounting for the financial statements, we consider the correct application of hedge accounting a key audit matter.

Our approach

Our audit procedures comprise the assessment of the internal control procedures relating to the inclusion of derivatives in a hedge accounting relationship and the effectiveness tests. We concluded that we were able to rely on these internal controls for the purpose of our audit. Our audit procedures also include an evaluation of the adequacy of hedge documentation in accordance with the requirements of the Dutch Annual Reporting Guideline RJ290 - Financial Instruments. We furthermore concluded at aggregate level that the contract information incorporated in the hedge accounting models reconciles with the information in the financial accounting system. Finally, we examined the functioning of the hedge accounting models in detail by comparing the results of the hedge accounting model for a number of derivatives and hedge positions with the hedge documentation.

Our observation

We concluded that hedge accounting has been applied in accordance with the Dutch Annual Reporting Guideline RJ290 - Financial Instruments

Reliability and continuity of electronic data processing

Description

NWB Bank is dependent on its IT systems for the continuity of its operations and for reliable financial reporting. The source system, the data warehouse set-up, the payment system and the hedge accounting application are particularly important to us. We therefore consider the IT systems as a key audit matter.

Our approach

We assessed the reliability and continuity of the IT systems. These audit procedures were performed by our IT auditors and consisted of testing the relevant internal controls relating to the IT systems and processes. Our audit focused mainly on the core system OPICS and the data warehouse system. With respect to these systems, our IT auditors concluded that the internal controls covering the reliable processing of data and continuity operate effectively.

Reliability and continuity of electronic data processing

We received an ISAE 3402 type II report from another auditor concerning the outsourced payment system. This report states that the design and functioning of the internal control measures for the payment system have been assessed and that no special items were found. Our audit procedures included determining the existence of the minimum expected control measures at NWB Bank and subsequently evaluating the internal control measures described in the report certified by the external auditor, the procedures performed to test the operating effectiveness of these measures and the results.

Our observation

Our audit procedures show that we were able to rely on the electronic data processing system for the purpose of our audit. A number of findings were reported in our report to the Managing Board and the Supervisory Board.

Result on financial transactions, including disclosures

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Description

NWB Bank recognises the ineffective portion of hedges in addition to certain non-recurrent results, such as the results of adjusting loan maturities, in the Result on financial transactions. Note 2 to the financial statements of NBW Bank contains further disclosures on the Result on financial transactions. In view of the fact that the Result on financial transactions forms an important component of NWB Bank's total results, offers insight into the effectiveness of interest and currency risk management and consists of other important items, we consider the disclosures on this result as a key audit matter.

Our approach

Management has presented a detailed specification of the Result on transactions, of which we audited in detail the significant items included in this result. During this procedure we reconciled the results arising from hedge ineffectiveness with the results of the hedge accounting models.

We evaluated the other results, including the result on loan maturity extensions, based on the underlying specifications and source documentation. We additionally examined whether the breakdown of the Result on financial transactions has been adequately disclosed in the financial statements.

Our observation

Our audit procedures show that the Result on financial transactions is adequately stated in the financial statements. We have also found that the disclosures set out in Note 2 of the financial statements are adequate.

Responsibilities of Management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, Management is responsible for such internal control as Management deems necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, Management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework referred to, Management should prepare the financial statements using the going concern basis of accounting, unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances in the financial statements that may cast significant doubt on the company's ability to continue as a going concern.

The Supervisory Board is responsible for overseeing the company'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 have detected all errors and fraud.

For a detailed description of our responsibilities relating to the audit of the financial statements, please visit the website of The Royal Netherlands Institute of Chartered Accountants (NBA): www.nba.nl/standaardteksten-controleverklaring.

Report on other legal and regulatory requirements

Report on the Management Board report and the other information

Pursuant to the legal requirements set out in Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report on the Management Board report and other information):

- We have no deficiencies to report as a result of our examination whether the Management Board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been added.
- We report that the Management Board report, to the extent we can assess, is consistent with the financial statements

Appointment

On 26 October 2006, we were appointed by the Supervisory Board as the external auditor of Nederlandse

Waterschapsbank N.V. with effect from the audit for the 2007 financial year, and have operated as auditor since then. During the Shareholders Meeting held on 23 April 2015, a new external auditor was appointed with effect from 1 January 2016.

Amstelveen, 16 March 2016

KPMG Accountants N.V.

M. Frikkee, RA

Articles of Association provisions governing profit appropriation

With effect from the 2005 financial year, 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 profits, 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.

Proposed profit appropriation

(in thousands of euros)		2015	2014
Profit for the year		94,706	48,997
The proposed profit appropriation is as follows:			
Cash dividends on A shares A	0%	-	-
Cash dividends on B shares A	0%	-	-
		-	-
Added to the reserves on the approval of the Supervisory Board		94,706	48,997
		94,706	48,997

List of shareholders at 1 January 2016

	Number of A shares à € 115	Number of B shares à € 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 Board		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
Noorderzijlvest Water authority	1,107	170
Peel en Maasvallei Water authority	1,866	153
Province of Drenthe	15	25
Province of Friesland	24	25
Province of Gelderland	44	50
Province of Limburg	11	20
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
Rivierenland Water authority	3,968	437
Roer en Overmaas Water authority	535	146
Rijn en IJssel Water authority	5,666	345
Rijnland Water authority	4,858	289
Scheldestromen Water authority	4,380	166
Schieland en de Krimpenerwaard Water authority	610	430
State of the Netherlands	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

Summary of compliance with the principles of the Dutch Banking Code

In 2015 NWB Bank implemented the 'Future-Oriented Banking' package. The Regulations for the Managing Board, the Supervisory Board, the Audit and Risk Committee, the Remuneration and Appointment Committee, the Code of Conduct and further regulations were revised accordingly. The Corporate Governance chapter in the Annual Report addresses a number of aspects of the Dutch Banking Code.

PRINCIPLE	COMPLIANCE
Conducting business operations with restraint and integrity	
Formulate a mission, a strategy and objectives.	Managing Board Regulations, ¹⁾ Articles 1.1 and 1.3 Supervisory Board Regulations, ²⁾ Article 1.1 Supervisory Board Profile, ³⁾ Article 1.5
Positioning the bank.	Managing Board Regulations, Article 1.3 Supervisory Board Regulations, Article 1.1
Set up a governance structure and ensure compliance with the governance principles.	Managing Board Regulations, Article 1.2 Supervisory Board Regulations, Article 1.2
The Managing Board and the Supervisory Board must set an example and this will be evaluated accordingly.	Managing Board Regulations, Article 3.1 Supervisory Board Regulations, Article 2.1
Develop, communicate and enforce standards on integrity, morals and leadership in the bank.	Managing Board Regulations, Article 3.2 Supervisory Board Regulations, Article 2.2
The Managing Board and the Supervisory Board will ensure there are proper checks and balances and will safeguard a solid IT infrastructure.	Managing Board Regulations, Articles 1.6, 1.9 and 4.5 Supervisory Board Profile, Article 2.4
Promote responsible behaviour and a healthy culture in the interests of the bank's clients and other stakeholders, under the supervision of the Supervisory Board.	Managing Board Regulations, Article 3.3 Supervisory Board Regulations, Article 2.3
The principles in the Social Charter of the Dutch Banking Association apply to all members of the Dutch Banking Association. These principles must be embedded in the bank's organisation and the bank will use them as guidance in its contact with stakeholders. This will provide an insight into the way in which the bank deals with the principles in the Charter.	Managing Board Regulations, Introduction Supervisory Board Regulations, Introduction Code of Conduct, Article 1 ⁴⁾
Compliance with the formal rules and self-regulation by all employees and responsibility for ensuring compliance.	Managing Board Regulations, Introduction Supervisory Board Regulations, Introduction Code of Conduct, Article 1

1) Regulations of the Managing Board of NWB Bank, February 2015.

2) Regulations of the Supervisory Board of NWB Bank, February 2015.

3) Profile for the appointment of members of the Supervisory Board of NWB Bank, February 2015.

4) NWB Bank Code of Conduct, September 2015.

Supervisory Board	
Composition.	Supervisory Board Regulations, Article 3.7 Supervisory Board Profile, Articles 2 and 3.1.
Establishment of an audit and risk committee.	Supervisory Board Regulations, Article 6.1
Sufficient time, effort, commitment, critical and independent.	Supervisory Board Regulations, Article 1.10 Supervisory Board Profile, Articles 1.4 and 4.
Awareness of the bank's social role and stakeholders' interests.	Supervisory Board Regulations, Article 1.1 Supervisory Board Profile, Articles 1.5 and 2.6.
The members of the Audit and Risk Committee must have the requisite competencies and experience.	ARC Regulations, ⁵⁾ Article 2.2
Availability of a lifelong learning programme.	Supervisory Board Regulations, Article 4.2a
Content of lifelong learning programme.	Supervisory Board Regulations, Article 4.2a
Participation in lifelong learning programme and evaluation of its effectiveness.	Supervisory Board Regulations, Articles 4.2a and 7.3
Evaluation of the functioning of the Supervisory Board under independent supervision.	Supervisory Board Regulations, Article 7.4
Appropriate compensation for each Supervisory Board member.	Supervisory Board Regulations, Article 13.1

Managing Board	
Composition	Managing Board Regulations, Articles 1.3, 4.3 and 4.4
One Managing Director will have the duty of preparing decision-making on risk management.	Managing Board Regulations, Articles 4.8 and 4.9
The impact of potential systemic risks on the bank's risk profile.	Managing Board Regulations, Article 4.8
The availability and aim of a lifelong learning programme for the Managing Board.	Managing Board Regulations, Article 4.5
The content of the lifelong learning programme for the Managing Board.	Managing Board Regulations, Article 4.5
Each member of the Managing Board must take part in the lifelong learning programme and must meet the programme requirements.	Managing Board Regulations, Article 4.6

Risk policy	
A comprehensive approach to a transparent risk policy, which has both a short and long-term focus. The risk policy also takes reputational risks and non-financial risks into account.	Managing Board Regulations, Article 4.8 Supervisory Board Regulations, Articles 1.8c, 1.9 and 7.5 Supervisory Board Profile, Articles 1.7d, 2.3a and 2.4
Responsibility for risk policy and ensuring proper risk management.	Managing Board Regulations, Article 1.6
Supervisory Board approval of (material changes to) risk appetite proposed by the Managing Board.	Managing Board Regulations, Article 1.7a Supervisory Board Regulations, Article 7.2
The Supervisory Board will monitor the risk policy pursued by the Managing Board.	Supervisory Board Regulations Article 1.9 ARC Regulations, Articles 1.1a and 1.1b

5) Regulations of the Audit and Risk Committee of NWB Bank, February 2015.

Audit	
Systematic audit of risk management by the Managing Board.	Managing Board Regulations, Article 1.6
Presence of an internal audit function and the relevant reporting lines.	The NWB Bank Audit Charter ⁶⁾ provides that the Internal Audit Department (IAD) is directly accountable to the Chairman of the Managing Board. It is not subject to line management and is unrelated to the internal controls integrated into the various components of the separate business processes. The IAD reports primarily to the Chairman of the Managing Board. The Head of the IAD reports independently to the Audit and Risk Committee on the basis of the quarterly reports submitted to the Managing Board, and may contact the Chairman of the Supervisory Board Audit and Risk Committee directly. The Head of IAD will consult with the Chairman of the Audit and Risk Committee at least once a year (ARC Regulations, Article 4.6). In addition, the Audit and Risk Committee will hold at least one meeting each year with the internal auditor without the Managing Board being present (ARC Regulations, Article 1.3).
Periodic exchange of information between the IAD, the external auditor and the Audit and Risk Committee.	The IAD, the external auditor and the Audit and Risk Committee will periodically exchange information. The topics discussed during these information-sharing meetings will include the risk analysis and the IAD's and the external auditor's audit plan (Audit Charter).
The IAD, DNB (the Dutch Central Bank) and the external auditor will discuss each other's risk analysis, findings and audit plan. These talks will be encouraged.	The IAD will take the initiative to arrange talks with DNB/the European Central Bank (ECB) and the external auditor at least once a year to discuss each other's risk analyses, findings and audit plans at an early stage. The Managing Board and the IAD will encourage these periodic tripartite talks (Audit Charter).

6) NWB Bank Audit Charter, January 2016.

Remuneration policy	
A prudent, restrained and sustainable remuneration policy.	Managing Board Regulations, Article 6 RAC Regulations, Article 1a ⁷⁾ Assessment of NWB Bank's Remuneration Policy ⁸⁾
The total income of a member of the Managing Board.	Managing Board Regulations, Article 7.3 RAC Regulations, Article 1.b NWB Bank's Remuneration Policy for the Managing Board ⁹⁾
Variable remuneration of a member of the Managing Board.	Managing Board Regulations, Article 7.3 RAC Regulations, Article 1.b NWB Bank Managing Board Remuneration Policy

7) Regulations of the Remuneration and Appointment Committee of NWB Bank, February 2015.

8) Assessment of NWB Bank's Remuneration Policy, November 2014.

9) Remuneration Policy for the Managing Board of NWB Bank, September 2015.

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Picture on page 67: source: NWB Fonds, taken by Henk Loijenga (private collection)

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